

Workstream I: Scope, guiding principles, and cross-cutting issues Working paper

I. Introduction

1. The working paper is based on:
 - (a) Submissions by TC members and observers;
 - (b) Views expressed at the first technical workshop;
 - (c) Mapping of linkages with other workstreams.
2. The working paper synthesises these various inputs and attempts to present commonalities as discrete options for consideration by the TC. The paper also highlights key issues or points of divergence which the TC will discuss.
3. In addition this paper includes an initial mapping of the inter-linkages across workstreams (see annex 1). It is intended that this initial mapping be used to facilitate an early focus on the implications of decisions in one workstream on the GCF issues being considered in other workstreams. The submissions on issues under the Workstream I from TC members are compiled in annex II.

II. Scope of the Green Climate Fund

4. There is convergence among views of members that the GCF should aim to provide scaled-up, predictable, adequate new and additional funding to support adaptation, mitigation, capacity-building, technology transfer projects, programmes, policies and other activities in all developing countries for promoting low emission and climate resilient development, consistent with their sustainable development priorities in order to contribute to the achievement of the ultimate objective of the Convention, in accordance with its principles and provisions:
 - (a) *Cluster of views 1*: for enhancing the full, effective and sustained implementation of the Convention.
 - (b) *Cluster of views 2*: in line with keeping global average temperature increase below 2 C and reduce vulnerability and build resilience, taking into account the urgent and immediate needs of those developing countries that are particularly vulnerable. An approach was also presented that the GCF should also prioritize developing countries that are particularly vulnerable to adverse impacts of response measures including economic diversification.
 - (c) *Cluster of views 3*: to meet the ultimate objective of the Convention for stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.
 - (d) *Cluster of views 4*: to enhance implementation of the Convention in order to achieve its ultimate objective in full accordance with its principles and commitments. It was also highlighted that the principle of equity and common but differentiated responsibilities and respective capabilities and Article 4 of the Convention should be considered in this regard.
5. It was also noted that human development and poverty reduction should be part of the goals and objectives of the GCF.

III. Guiding Principles of the Green Climate Fund

A. Overall guiding principles

6. There is convergence among views of members that the GCF should be guided by the relevant principles and provisions of the Convention, in particular Article 11 of the Convention, for mobilization, governance and delivery of financial resources to all developing countries, taking also into account the urgent and immediate needs of those developing countries that are particularly vulnerable to the adverse effects of climate change.

7. There is convergence among views of members that the GCF should operate under the guidance and be accountable to the COP while some members also emphasised that the GCF should operate under the authority of the COP.

8. There is convergence among views of members that the GCF should:

(a) Operate under the principles of efficiency, effectiveness, innovation, flexibility, responsiveness, country ownership and have measurable impacts;

(b) Operate under the overall principle of generating transformational changes in developing countries and bring added value to the existing mechanisms and institutions while enhancing complementarity of its activities; and

(c) Be a continuously learning institution, guided by the principles of constant improvement of its performance and attractiveness to investors of different nature.

9. It was also proposed that the GCF should be guided by principles of aid effectiveness, such as the Paris declaration (principles of ownership, alignment, harmonization, results, mutual accountability) and Accra agenda for action (ownership, inclusive partnerships and delivering results), in delivery of climate financing.

B. Guiding principles for the objectives

10. There is convergence among views of members that the objectives of the Green Climate Fund are to:

(a) Play a catalytic role in assisting developing countries in their efforts to pursue transformational low-emission and climate-resilient development paths;

(b) Transform the delivery of climate finance through simplified, improved and direct access to significant new and additional financial resources by developing countries, while ensuring rigorous environmental and social safeguards and fiduciary standards;

(c) Promote strong country ownership in identification, formulation and implementation of programmes and projects by building capacity, including institutional capacity for project planning, application and implementation;

(d) Mobilize and leverage funding from other channels, including the public and private sector at both international, and national levels where applicable, through mix/blending of various financial instruments.

11. An approach was also presented that the GCF should function as a catalyst and not a financial intermediary.
12. There is convergence among views of members that the GCF should promote results-based approaches in delivery of climate financing to developing countries while it was also cautioned not to use these approaches as conditionalities in delivering climate finance.
13. There is convergence among views of members that the GCF should seek to utilize results-based approaches in delivery of climate financing to developing countries, primarily for mitigation actions and as appropriate:
 - (a) *Cluster of views 1*: taking into account different capacities in developing countries.
 - (b) *Cluster of views 2*: taking into account national contexts and local realities.
 - (c) *Cluster of views 3*: recognizing diverse capacities.
14. It was also noted that the Fund should promote realization of environmental and social co-benefits.

C. Guiding principles for thematic scope

15. In outlining the thematic scope of the GCF, there is convergence among views of members that the GCF should enable and support projects, programmes and policies in developing countries, at both national and/or regional levels, for enhanced action on mitigation, including REDD plus, adaptation, technology development and transfer, and capacity building using thematic funding windows and appropriate financial instruments.
16. It was also noted that thematic windows would reflect different thematic areas as well as, if appropriate, the different nature of funding. The windows would be created bearing in mind a dynamic approach.
17. An approach was also presented that support for enhanced action on mitigation should include carbon capture and storage.
18. Many members proposed that the GCF should provide new and additional grant and concessional funding to meet:
 - (a) *Cluster of views 1*: agreed full incremental cost of policies and measures for enhanced action through thematic funding windows, with funding allocated between adaptation and mitigation in a balanced manner, yet remaining comprehensive in thematic, sectoral and geographic coverage.
 - (b) *Cluster of views 2*: agreed full incremental cost of policies and measures for enhanced mitigation action and agreed full cost of enhanced adaptation action through thematic funding windows, with funding allocated between adaptation and mitigation in a balanced manner yet remaining comprehensive in thematic, sectoral and geographic coverage.
 - (c) *Cluster of views 3*: additional/incremental cost of policies and measures for enhanced action on mitigation, adaptation, technology development and transfer and capacity building.
19. An approach was also proposed that the GCF should fund full cost of preparation of National Communications (NATCOMs) and associated biennial reports and their updates.

20. There is convergence among the views of members that the GCF should have mitigation, adaptation and REDD plus windows, however some members have proposed additional thematic funding windows for the GCF like a window to leverage private sector and technology window and others. Many members have noted capacity building as a cross-cutting thematic issue, which should be an integral component of all the thematic windows.

21. It was also noted that the Board of the GCF should retain the capacity and flexibility to add new funding windows, sub-windows or focal areas. However, an approach was presented that establishment of new windows by the Board would require approval by the COP while another approach highlighted that only the COP could establish additional windows. Some members also highlighted that this issue should be addressed in Workstreams II and III.

22. There is convergence among views of members that the windows should be operated in a manner that supports integrated climate change approaches, such as low-carbon/climate-resilient development strategies.

D. Guiding principles for country-led and results-based approaches

23. There is convergence among views of members that the GCF should promote strong country ownership in delivery of financial resources to developing countries through involvement of relevant national institutions and stakeholders in national planning, programmes and project identification, formulation and implementation.

24. Many members have highlighted that direct access to financial resources is a key modality to enhance country ownership in project identification, formulation and implementation.

25. Further there is convergence among views of members that the GCF should transform the delivery of climate finance through simplified, improved and direct access to financial resources by developing countries, while ensuring rigorous environmental and social safeguards and fiduciary standards.

26. An approach was also presented that access to financial resources to developing countries should be granted through the National Implementing Entity (NIE), which should have the role of coordinating and implementing a nationally appropriate development strategy for climate change. This member further noted that access of the private sector institutions or bodies to the GCF should be facilitated through the NIEs. It was also highlighted that this issue should be addressed in the Workstream III.

27. Many members highlighted that development of national/regional mitigation and adaptation strategies like LEDS, NAMAs and NAPs would be crucial to enhance country ownership and the allocation of funds should ensure the coherence and consistency between the actions engaged with international funding and the national development strategies and priorities.

28. Many members proposed that the GCF should seek to utilize results-based approaches in delivery of climate financing to developing countries, primarily for mitigation actions and as appropriate:

- (a) *Cluster of views 1*: taking into account different capacities in developing countries.
- (b) *Cluster of views 2*: taking into account national contexts and local realities.
- (c) *Cluster of views 3*: recognizing diverse capacities.

29. It was also noted that results-based approaches should be part the operational modalities of the GCF.

30. Further, it was noted that ex ante performance objectives and criteria to evaluate the performance of funding by the GCF.

31. An approach was presented that GCF in its operations should apply the precautionary principle by not funding activities that have no clear climate benefit but instead could harm sustainable development objectives.

E. Guiding principles for size and scalability

32. There is convergence among views of members that the GCF should be ambitious and a major state-of-the-art Fund, that is flexible and scalable over time, channel a significant share of new multilateral funding for adaptation and be able to accept a range of:

- (a) *Cluster of views 1*: public sources.
- (b) *Cluster of views 2*: public and alternative sources.
- (c) *Cluster of views 3*: public, private and alternative sources.

33. Many members emphasised that the GCF should be designed in such a manner that will be attractive for donors and investors.

34. It was also proposed that the developed countries should provide the resources to the GCF on the basis of assessed scale of contributions in order to ensure predictability and scalability.

35. An approach was presented that the size of the GCF would also depend on the instruments it employs and noted that a purely grant instrument will be of smaller size than if it operates with a array of instruments.

F. Guiding principles for complementarity and value-added:

36. There is convergence among views of members that complementarity between the GCF's activities and those of other operating entities of the Convention and other bilateral, regional and multilateral funding mechanisms and institutions shall be enhanced through the use of a variety of financial instruments in delivery of climate financing as well as through its governance.

37. Further there is convergence that the GCF should contribute to the goal of achieving coherence in the global climate finance architecture. It was also noted that the GCF should employ a cohesive and integrated approach to climate change funding.

