

# One or Two Boards?

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At the first post-Copenhagen UNFCCC meeting (April 2010 in Bonn), Margaret Mukahanana the new Chair of the AWG-LCA was charged with drafting a text that amalgamates these outcomes to facilitate the forthcoming LCA negotiations. As concerns governance and architecture of climate finance, the new Chair's text essentially uses the preceding Chair's draft Copenhagen decision, with the one important change, namely to identify the former 'Climate Fund/Facility'<sup>1</sup>

## **THE FINANCE BOARD (FB) AND THE COPENHAGEN GREEN CLIMATE FUND (CGCF)**

According to this draft text, the FB of the Financial Mechanism (FM) shall be *under the guidance of and be accountable to the COP*. It shall be serviced by a secretariat. Following Art 11.2 of the Convention, it shall have a *balanced and equitable representation* of Parties and a transparent system of governance. Its remit is roughly:

- (i) assess the needs for, and sources and flows of international climate change finance, and recommend a balanced allocation across thematic areas;
- (ii) recommend provisions for keeping track of the support provided to developing countries;
- (iii) to provide guidance/assistance and ensure accountability of the operating entities of the FM, and review their operating modalities;
- (iv) to assist in matching financial support with needs.

The CGCF, in turn, is to be established as an *operating entity* of the FM. It shall be governed by a Board with an equitable and balanced representation and be serviced by a secretariat. It may establish specialized funding windows.

The LCA Chair's draft text reflects quite closely the set up envisaged under the latest (Mark II) version of the Reformed Financial Mechanism proposal (see below), except for the fact that (i) coordination is outsourced to other operating entities, and (ii) that the 'main' operating entity is meant to operate the system of throughput resource disbursement to devolved national funding entities. The fact that no mention is made of this sort of resource throughput is probably the greatest lacuna in the LCA Chair's text.

## **THE LCA-CHAIR'S AND THE RFM PROPOSAL**

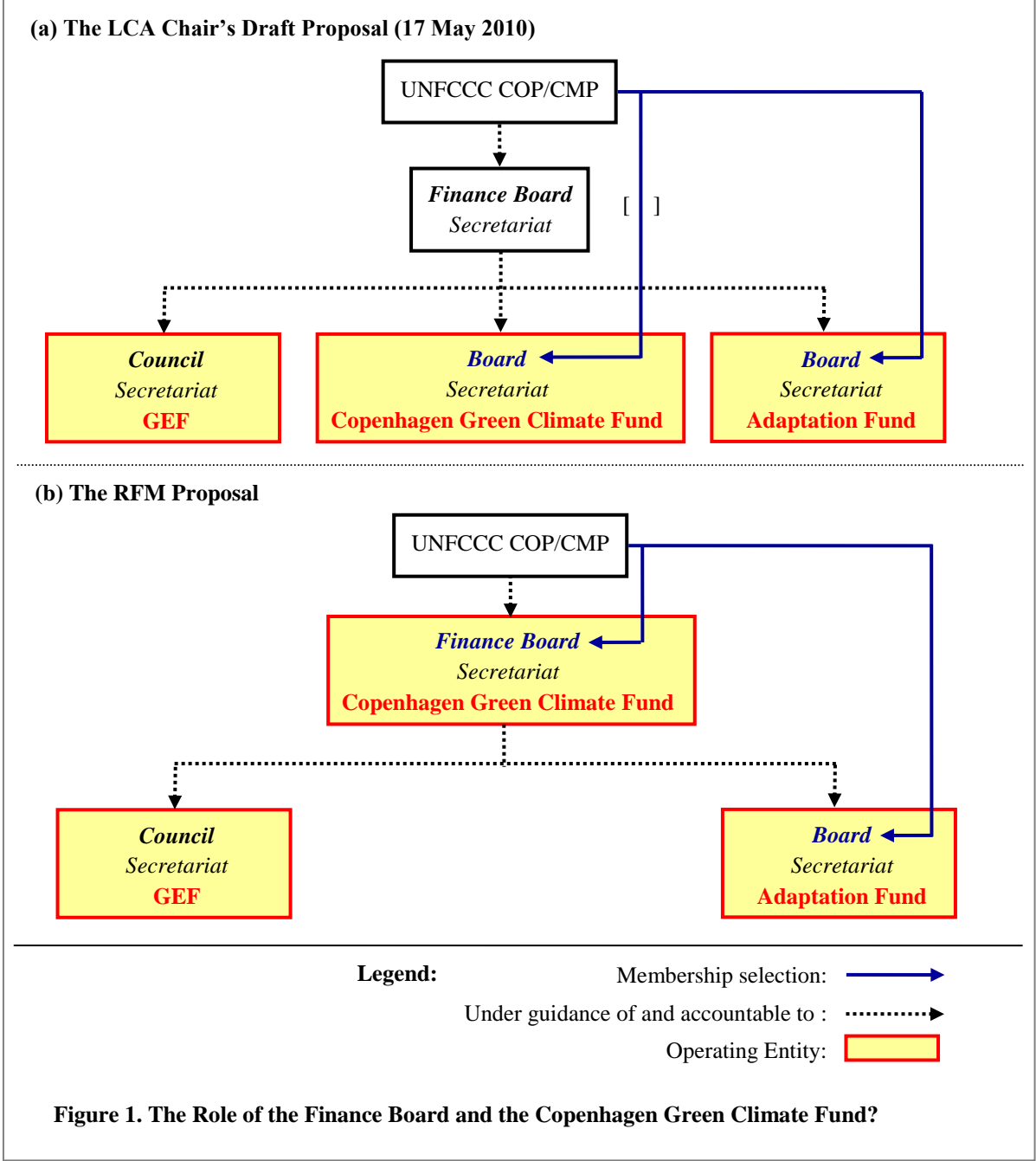
One architectural difference between the recent LCA-Chair's and the most recent RFM proposal lies in the number of Boards and Secretariats. As suggested in Figure 1.b, the RFM proposal essentially amalgamates the Finance Board and the Copenhagen Green Climate Fund as put forward in the Chair's text (Fig. 1.a).

The fact is that both versions have their merits and draw-backs, mostly depending on what one envisages would be the function of the CGCF. Based on the fact that according to the

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<sup>1</sup> UNFCCC, "Text to facilitate negotiations among Parties: Note by the Chair", FCCC/AWGLCA/2010/6, 17 May 2010, pp.12-4.

Chair’s text, the CGCF is meant to *provide simplified, improved and effective access to financial resources in a timely manner*, the CGCF could clearly operate a disbursement facility (as envisaged in the RFM proposal). And if the main, if not only purpose of the CGCF were to operate such disbursements then it would be sufficiently different in character from the other operating entities to allow for the sort of amalgamation envisaged in the RFM proposal, i.e. to have the Finance Board as the board of the CGCF.



However, if the CGCF is conceived to be ‘just’ another fund – albeit at a presumably larger scale than the other existing operating entities – then one could argue that giving oversight over the other operating entities to the CGCF would not be appropriate due to a potential for conflicts of interest. In that case, it would indeed be more appropriate to have a separate Finance Board.