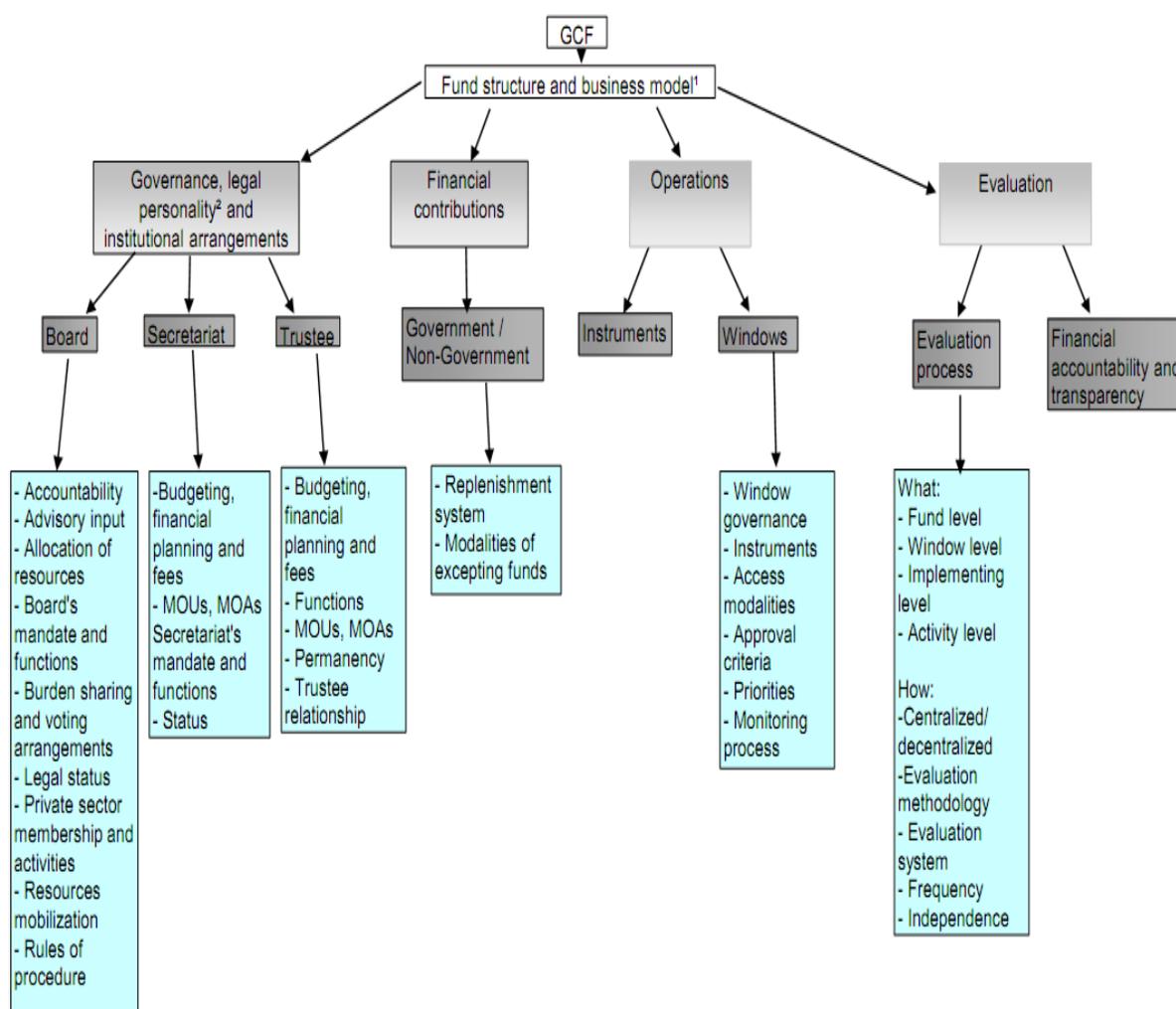
38. There is divergence among views of members on the role of GCF in enhancing coherence vis-a vis the role of the Standing Committee.

39. An approach was presented that the GCF should be endowed with new institutional mechanisms and notably (i) new coordination mechanisms in order to ensure complementarity between the different actors and (ii) the proper implication of stakeholders on the ground.

Annex I

Mapping of linkages of issues under Workstream I with other workstreams

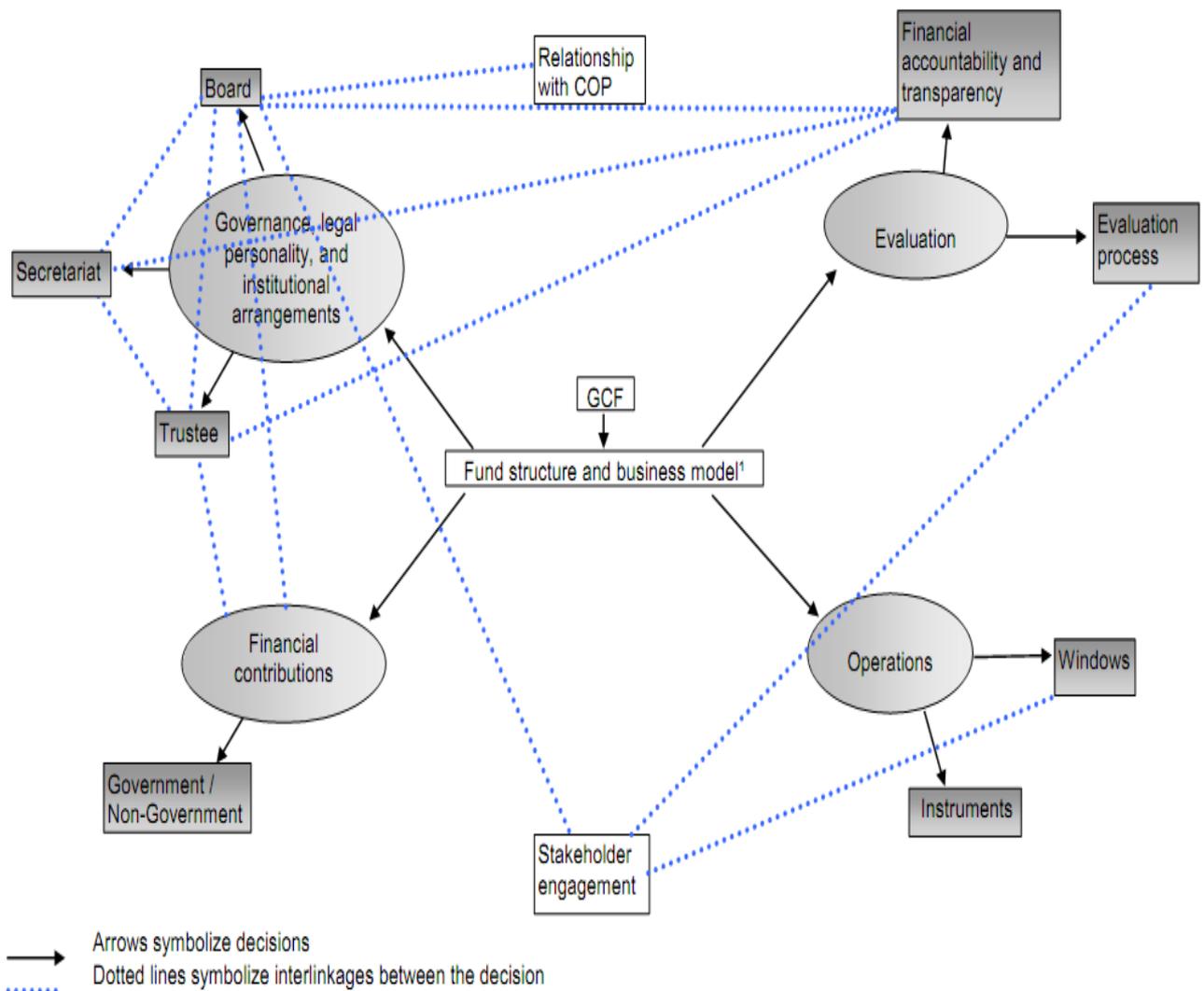
Annex 1a: Key decisions in the design of the Green Climate Fund



Footnotes:

1. Business model options are: a) Stand-alone, absorbing other existing multilateral sources; b) Stand-alone in parallel with the GEF, AF etc, c) any other model to be created.
2. Legal personality includes decisions on privileges and immunities, international juridical personality, and legal capacity.

Annex 1b: Interlinkages between the first layer of key decisions in the design of the Green Climate Fund



Footnotes:

1. Business model options are: a) Stand-alone, absorbing other existing multilateral sources; b) Stand-alone in parallel with the GEF, AF etc, c) any other model to be created.

Annex II

Views by TC members on the Scope, guiding principles, and cross-cutting issues

I. Submission by Ms. Vanesa Valeria D'Elia (Argentina)

General Remarks

As regards Climate Change Financing, Argentina understands that the principles enshrined in the United Nations Framework Convention on Climate Change (UNFCCC) should be preserved, especially those of equity and common responsibilities, but differentiated between developed and developing countries.

In this regard, it is considered that these historical responsibilities of developed countries should be the factor determining the distribution of the economic burden for implementing mitigation and adaptation actions in developing countries. Therefore, the starting point should definitely be the contribution made by developed countries. We understand that public funding, private funding, and the carbon markets are essential to address climate change, but public funding should have a prevailing role over the other income sources.

The architecture of this Fund should be equitable and effective to ensure that the financial mechanism governance does not replicate the financial access limitations and under-representation of developing countries in International Financial Agencies.

In addition, Argentina understands that the Green Fund for Climate Change should take the necessary actions to guarantee the provision of new resources, additional to those of the Official Development Assistance (ODA) and will be so designed that it is seen as a major player across Climate Change financing funds. These resources should also be adequate, predictable and verifiable, with a balanced approach between adaptation and mitigation, thus ensuring the increase in access by all developing countries, including direct access.

Specific Remarks

In particular, we remark some elements referring to the questions raised by co-facilitators. Although that broad objectives and guiding principles of the GCF have been agreed in decision 1/CP.16, we emphasized that the GCF shall be guided by the principles and provisions of the Convention. In these sense, the GCF is the fund that developing countries were looking for and should aim to catalyze a transformational change in climate finance, assisting developing countries for low carbon and climate resilient sustainable development.

As regards the thematic scope, the GCF should ensure the provision of the Convention that the implementation of financing commitments "shall take into account the need for adequacy and predictability in the flow of funds" (Article 4.3). It seems clear that predictable (not only available) funding is needed to all developing countries in order to have long term adaptation and mitigation plans, with no exclusion or discrimination of any country. In these regard, direct access modality could ensure equitable distribution criteria while minimizing bureaucratic obstacles to access to resources. It could also ensure accountability on the efforts made by developed countries, avoiding excessive burdens or costs on developing countries.

The GCF was created to close the financing gap that currently exists, especially in adaptation finance, but also in other matters that are very sensible for developing countries, like technology development and transfer and capacity building. This gap was also extended by the lack of public resources in the existing financial contributions. Private financing is deficient to meet adaptation needs of developing countries. The main public resources should be provided through grants or concessional basis instruments, ensuring as well that financial contributions should be counted as new and additional.

Regarding accessibility to GCF resources, Argentina considers that should be used a broad and flexible approach, avoiding using too rigid and restrictive criteria that could cause unfair exclusion of countries or limits their access to necessary resources to fight climate change. The criteria for accessing GCF funds should not be based primarily on the financial profitability of the projects submitted, but should take into account issues related to the innovation of the project in terms of sustainable development, present and future economic and social benefits from such innovations as well as the degree of technological and productive transformations and co-benefits that have emerged. This means that should not be taken into account only the emission reductions that can be achieved with the project, but also the quality of such reductions.

Finally, Argentina considers that the GCF should enhance country ownership and priorities and respect the country involvement in the formulation and implementation processes. In this regard, direct access could contribute to this aim, offering a flexible approach to access funds directly through a range of options for developing countries to submit proposals and to receive, manage and spend financial resources.

II. Submission by Mr. Sergio Barbosa Serra (Brazil)

1. Principle and objective

The Green Climate Fund (CGF) should be guided by the principles of the UNFCCC, especially by the principle of common but differentiated responsibilities. The objective of the CGF is to support projects, programmes, policies and other activities in developing country Parties with the aim of implementing action on mitigation and adaptation.

Negotiations on the programming of resources can be undertaken after the fund is operational to define priorities to be implemented for an agreed period of time. The Transitional Committee can consider the adequate forum for these discussions. In Brazil's view, these programming negotiations should take place in a broader forum, such as the SBI, for the approval of the COP.

2. Thematic Scope

Thematic windows can work as an instrument to guarantee balance between mitigation and adaptation, as well as a means to guarantee finance to other relevant areas. As both mitigation and adaptation constitute broad areas of work, it can be expected that the Fund Board will want to create sub-windows/focal areas according to future discussion on programming and priorities. The creation of sub-windows/focal areas should be flexible, while the windows for mitigation and adaptation are to be permanent.

Two further permanent windows should be created: Technology Window and Capacity Building/Enabling Activities Window. Those windows are meant to guarantee financing to areas that would not usually find finance sources elsewhere, such as research and development of new technologies, demonstration projects, capacity building and other enabling activities that will allow countries to not only implement activities, but also access resources. Even though it is expected that some mitigation and adaptation activities will have a technology or a capacity building component, those two windows aim at financing activities that are not directly related with the implementation of specific activities.

The use of resources allocated in each window can be flexible, allowing for cross-cutting initiatives to use resources from different windows. (The same paragraph was submitted to workstream III)

3. Size and Scalability

The CGF should be able to operate 100 billion US dollars a year by 2020. It would have to potentially scale-up, however, because this amount is not meant as a ceiling, but rather as a mid-term commitment. There are several reports that state that financial needs are greater than USD 100 billion and the CGF should be prepared to adapt to new realities.

4. Country-led and result-based approaches

The country-led principle will be best operationalized by the availability of direct access modalities in all areas. Direct access must be widely used in CGF operations if the Fund is to contribute in a transformative way. Options to work directly with Governments, such as result based payments, should be considered in addition to national agency accreditation processes. Modalities for direct access should, in principle, be available in all areas, but such modalities, such as result based can be matched with the appropriate areas in a later phase, during a programming negotiation. (Similar paragraph was submitted to workstream III).

5. Complementarity and Value Added

Complementarity entails the evaluation of activities in other institutions and gaps arising from them. The CGF, however, should not undertake those evaluations. The COP, advised by the Standing Committee, will address coordination and potential gaps, guiding the CGF in its work.

III. Submission by Mr. Remy Rioux (France)

1. *How could/should this Fund be different from existing climate funds?*

1/a **scaling up** in the volume engaged for mitigation and adaptation, by leveraging the existing funding and new ones, with a special focus on the private sector.

2/an efficient and effective delivery of funding:

- ensure **an efficient and effective complementary with the existing funds and actors** through coordination mechanisms, development of **innovative tools** (financial + technical), filling current gaps, etc.
- Develop a collaborative approach to properly address the demand, taking into account the different capacities of the countries, **to ensure a proper ownership of the architecture designed** and the mechanisms implemented both from the developed and the developing countries, including direct access mechanisms.
- Play a **catalytic and transformational role** in developing countries to shift into a low-carbon development.
- Ensure enhanced transparency and accountability rules to build trust among stakeholders and guarantee that resources are efficiently used to tackle the needs of developing countries to tackle climate change.

3/coverage of the needs currently not totally addressed (forestry, most vulnerable countries...).

In order to achieve these goals, the GCF should be endowed with (potentially new) specific instruments:

-A vast array of innovative tools and instruments that include:

- The development of new financial tools (grants, concessional loans, guaranties, equity, insurance mechanisms, risk sharing mechanisms, performance based programs, budget support and other financial products where appropriate), in particular to leverage private sector financing at a larger scale and from more diverse sources than previously achieved. The New Fund should in particular facilitate a real mix/blending of the different financial tools to optimize the use of scarce public funding and play a catalytic role. The GCF could directly develop these instruments or facilitate their creation/development by existing financial institutions
- New institutional mechanisms and notably (i) new coordination mechanisms in order to ensure complementarity between the different actors and (ii) the proper implication of stakeholders on the ground and (ii) streamlined and simplified access to finance.
- The creation within the GCF of thematic windows that should be built on to properly cover the adaptation and mitigation needs of developing countries., while keeping a transversal vision as many sectors/themes interact one to each other.
- Arrangements to ensure that the global structure will be light and will stay flexible to allow for an evolution in the future years.

- A proper results-based evaluation system, a sound financial management and MRV arrangements, which give donors countries the confidence to put resources into the system, including from innovative public sources, and give recipient countries the confidence to take action.

2. *Some broad objectives and guiding principles of the GCF have been agreed on the decision 1/CP.16 Cancun Agreements. How can these be further developed and operationalized?*

The workstreams II, III and IV will have key responsibility to work toward the operationalization of the broad objectives and guiding principles that have been agreed in Cancun and that will be agreed by the TC on the basis of the work provided in work stream I. Indeed, regarding decision 1/ CP.16. the broad objectives and guiding principles of the GCF that have been agreed on can all fall into the different workstreams that will work on their operationalization.

Regarding the other objectives and guiding principles related to Finance and contained in the Cancun decision (e.g. “new and additional, predictable and adequate funding”, the rationalization of the financial mechanism...), there are not included in the TC mandate and are matters for the COP and its subsidiary bodies to discuss in the Convention context.

Apart from these broad principles, workstream I should also consider best practice guidance and principles for aid effectiveness such as the Paris declaration (principles of ownership, alignment, harmonization, results, mutual accountability) and Accra agenda for action (ownership, inclusive partnerships and delivering results). These principles should be applied in the design of the GCF.

3. *How many and what thematic windows should be adopted? What activities should be covered by each thematic window?*

4. *Should the number of thematic windows be determined by the founding size and design of the fund or should more be added by the Board as the Fund’s capital grows in size or/and new needs are identified?*

For efficiency purposes, the setting-up of a funding window should be justified by the specific characteristics of the actions to implement in order to limit the number of funding windows. The more there are windows, the less the Fund will develop synergies.

It seems that, in order to properly address the different needs to tackle climate change, the GCF could start out with **dedicated thematic funding windows for instance mitigation, adaptation and forest (REDD+)**. The other areas covered by the GCF such as capacity building and technology transfer are cross-cutting issues whose funding can be provided by one of the funding windows. However, further analysis should be undertaken to determine which themes justify the creation of a specific funding window.

Within the mitigation window, funding priority should be given to transformational actions and performance-based activities (in terms of GHG reduction). Part of the funds could be allocated for market readiness actions. A crediting mechanism linked to the international carbon markets could also be envisaged.

Within the adaptation window, the priority should be given to the most vulnerable countries, especially in Africa, and to the most affected communities.

As far as the REDD+ window is concerned, based on the experience from the GEF and the Forest Carbon Partnership Facility (FCPF), the GCF could further develop and implement, in complementarity with this fund as well as other initiatives, the graduated approach (three-phased approach) adopted by the COP in the Cancun Agreement.

However, it would be important to create synergies among the funding windows. Indeed, many adaptation activities have mitigation co-benefits, and vice versa and the GCF should seek out these funding opportunities. It is all the more true dealing with forestry. **Moreover, the Board should retain the capacity and flexibility to add new funding windows** and the global structure should therefore stay flexible to allow for evolution (regarding needs, additional capital or new instruments). The Board could for instance envisage sub-windows for certain financial instruments (including instruments which could, for instance, be funded by institutional or sovereign investors) or for certain type of activities/actors for instance for the private sector within the mitigation window.

5. *The Cancun Agreement refers to “balance” between mitigation and adaptation. How do we define and achieve “balance allocation” between mitigation and adaptation?*

The objective to develop adaptation funding is legitimate since there is a need to elaborate development policies that integrate adaptation, to finance corresponding investments, and to set up insurance mechanisms and tackle corresponding market failures. Moreover, the most vulnerable are the poorest countries and among their population, the poorest part will be strongly affected and they do not necessarily have access to climate financing when this latter is focused only on mitigation actions. Therefore, adaptation funding could help them to face with the consequences of climate change.

However, without prejudice to the objective to reach a balanced allocation, the funding should be used efficiently. Thus, a strict equality between mitigation and adaptation funding would not be relevant for mainly two reasons: i/ mitigation could be seen in a way as a more urgent requirement since it would help to reduce the cost of adaptation in the future ii/ the type of funding may be different: a dollar spent on mitigation is not equal to a dollar spent on adaptation.

6. *What is the foreseen size of the GCF compared to other existing funds?*
7. *What is meant by “large scale” in terms of expected volume of the GCF, and should a minimum and maximum volume be considered?*
8. *Should the GCF design be scalable over time, or should the GCF design immediately match the volume goal?*

The size of the CGF will only be one of the elements that will determine its impact on the ground. This will overall mainly depend on whether the GCF is well designed or not. In order to ensure a transformational and catalytic role, the GCF would need to be able to have a notable impact on the actions currently undertaken in favor of climate change in developing countries. Therefore, the question is more on how to ensure the most important leverage effect of the resources that would be managed by the GCF.

The exact size of the Green Climate Fund will depend on an important number of parameters that still are to be defined. *In fine* the size of the Fund will depend on the attractiveness of the GCF for the donors, which itself will highly depend on the way it is designed.

It will also be important to have a Fund scalable over time, in order to allow for increasing funding and for tackling new climate-related challenges.

9. *How could the GCF encourage the application of the country led principle?*

The GCF could encourage the application of the country led principle under three dimensions:
1/Proposals to the Fund should be identified and developed by developing countries, based on **country-level multi-stakeholder partnerships** (government including all ministries, civil society, private sector, national development agencies, international actors active in the countries...) designed nationally. A full stakeholder engagement should be ensured to make sure that there is a proper ownership of the actions and programs financed.

2/Country ownership will be ensured if the actions funded are **based on resilient low carbon development strategies** (including NAMAs, NAPAs, LEDs...). Therefore, the development of such national strategies will be crucial and the allocation of funds should ensure the coherence and consistency between the actions engaged with international funding and the national development strategies and priorities.

3/**Streamlined and simplified access to finance, including “controlled” direct access should be encouraged.** Transaction costs should be reduced and the simplest methods for delivery of finance used (true for both bilateral, multilateral and carbon finance). In this respect, all international, national or local financing institutions, including in the most vulnerable countries, should have access to the fund if fulfilling agreed fiduciary standards.

Regarding direct access to GCF's funding, the work stream III should further work on the ways for the GCF to adequately tackle this important issue for the effectiveness of the funding's delivery,

notably by drawing lessons from the experience of the Adaptation Fund and the Global Fund (GFATM).

10. What is needed to ensuring country led principle alongside the application of environmental and social safeguards as well as international accepted fiduciary standards and sound financial management?

Environmental and social safeguards as well as international accepted fiduciary standards and sound financial management are key principles in order to both (i) ensure the confidence of the contributors into the Fund; (ii) have a proper and efficient/effective use of the funds (no misuse, no negative impact on the environment or the local population which would go against the GCF global objectives).

For the last years, there have been significant progress made on these issues in the Development Banks and the GCF should move forward from this. In particular, the World Bank has developed safeguards policies and IFC has developed additional environmental and social criteria for the private sector. Regarding the climate funds, the GCF could on this issue benefit from the GEF's current experience to apply such safeguards¹.

Regarding the application of environmental and social safeguards as well as international accepted fiduciary standards, some guiding principles should be considered:

- all the implementing agencies/entities shall be required to meet the environmental and social safeguards criteria as well as international accepted fiduciary standards as defined by the Board;
- when auditing the implementing entities, the evaluation should also be about the effective respect of all these criteria;

11. How could the GCF encourage result based approaches among different thematic areas? What are the options for implementing result based approaches?

A result-based approach should be a prerequisite in the design of the Fund. There should be established so that it incentivizes the achievement of ambitious targets and indicators set up for each type of activities/programs etc. Efficacy and efficiency should be key words.

In particular, there is a strong need **to define as much as possible ex ante performance objectives and to develop new and innovative methodologies of impact evaluation.** The GCF should where appropriate develop « pay for performance » mechanisms in order to make sure that allocation of funds is based on effective efforts made by developing countries and avoid any windfall gains.

Nevertheless, the specifics of the different thematic areas need to be taken into account.

Regarding mitigating, a carbon accounting for mitigation could be adopted on order to make the Board able to judge the progress of the GCF toward the emissions reduction objective. Results should also focus on the transformational effects and on the *additionality* of the GCF funding (coverage of the incremental costs).

Regarding adaptation, increasing resilience is essential and need should be further work to develop indicators that will help the Board to assess adaptation funding on the short term (emergency indicators) and on a longer term (resilience indicators).

For REDD+, further work should be made in order to progressively evolve into a result-based funding mechanism. This should be done once the GCF is set up and in close cooperation with such specific funds as the FCPF that has already acquired an important experience on this issue.

Nevertheless, the results-based approach should also take into account the national strategies and the need to properly address needs that are insufficiently covered at the moment. It should also be

¹ The GEF Secretariat used the approach and criteria contained in the World Bank's *Operational Policy 4.00: Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank Supported Projects* as a point of departure in crafting the proposed safeguards policy.

included into a robust global result-framework that will be crucial to ensure transparency and effectiveness in outcomes and spending of funds.

On this issue, lessons learned from existing result frameworks and from the CDM methodology (regarding emissions reductions and additionality of funds) will be of particular importance.

12. What should be the value-added of the design and operations of the Green Fund?

13. What role should the GCF play among climate finance entities?

14. How will the GCF ensure complementarity between the Fund's activities and those of other bilateral, regional and multilateral funding mechanisms and institutions?

This is a key question for the TC to consider given the range of existing funds, public and private sector activity on climate change.

The GCF could play a leading role in the definition of global climate finance framework and could act as an anchor for climate finance worldwide, reducing the complexity and increasing the efficiency of funding. Although the rationalization of the overall climate architecture is not in the mandate of the TC and of the GCF, the GCF could nevertheless both improve the way climate finance is delivered and increase the overall environmental and economic impact of climate finance by playing a catalytic role. If designed properly and appropriately, the Fund has the potential to be a key multilateral funding mechanism for climate change internationally, bringing together existing climate change funding entities to ensure a cohesive and integrated approach to climate change funding.

However, the GCF should be built on the existing funds and mechanisms and not duplicate them. It will play an important but not exclusive role in this architecture: it will have an integrating and complementary role rather than a centralizing one.

To concretely address the complementary role of the GCF, there should be a focus on two main aspects:

- Financial instruments that are needed to bring complementary resources to the existing actors on the ground ("fund of funds") and complete the financing plan of their projects/programs and more generally to leverage their climate finance operations. This will be further developed by the workstream III.

- Coordination mechanisms between actors necessary to enhance their cooperation on the ground. On this aspect, the GCF could favor, through the disbursement of fund, a closer collaboration and consultation process between the different actors that are present on the ground and therefore improve the cost effective deployment of financial flows. Such cooperation and information-sharing mechanisms should be further explored with the other actors, national, bilateral, regional and multilateral and draw on lessons learnt from existing funds (CTF partnership, GEF, Global Fund's country coordination mechanism, European facilities....) with a clear input of national authorities.

IV. Submission by Mr. Michael Adande (Gabon)

On Workstream I

In terms of objectives, Gabon agrees with most submitters. The Fund should be guided by the principles of the Convention and should be characterized by accountability, transparency, efficiency, country ownership, flexibility, responsiveness to developing country needs.

In terms of Thematic windows, the Fund should be established for adaptation, mitigation and REDD plus and for Technology as we believe this is a key component for developing countries

The Fund should Country led whilst maintaining a strong focus on the overall objective of the fund

We agree with the view that the Fund should promote coherence and complementarity between the Fund and other regional and multilateral, funding mechanisms and institutions

The Fund should be 'Transformative'. The only issue is the content of the word. What does it mean substantively.

V. Submission by Mr. Y V Reddy (India)

India welcomes the opportunity to present views to the Transitional Committee for the design of the Green Climate Fund on various issues relating to the work of the Committee. Pursuant to the deliberations held in the first meeting of the Committee held on 28-29 April, 2011 in Mexico and the subsequent technical workshop held on 30 May – 1 June, 2011 at Bonn, Germany, India submits its views on the issues relating to the first work-stream i.e. scope, guiding principles and cross cutting issues as follows.

Scope, guiding principles and cross cutting issues

The Green Climate Fund (GCF) should provide improved, fair and more efficient funding mechanism with easy access for the parties/governments to financial resources to address climate change.

The size of the Fund indicated in the Cancun decisions is indicative. The resources to be provided should be committed and scaled up in accordance with the assessment of the needs of the developing countries for adaptation and mitigation.

Large and significant part of the resources, preferably with a minimum scale prescribed, should be committed by parties and flow through the Fund.

Irrespective of the sources, the resources should be generated, managed and provided by the Fund, on predictable, verifiable, and scalable manner. These principles should guide the way in which the instruments are designed and resources are managed.

The provision of resources to the Fund should be a responsibility of the parties even though the resources may be generated from a wide variety of sources, public and private, bilateral and multilateral. Parties should provide the resources on the basis of assessed scale of contributions in order to ensure predictability and scalability.

The resources to be provided by the developed countries to the Fund should be new and additional. These should be provided through budgetary mechanisms of developed country parties and could be generated, according to the national discretion of such parties concerned, from new instruments in accordance with the principles of the common but differentiated responsibilities of the UN Framework Convention on Climate Change (Convention) and the decision 1-/CP.16 in letter and spirit.

Financial instruments or economic and environmental measures to be employed by developed countries, if any, for raising new and additional resources should have no incidence on any developing country or its entities, and the fiscal or economic effects of such instruments or measures must be contained within the national boundaries of the respective countries.

Resources flowing through the carbon markets should not be accounted for as fulfillment of parties' commitments. Resources raised under the CDM, for example, do not constitute provision of new and additional financial resources for implementation by developing countries of their commitments. Such flows are autonomous and are a payment for the commodities or services performed by developing countries. Moreover, carbon prices fluctuate and there is no guaranteed or benchmarked price of carbon to be used as the reference for private sector flows.

Resources either from budgetary contribution or private sector sources should be provided on a “grant or concessional basis. To the extent concessional finance is provided, only the grant or concessional element should be counted as new and additional.

The Fund has to function as a catalyst and not a financial intermediary. The Fund should not raise capital in form of loan guarantees, bonds, and insurance. These are functions of a financial intermediary and, in any financial intermediation, there are risks as these different sources and instruments have their own conditionalities. The GCF should not be exposed to such market risks and it should focus on its function of supporting national development plans for climate change.

In generating, receiving and integrating resources from a wide variety of sources, the Fund may, however, be built on the principles of an integrated model of funding (e.g. International development Association).

Fund’s resources should be measurable and verifiable and should be subject to monitoring by a designated agency of the Board of the Fund or the Convention.

The GCF should support and enable the implementation of developing country-driven projects or strategies with an aim of addressing climate change. The Fund should provide resources to the developing countries for meeting their needs of adaptation, mitigation, technology and capacity building and other activities connected with fulfillment of obligations under the Convention, taking into account the specific national and regional development priorities, objectives and circumstances.

The GCF should support the full agreed incremental costs of policies and measures aimed at mitigation, including the cost of transfer of technologies needed by the developing countries. It should support the full costs of adaptation and preparation of National Communications (NATCOMs) and associated biennial reports and their updates in developing countries. Capacity building in developing countries should also constitute an important part of the activities of the Fund.

The GCF should be built on the principles of direct access to the Parties/Governments to the resources of the Fund. The access to the parties should be granted through the National Implementing Entity (NIE) which should have the role of coordinating and implementing a nationally appropriate development strategy for climate change.

Access of the private sector institutions or bodies to the GCF should be facilitated through the NIEs who should obtain resources from the GCF in accordance with agreed principles of accountability and provide to such private entities for in order to meet the objectives of financial mobilization and implementation of climate change related plan at the national level.

VI. Submission by Ms. Naoko Ishii (Japan)

I. Workstream I (Scope, guiding principles, and cross cutting issues)

Thematic windows

1. As commented in Japan submission dated May 25, we propose to analyze not only the purpose and benefit, but also potential downsides of setting thematic windows because members may have different reasoning to support this idea. Setting thematic windows may help some donor countries maximize their contributions as they are able to earmark their contributions to specific usage, but the resulting pattern of contribution may not match the pattern of demands of recipient countries. For instance, donor countries may wish to allocate more funds to mitigation, while recipient countries may prefer more access to resources for adaptation. We may need to consider how to deal with this potential mismatch of demands and supply for funds.
2. We think it important for countries in urgent needs to have immediate access to funds available under the Green Climate Fund (GCF) once the Fund becomes operational. If needed, the GCF should help those countries augment their capacity to prepare their national climate change programs as well as to conduct monitoring and evaluation, either through special windows under the GCF, or through projects or programs which embed capacity building. Ideally speaking, those assistances should be provided even while the design of green climate fund is ongoing so that countries can make jump start in usage of the funds.
3. In designing scope, purpose and structure of each thematic window of the GCF, i.e. mitigation, adaptation and REDD+, it is important to make it clear how the GCF thematic windows will make difference from and complement similar funding windows in existing climate change financing mechanisms, such as climate change windows in the Global Environment Facility, Adaptation Funds, and UN-REDD program. The GCF's thematic windows must have the strong comparative advantage among existing financial mechanisms.

Window for private sector participation (this is related to Workstream III)

4. It seems there is consensus among us that private sector participation is critical element for the GCF. As a next step we need to deepen our understanding and put our thoughts on the following issues. First, in case the bottlenecks for private sector investment in climate change related projects lie in gaps in policy and regulatory frameworks, rather than financial incentives, how the GCF can address this gap? Second, it will be very useful if TC members can share understanding about what financial instruments, say, guarantee facility, risk insurance, seed financing, viability gap financing, subordinated debt financing, grant used for feed-in tariffs, will be best suited to catalyze what type of private sector investment in which sector. We appreciate it if the TSU could provide analysis in this regard and also an opportunity to have sessions with private sector at TC meetings and / or workshops. On this occasion, to hear from institutional investors such as pension funds to understand what measures can encourage them in investing climate change projects will be useful too. Third, there will be pros and cons to set up a window for private sector investment. Private sector investors may prefer a separate window which may insulate public sector intervention in decision making. How to decide resource allocation between thematic windows and private sector window? Is allocation of resources within the private sector window subject to the country allocation if such kind of mechanism introduced? It may become an obstacle to livery private sector investment, but without it, we may see concentration of investment on specific countries. Fourth, private sector window, if it is created, may require separate governance structure as well as different set of

approval, monitoring and evaluation procedure.

Following questions could be added for TC members' consideration;

[Thematic scope]

- What is the purpose and benefit of setting thematic funding windows? It is critical for TC members to discuss and agree on why thematic windows should be created, as members may have different reasoning to support the idea.
- There are different types of financial mechanisms (such as Climate Investment Funds, Global Environment Facility, World Bank and IDA) in the global financial architecture which provide financings to several thematic areas in climate change. We should compare these financing structures taking into consideration efficiency and effectiveness.
- How could GCF provide effective and efficient governance for each of and across thematic funding windows?
- Will funding windows be set for thematic areas (e.g. mitigation and adaptation) only or for different funding sources (e.g. private sector financing) as well?

[Size and scalabilities]

- In order to answer a key question raised in the note of what the right balance between adaptation and mitigation is, it would be helpful if the analysis is provided and shared by all TC members on the current best estimate on the needs for adaptation and mitigation. Could TSU provide TCs with summary of reliable estimates on both needs by conducting analytical review on the existing quality reports on the needs and estimated size for adaptation and mitigation?
- The above proposed analysis could also include the information on how much needs are already met by existing financial mechanism, including public and private capital and MDBs finance.

[Country-led and results-based approaches]

- What are key elements that will constitute country-led principle? It will be critical for TC members to share the view on what "country-led principle" means, as it may mean different things to different stakeholders. Common understanding of the concept of country-led principle will help design the financial modalities of GCF.
- What are the lessons learned of the country-led approach from existing financial mechanisms?
- Co-facilitators' note addresses important questions about ensuring the country-led principle alongside the application of safeguards and fiduciary standards. In this regards, in designing direct access modalities, it is critical to establish effective and efficient monitoring mechanism in response to social safeguards and fiduciary standards.

[Complementarity and value added] How should the GCF cooperate with other frameworks that will be established based on the Cancun Agreement? What will be a desirable relationship between GCF and existing institutions under UNFCCC?

VII. Submission (Revised) by Mr. Hyung-Hwan Joo (Republic of Korea)

Objective of the GCF

The Objective of the Fund is to support developing countries' efforts in adaptation to minimize adverse impacts of climate change and their sustainable development through transformation into low carbon economy.

Operational principles of the Green Climate Fund

The Green Climate Fund is differentiated from existing climate funds as it is the first global fund specially designed for climate actions. Prior to setting principles, it is important to analyze pros and cons of existing funds and fully understand how they have been used.

• Improving accessibility to climate funds

There is a need for detailed analysis on what kind of problems developing countries have when accessing to existing funds. Direct access is desirable; however, it is necessary to consider that each developing nation has different institutional and human capacities in terms of managing incoming financial flows and implementing projects or programs.

• Country-led approach

The Fund activities should be determined in accordance with a country's national development strategies and priorities. It is generally acknowledged that donor-driven development assistance has caused problems, and the impacts of such assistance on poverty reduction and MDG achievement have not always turned effective. Recognizing such problems, international community adopted the Paris Declaration on aid effectiveness. In particular, the Fund activities should not end in one-off projects or programs.

• Result-based approach

Input and output should not be the only focus of the Fund. Outcome and impact of the Fund activities should also be key consideration. It is also necessary to analyze the monitoring and evaluation mechanisms of other bilateral and multilateral institutions that already exist to develop a monitoring and evaluation system suited for the GCF. Meanwhile, the issue of environmental and social safeguards should be considered together with the result-based approach.

VIII. Submission by Mr. A. F. Elisaia (Samoa)

TITLE

The Green Climate Fund (“GCF” or the “Fund”)

PURPOSE

The purpose of the Fund is to enhance the implementation of the Convention and its ultimate objective by scaling up the delivery of new additional, predictable, and adequate multilateral climate financing to equally support adaptation and mitigation actions catalyze transformational changes in developing countries in accordance with their sustainable development priorities, taking into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change.

As an operating entity of the Financial Mechanism of the Convention, under its Article 11, the Fund functions under the guidance of and is accountable to the Conference of the Parties and in accordance with the principles and provisions of the Convention. The Fund supports projects, programmes, policies and other activities in developing country Parties related to mitigation including REDD-plus, adaptation, capacity-building, technology development and transfer, with the objective of achieving balanced allocation between adaptation and mitigation and through effective and efficient arrangements, with a governance structure providing for equal representation of developed and developing countries. The Fund will add value to other existing climate funds including by being more responsive and sensitive to the needs of developing countries, by providing direct access to funds, and evaluating its own performance against not only financial but also environmental and social accountability indicators

PRINCIPLES

- A. The Fund operates as a financial instrument with implementation responsibilities through various modalities, including direct access. It will also seek to help developing countries build capacity, including institutional capacity for project planning, application and implementation.
- B. The Fund will mobilize, leverage, manage and disburse to developing countries new and additional financial resources from a wide variety of sources, public and private, bilateral and multilateral, including innovative sources of finance to support adaptation to and mitigation of Climate Change.
- C. The Fund will, as a strategic priority, respond to the challenges faced by developing countries that are particularly vulnerable to the adverse effects of climate change, including the adaptation needs of LDCs, SIDS and countries in Africa affected by droughts, floods and desertification and will support a variety of sized projects, policies and programs on a needs-based basis and consultation with recipient countries.
- D. The Fund will play a transformational role and go beyond a project-by-project approach. It will base its work on programmes that reflect national ownership and priorities and respect country-led formulation and implementation processes.

- E. The Fund will ensure that countries with capacity constraints to access its resources and implement projects after it becomes fully operationalised are not precluded from benefitting from Green Climate Fund resources
- F. The Fund will operate with the objective of achieving balanced allocation between adaptation and mitigation and among regions.
- G. The Fund will evaluate proposals for projects and programmes through independent review processes based on the best available scientific and technical standards that take into account local realities and priorities.
- H. The Fund will seek to establish simplified and rapid processes in application for, and for disbursement of funds in an efficient and effective manner that do not place an undue burden on developing countries.
- I. The Fund will seek to minimize transaction costs and operate in a transparent and accountable manner, based on clearly defined responsibilities.

SCOPE

- A. The Fund will be responsive to guidance by the COP and therefore be a continuously learning institution that is able to be flexible, react and adapt to changing circumstances.
- B. The Fund will be responsive and sensitive to the needs of developing countries, with particular consideration for SIDS, LDCs and countries in Africa affected by droughts, floods and desertification. Hence; it must address the historical imbalance in allocation of support between adaptation and mitigation.
- C. The Fund will be so designed that it becomes over time a major player in climate change financing and is instrumental in enhancing rationalization and harmonization of application procedures and project cycles across Climate Change financing funds.
- D. The Fund will support enhanced adaptation actions, be transformational and support the enhanced implementation of ultimate objective of the Convention [as well as global goals set in the Shared Vision], in particular through the application of strict social and environmental safeguards. As such, the implementation of greenhouse gas accounting methods will ensure that projects funded by the GCF result in net emission reductions beyond Business As Usual.
- E. The Fund will utilize appropriate financial instruments (concessional and non-concessional loans, grants etc...) for each type of activity or window.
- F. The Fund will mobilize and make best use possible of public money by prioritizing such use of public money to achieve a catalytic effect and to support activities that are relatively costly, risky or are less attractive to the private sector, for example, adaptation in SIDS and LDCs.

IX. Submission by Mr. A. M. Al-Abdulkader (Saudi Arabia)

Work stream I: Scope, guiding principles, and cross cutting issues

Saudi Arabia is pleased to share its initial views and concerns related to issues tackled under working stream I: scope, guiding principles, and cross cutting issues, and looking forward to work constructively with the other transitional committee members (TC) in a transparent, inclusive, and TC - driven process to further advancing the dynamics of designing the Green Climate Fund as mandated by Cancun Agreements.

I. Objectives and principles

1. The Green Climate Fund (GCF) has been established by Cancun Agreements to represent an efficient and robust financial instrumental model that should be operationalized under the authority and guidance, and be fully accountable to the COP.
2. The efficient and robust roles of the GCF would oblige to the following key issues:
 - 2.1. the full conformity with the principles and provisions of the Convention and the mandate of Bali Action Plan, pertaining to climate change finance.
 - 2.2. the priority of developing country Parties that are particularly vulnerable to the adverse impacts of climate change and the adverse impacts of **response measures** including **economic diversification**.
 - 2.3. ownership in terms of eligibility and direct access of all developing country Parties to the financial resources, and consistency of action with their priorities, guided by national and/or regional adaptation and mitigation strategies.
 - 2.4. the comprehensiveness of the GCF to cover all relevant sources, sinks and reservoirs of greenhouse gases and adaptation, and comprise all economic sectors.
 - 2.5. the balance allocation of GCF to enhance actions on adaptation and mitigation including Carbon Capture and Storage activities.
3. As an operating entity of the financial mechanism of the Convention under Article 11, the GCF has to expeditiously deliver towards achieving the following key objectives:
 - 3.1. ensure the full, effective and sustained implementation of the commitments of the developed country Parties and other developed Parties included in Annex II to the provisions of financial resources mandated under Articles 4.1, 4.3, 4.4, 4.5, 4.8, and 4.9 and in accordance with Article 11 of the Convention,
 - 3.2. Enhance action on the provision of financial resources and investment to support action on mitigation, adaptation and technology cooperation in accordance with Article (1.e) of Bali Action Plan.
 - 3.3. Mobilize US\$100 billion a year by 2020, as committed by developed country Parties, to address the needs of developing country Parties and to respond to challenges arose

from the adverse impacts of climate change and the adverse impacts of **response measures**.

II. Thematic scope:

1. Thematic funding windows under the GCF should include, primarily, mitigation, adaptation, and technology transfer. These thematic funding windows should be determined at the founding size and should be incorporated during the designing process of the GCF to ensure the efficient operation of the fund. Yet, flexibility of adding new windows as needed should be considered by the GCF board.
2. Capacity building is a cross cutting issue that could be considered under the three major windows of the GCF.
3. High consideration should be given to activities under these thematic funding windows that have high potential to reduce the GHG and to contribute tremendously towards achieving the ultimate objectives of the Convention such as **Carbon Capture and Storage** activities.

III. Size and scalability:

1. Innovative thinking should take the lead on designing the GCF, building upon best financial mechanism practices as appropriate.
2. In comparison to the existing funds, the founding size design of the GCF should be scalable over time to match the ambitious MINIMUM of 100 Billion US Dollars per year as pledged jointly by the developed country Parties and other developed Parties included in Annex II.
3. Annual assessed contributions of the GDP of developed country Parties and other developed Parties included in Annex II would ensure the efficient allocation of the 100 Billion US Dollars among developed country Parties.

X. Submission by Mr. Bruno Oberle (Switzerland)

Objectives and principles

1. *How should/could this Fund be different from existing climate funds?*

The “raison d’être” of the multilateral efforts in climate change policy and the ultimate objective of the UNFCCC (cf. article 2 UNFCCC) is the “stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system” (according to latest IPCC findings, maximum 2 degrees temperature increase). This has a number of implications, i.a. regarding allocation of funding for different windows, instruments, eligibility criteria, MRV, etc.

If the GCF is to be of a different order of magnitude (with an objective to foster a transformational development path), it will have to mobilize, leverage, manage and disburse financial resources from different sources at a large scale, including from the private sector. For the design of the GCF, lessons learned from and complementarity with existing multilateral trust funds for climate and other global issues, will have to be taken into account. Among the barriers identified to scaling up flows at the scale and speed required, the basic elements of a sound investment policy framework (including regulatory policies aimed at supporting low carbon investments) are a central concern for investors.

It is further difficult to imagine that the GCF will operate on a project by project basis. We rather see it operate as a fund of funds or a thought put mechanism. However, this will require time to build up appropriate capacity, hence a phased approach may be most suitable.

2. *Some broad objectives and guiding principles of the GCF have been agreed in the Cancun agreement. How can these be further developed, enhanced and operationalized?*

We consider it not necessarily a task of the TC to further develop the guiding principle, but rather a core business of the UNFCCC bodies.

2 Thematic scope

3. *How many and what thematic funding windows should be adopted? What activities should be covered by each thematic window?*

The Fund should have an open architecture (so that scaling up of funding and disbursing is possible), with four windows from the onset: 1) for mitigation, 2) for adaptation, 3) for REDD+ 4) for leveraging private sector finance. Capacity building should be an integral part of each of these windows. The Board could in the future add more funding windows – either thematic or regarding modes / instruments - including one to foster programs/projects with multiple benefits, especially climate change and biodiversity.

4. *Should the number of thematic windows be determined by the founding size and design of the fund or should more be added by the Board as the Fund’s capital grows in size or/and new needs are identified?*

The initial architecture / structure should be reviewed periodically by the Board of the GCF with the aim to identify changes deemed necessary and to seize opportunities.

5. *The Cancun Agreements refer to “balance” between mitigation and adaptation. How do we define and achieve “balanced allocation” between adaptation and mitigation?*

A fixed allocation would hamper – in any case in the initial phase of the GCF, but likely in general – the most effective allocation of funds. In addition, when considering a “balanced allocation”, all specialized climate funds (such as REDD+, Adaptation Fund, etc.) need to be taken into account. Projects and programs which catalyze true transformational change, with multiple benefits, should get some kind of a bonus / preferred treatment.

3. Size and scalability

6. What is the foreseen size of the GCF compared to other existing funds?

7. What is meant by “large scale” in terms of the expected volume of the GCF, and should a minimum and maximum volume be considered?

8. Should the GCF design be scalable over time, or should the GCF design immediately match the volume goal?

A modular approach seems most suitable which would allow to scale up the size of the GCF in function of the Fund’s mode of operation (project by project, programmatic, umbrella or fund of fund, etc.), its needs, new sources, and absorptive capacities of implementing countries.

The scale will depend on a number of factors, i.a. the instruments that the GCF will have at disposal (for example: a GCF which will only operate with grant financing, will be of smaller size than one that operates with a array of instruments). More fundamentally, the GCF – as part of the Cancun agreements – needs to be seen in the context of meaningful mitigation actions and transparency on implementation. Hence, the scale will likely also depend on that type of balance. In addition, other climate funding (bilateral as well as multilateral) will likely continue to operate, thus creating a healthy competition for innovative and efficient climate financing.

4. Country-led and results-based approaches

9. How could the GCF encourage the application of the country led principle?

Recipient countries should have the leading role in identifying and developing proposals to the GCF. They should be in line with national strategies for low carbon development and adaptation strategies, based on country-level multi-stakeholder partnerships.

10. What is needed to ensuring the country led principle alongside the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management?

The GCF should be as much as possible country driven. At the same time, any access to finance requires clear eligibility criteria, whether it be in terms of results, performance disbursement capacity, etc. Sound minimum fiduciary standards consistent with international best practice and safeguards will be crucial to convince contributing countries’ people and parliaments (and the private sector) to put money into the GCF.

11. How could the GCF encourage results based approaches among different thematic areas? What are the options for implementing result based approaches? Is there a need for taking different approaches for each thematic area?

For the success of the GCF, it will be critical to establish robust procedures for measuring and reporting results of funded activities, so as to ensure transparency and effectiveness in outcomes. Such procedures could include inter alia an independent review and monitoring processes, to provide accurate and timely evaluations which may serve as a basis for releasing further tranches of funding.

5. Complementarity and value added

12. What should be the value-added of the design and operations of the Green Fund?

13. What role should the GCF play among climate finance entities?

If the GCF is to be of a different order of magnitude (with an objective to foster a transformational development path), it will have to mobilize, leverage, manage and disburse financial resources from different sources at a large scale, including from the private sector.

We do not envisage that the GCF will operate on a project by project basis. We rather see it operate as a fund of funds. It could especially regarding mitigation utilize its resources to leverage and mobilize finances from the private sector and incentivize investments into low-carbon approaches within developing countries, both from domestic and external private entities.

14. How will the GCF ensure complementarity between the Fund's activities and those of other bilateral, regional and multilateral funding mechanisms and institutions?

An annual forum of funding entities as discussed in the context of climate change negotiations could facilitate complementarity between funding institutions and mechanisms. Over time, we expect that the climate funding system may undergo a rationalization /streamlining.

XI. Submission by Mr. Nick Dyer (United Kingdom of Great Britain and Northern Ireland)

It is important for this workstream to cover the GCF's objectives, principles and links to the existing climate change architecture. These issues are covered in items 2 and 14, which would be a good place to focus the workstream, with a lot of the other issues coming under them.

It would be useful to see the timeline of when each of these issues will be considered - at the technical workshops and in the Transitional Committee meetings. Given the importance of setting out the objectives and principles of the GCF, and the volume of work we will need to consider at the later Transitional Committee meetings, I hope it will be possible to conclude as much of this workstream as possible at the 2nd Transitional Committee meeting in Tokyo.

It would be helpful at this stage to set out what pieces of analysis the Technical Support Unit will be tasked to undertake. We will certainly need papers that orientate the Transitional Committee's discussions on the objectives and principles of the GCF. I also note that item 1 responds to the Japanese suggestion of analysis of gaps etc in the existing set of climate change funds - this will be an important piece of analysis for the Technical Support Unit to consider. We would welcome the opportunity to comment on terms of reference for Technical Support Unit analysis and orientation work on these issues and any others that are being considered under workstream I.

The Green Climate Fund: Framing the Challenge – A UK Perspective

Large scale investment is needed to shift developing countries onto lower carbon, climate resilient development paths. The role of the Transitional Committee is to design a Green Climate Fund that focuses on helping developing countries achieve the results that will make that shift. A number of options around instruments, structure and how the fund will operate and be governed will emerge during the design process.

Defining the challenge

Existing multilateral institutions and funds are making a valuable and substantial contribution to tackling climate change and, subject to their continuing to deliver results, should continue to enjoy international support.

However, the existing climate finance architecture is not configured to deliver the necessary volumes of finance at the right **scale** or **responsiveness**, with the right geographical **coverage**, on the right **terms** or with sufficient **leverage** to meet the challenge:

- **Scale** – Climate change flows need to be scaled up towards the Copenhagen Accord 2020 goal of \$100bn per year and made more coherent and effective to move beyond piloting and be transformational.
- **Responsiveness** – Climate change financing modalities need to be more responsive to their clients. The access arrangements and speed current funds can act at, including the low availability of direct access, are limitations to responsiveness.
- **Coverage** – There is no integrated, global approach to climate change finance that makes the right support available to all countries; and ensures balance across themes (adaptation, mitigation, forestry) and sectors.
- **Terms** – There is no one place that makes available a full set of instruments, products and terms. A range of terms is available from existing funds, but the range is far from complete, and there is no mechanism to match the right terms to an investment across the architecture, or

to ensure that it incentivises action, delivers results, excellent value for money, and makes efficient use of scarce subsidy.

- **Leverage** – Both leveraging finance from capital markets into climate change investments, and expanding the private sector’s direct investment in climate change operations in developing countries. Existing institutions are scaling up and new innovative funds are beginning to emerge, but the existing architecture does not deliver comprehensively.

Some existing climate funds and institutions meet some of these criteria in some countries and in some sectors. But there is scope to increase coherence, impact and results. The task of the Transitional Committee is to design a Green Climate Fund that addresses these five problems to the highest standards.

Meeting the highest standards will be necessary to attract resources and maintain the confidence of all contributors. Our test of the highest standards is set out in the in the UK’s recently published *Multilateral Aid Review*: ten criteria that we apply to assessing the results, effectiveness, efficiency and value for money of all the multilateral institutions we support.

Ambition for the Transitional Committee

The Transitional Committee needs to develop a framework for the Green Climate Fund at an appropriate breadth (the range of issues covered) and depth (the level of detail).

In terms of breadth, we suggest aiming for a framework which covers its purpose, principles, governance, structure, monitoring process, fiduciary responsibilities, coherence with other bodies and its legal status. Without these we will not have defined what the fund is aiming to achieve, nor covered the issues in the terms of reference. In order to cover this breadth of issues, the Transitional Committee will need to break the work into separate work streams. We suggest five work streams, to ensure all areas are covered:

- **Objectives** – what is the purpose of the fund, what principles it will seek to uphold, what types of activity it will support.
- **Structure** – what funding windows it will have, what types of instrument, how it links to the existing architecture.
- **Governance** – the roles and membership of the boards of governors and directors and the secretariat, the role of any partnership forum and relationship to other bodies.
- **Operations** – defining where responsibilities for financial accountability, monitoring, evaluation and accountability for program implementation will lie, how results will be monitored, and the role of the trustee.
- **Legal** – whether the GCF will be a legal entity, and the privileges and immunities of board members.

It will be important to learn the lessons from the operations of existing funds and draw on the experiences of development cooperation.

In terms of depth, we recognise that we have just six months and while the Transitional Committee can set the broad framework, we envisage more detailed design can subsequently be handed on to the Board to develop further.

The Green Climate Fund: Objectives and Principles – A UK Perspective

As set out in our submission “*The Green Climate Fund: Framing the Challenge – A UK Perspective*” the existing climate finance architecture is not configured to deliver finance at the right scale or

responsiveness, with the right geographical coverage, on the right terms or with sufficient leverage to substantially help developing countries shift onto lower carbon, climate resilient development paths. A clear, concise objective statement and set of principles by which the Fund will operate will help to ensure it is effectively focused, configured and managed.

Objectives

Consistent with 1/CP.16, the Green Climate Fund's stated objectives should refer to support for developing countries to:

- Adopt low carbon development pathways consistent with meeting the long-term goal of holding the global average temperature increase below 2°C above pre-industrial levels.
- Reduce vulnerability and build resilience, taking into account the urgent and immediate needs of those developing countries that are particularly vulnerable

Principles

Experience has shown that adherence to a range of guiding principles improves the effectiveness and efficiency of international cooperation. The UK uses a set of principles to guide its contributions to multilateral programmes – an assessment of multilateral organisations' performance against these principles was recently published in our Multilateral Aid Review. Based on this experience, we believe that Green Climate Fund principles should refer to:

- **Partnership behaviour** that promotes ownership, alignment, harmonisation, results, mutual accountability
- **Focus** on countries with the greatest need and that make the best use of resources for climate change
- An ambitious and measured **contribution to results**
- Predictable, transparent, accountable and robust **financial resource management**
- **Cost and value consciousness** in organisation and decision making
- High standards of **transparency and accountability**
- **Attention to cross-cutting issues** including gender and fragility
- Systems to ensure excellent **strategic and performance management**

We recommend the Transitional Committee considers how to incorporate objectives and principles in its recommendations to the Conference of Parties. A short paper by the Technical Support Unit covering possible Green Climate Fund principles and how they have been employed in other funds and institutions would be useful to inform our discussion.

XII. Submission by Ms. Audrey Joy Grant (Belize)

First submission of views from Belize, supported by Guyana Scope, guiding principles and cross cutting issues Objectives and principles:

- Should be guided by the principles of the Convention.
- Characterized by accountability, transparency, efficiency, country ownership, flexibility, responsiveness to developing country needs.
- Must be transformational in nature, and catalyze low carbon and climate resilient sustainable development.
- Should support integrated climate change approaches, such as LCDS.

Thematic scope

- Overall scope of the Fund should cover adaptation, mitigation, REDD plus, technology development and transfer, and capacity building
- Thematic windows should be established for adaptation, mitigation and REDD plus.
- Fund should be able to establish specialised windows as the need arises, e.g., for the private sector, for specialized instruments such as concessional financing.

Size and scalability

- Fund should provide scaled-up, new and predictable financial resources to developing countries.
- Should be able to accept funds from multiple sources at a large scale and should be able to deliver at scale through a variety of innovative instruments.

Country-led and results-based approaches

- Fund design should reflect the element of strong country ownership.
- In supporting a results based framework in the allocation of funding, we recognize that this will apply more so to mitigation.
- In promoting a country driven approach, direct access should be a key element.

Complementarity and value added

- Must promote coherence and complementarity between the Fund and other regional and multilateral funding mechanisms and institutions.
- Must add value to existing financial architecture in delivering concessional financial resources.
- In disbursing funds, should not promote conditionalities.

XIII. Submission by Mr. Rob Stewart (Canada)

Comments on the draft work plan for Work stream I: Scope, guiding principles and cross-cutting issues

Many issues identified under this stream are dependent on other aspects which are being discussed in different work streams (e.g., for donors, potential size or scale is linked to key design elements such as governance structure and accountability). One approach would be to focus on defining a vision statement for the Green Climate Fund and the more preambular and goal-oriented portions of the legal instrument which establishes the GEF.

Specifically, on questions raised in the workplan:

- Objectives and principles:

The GCF should be built around key principles, as discussed briefly in Mexico. The principles should be articulated around key objectives such as efficient methods to leverage private sources of finance; effective structure to ensure coherence of climate finance support achieving climate objectives; a fund that is more transformational than existing funds; a fund that is accessible to developing countries; and, a fund that has strong accountability, fiduciary and results-based framework.

- Thematic scope:

The vision and objectives of the GCF as expressed in the instrument to establish the GCF should underscore the aim of achieving a balanced allocation between mitigation and adaptation as a strategic goal, without it being quantified. The organizational structure of the GCF and its operations should reflect this goal. This is likely to mean, for example, an adaptation window, and perhaps even a small-scale projects window to ensure balanced allocation in the many small adaptation-focussed countries that will be clients of the GCF.

It may also be possible to give the Board a mandate to establish criteria or guidelines for it to periodically review whether its allocation has been sufficiently "balanced".

- Country-led results and approaches

This issue needs to be carefully considered, and the following questions could be added to the work plan:

- How can we balance the need for country-led programming with the need to seek to maximize, with available resources, the GCF's contribution to progress towards the ultimate objective of the UNFCCC?
- How can we balance the need to respect the country-led principle while also promoting, where appropriate, regional and potentially global cooperative projects or actions that could receive some support from the GCF?

- Complementarity and value added:

We would also see value in broadening the discussion around complementarity and value-added of the GCF. Consideration could be given to how the Green Fund could be utilized to streamline or fill gaps to improve the efficiency and effectiveness of the overall system.

XIV. Submission by Mr. Per Callesen (Denmark)

Initial thoughts by Denmark and the Netherlands on issues related to workstream I of the Transitional Committee: Scope, guiding principles, and cross-cutting issues

Objectives and principles:

Suggested questions/issues

1. How should/could this Fund be different from existing climate funds?

The GCF should not only include the usual public funding on a project- by- project basis but should promote a cross-cutting approach allowing for financing of plans and programmes at a scale that will enable developing countries to transform to low-carbon and climate-resilient development paths. The support should be based on the analytical work presented in the national plans. The GCF should have the instruments to leverage private capital and blend public and private finance streams at scale and in time.

The GCF should furthermore have new modalities for access to the fund and disbursement of funding. For mitigation it will be crucial to operationalise result- based allocation mechanisms.

Apart from its "own" funding capacity the GCF should also have the potential to match and blend with funding by other funding entities. In doing so the GCF might serve as "fund of funds" with a pivotal role in fostering synergy and complementarity between existing funds/funding entities.

2. Some broad objectives and guiding principles of the GCF have been agreed in the decision 1/CP.16, Cancun Agreements (see annex below) How can these be further developed, enhanced and operationalized?

The fund should clearly operate under the guidance of the COP to foster that actions funded by the GCF are in line with the ultimate objectives of the Convention. The overall guidance given by the COP should be translated by the Board of the GCF into operational guidance and criteria for the funding. The COP should not interfere with these operational decisions. Under clear reporting guidelines the GCF should report to the COP on its achievements and the way it applied COP-guidance to funding of plans and programmes consistent with the objectives of the Convention.

At the same time the GCF should apply internationally agreed fiduciary standards to ensure sound financial management of the resources of the GCF. This will be crucial for the funding of the GCF as well as for the ability to attract/leverage other resources.

Thematic scope:

Suggested questions/issues:

3. How many and what thematic funding windows should be adopted? What activities should be covered by each thematic window?

It would be worthwhile to explore 2 different models for the GCF. In one model all thematic funding windows merge under the GCF. In the other model the GCF builds on the existing windows and complements them where finance is inadequate (by topping up funding and/or opening specific new windows).

There might be logic to merging existing windows (ie. for adaptation) to enhance capacity for efficiently delivering finance at scale and in order to promote a result-based approach.

As there are already a great number of (thematic) windows in the international climate financial architecture, the added value of new windows under the GCF needs to be well defined. If new windows are to be established they need to be limited and most likely only for adaptation and mitigation (including REDD). Capacity building, including for building institutional capacities, and technology development and transfer will be supported as cross-cutting issues.

The emphasis should rather be on performance criteria than the number of windows in order to ensure most value for the money across the different windows. Keeping the number of windows as low as possible is expected to increase the level of transparency.

As the GCF should leverage private capital this element should be carefully considered when deciding on the windows. It might be worthwhile to explore a specific window for private sector activities or to give private parties access to the thematic windows (if developing country ownership is guaranteed). However, the ultimate goal should be to integrate private sector activities under all windows.

Sometimes opening a window is seen as a method of filling a funding gap. However, underlying issues such as the amount and predictability of funding available and trust of donors and recipients in the governance of the window may be more pertinent towards filling a demand for financing.

4. Should the number of thematic windows be determined by the founding size and design of the fund or should more be added by the Board as the Fund's capital grows in size or/and new needs are identified?

The GCF should have the ability to open up new "windows" if a clear niche has been identified and the GCF is mandated/guided by the COP to set up a new "window". However, new windows should only be established when there is demonstrated added value as the proliferation of funding windows is already high. Given the need to deliver at scale, windows should not be designed at a micro or small scale. However, it should be noted that the more windows that are created the less flexible the GCF can operate.

5. The Cancun Agreements refer to "balance" between mitigation and adaptation. How do we define and achieve "balanced allocation" between adaptation and mitigation?

The definition of "balance" should not be cast in stone for years to come. It will be crucial to have flexibility in the allocation. Allocation will be driven by both country-led programmes and plans that are put forward and guidance by the COP.

Both ambitious adaptation and mitigation actions will be crucial to foster low-carbon and climate resilience development paths. In order to avoid "crowding" out/competition between adaptation and mitigation, the setting of minimum volumes of finance allocated to each of them might be considered, which would provide some certainty but would also allow for flexibility.

Size and scalability;

Suggested questions/issues

6. What is the foreseen size of the GCF compared to other existing funds?

As the GCF should fund programmes and plans with transformational impact it should be larger than any existing fund or funding entity. The composition and clear cut mandate of the Board of the GCF, the application of fiduciary standards and a results- based orientation should, among other things, enable trust building for larger financial flows to be managed by the GCF.

7. What is meant by "large scale" in terms of the expected volume of the GCF, and should a minimum and maximum volume be considered?

Large scale should be seen in relation to the ambition of the plans and programmes put forward and their intended transformational impact. In relation to this the GCF should be able to match, blend and leverage finance from a number of sources. With the right sort of instrument in the operational toolbox of the GCF, the fund itself does not necessarily need large sums of capital.

8. Should the GCF design be scalable over time, or should the GCF design immediately match the volume goal?

The fund should be scalable over time. It is likely to take time for both project and finance flows to reach their full levels.

Country-led and results-based approaches;

Suggested questions/issues

9. How could the GCF encourage the application of the country led principle?

Proposals to the Fund should be identified and developed by developing countries, based on country-level multi-stakeholder partnerships, in line with climate change priorities and national sustainable development plans.

10. What is needed to ensuring the country led principle alongside the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management?
11. How could the GCF encourage results-based approaches among different thematic areas? What are the options for implementing result based approaches? Is there a need for taking different approaches for each thematic area?

Results- based allocation for mitigation could greatly contribute to achieving large scale emission reduction. Therefore, allocation of the funds should follow a result-based approach. Thus, models based on "tendering" or "competition" need to be explored to that end while assuring that different countries have a comparable "playing field".

For adaptation the result based- allocation will at least mean developing the performance- based yardstick for delivery (including greater climate resilience benefits and biodiversity/water/food security benefits).

Complementarity and value added;

Suggested questions/issues

12. What should be the value-added of the design and operations of the green

Fund? See question number 1.

13. What role should the GCF play among climate finance entities?

The Fund could become a major player in the climate finance architecture, complementing existing bilateral and multilateral climate financing channels, if reliable procedures and standards ensure the delivery of results. Its functions however need further study (see question number land 3).

14. How will the GCF ensure complementarity between the Fund's activities and those of other bilateral, regional and multilateral funding mechanisms and institutions?

The GCF should avoid duplication where well designed funding entities already exist and are able to finance transformational plans and programmes for adaptation or mitigation. A clear oversight of all funding (bilateral as well as multilateral and both public and private) will be crucial both for the COP to give adequate guidance to the GCF and for the Board of the GCF to match, blend and leverage with the different finance streams from a wide range of sources. Merging other multilateral funds with GCF should not be excluded but explored.

XV. Submission by Ms. Bernarditas Muller (Philippines)

General comments covering the work of the TC

1. The TC has a specific mandate: "shall recommend to the COP, for its approval at its 17th session, and shall develop operational documents" the specific terms of reference for the design of the Green Climate Fund. Therefore, the TC is the only entity that can exercise this mandate, and this cannot be taken over by co-Chairs and co-Facilitators, and especially not by the Technical Secretariat. All authority resides in the TC, which must then review all documents, not just make submissions on them, that will be prepared by the TSU, under the guidance of the co-Facilitators.

2. The TC has specific deliverables as contained in its Terms of Reference, Annex III, para.1, sub-paras. (a) to (j) of Decision 1/CP.16. The TC's mandate is "to recommend to the Conference of the Parties for its approval at its seventeenth session" and to "develop operational documents" that address elements of the TOR.

3. The TC has a very limited time to do this until COP17. It therefore has to focus its work, and its work plan, on delivering on the specific elements of the TOR.

4. TC members, and groups of members have put on the table specific proposals for the work plan (AOSIS non-paper on the Work Plan, and the African Group draft provisional agenda, containing a work plan based on the TOR) at the first meeting of the TC. These should be discussed and acted upon, instead of some documents prepared for the meeting in Mexico, and subsequently elaborated upon, this time apparently as consulted with the co-Chairs, to be the main documents for discussion at this technical workshop.

5. I propose formally that we consider the work plan proposals submitted by TC members in accordance with the TOR at the beginning of the second TC meeting in Tokyo, Japan. We can determine whether and how any of the documents prepared by the TSU and put forward by the co-Facilitators, considered at this technical workshop, could serve as background documents for discussions on the TOR elements. The chosen co-facilitators would then work on specific elements of the TOR covered by the work plan.

6. The TC needs to work in a transparent, open and inclusive manner, encouraging inputs from All Parties and relevant international organizations and observers (Parties and non-Parties), and more than this, taking these inputs in consideration in the discussions.

7. Under the UNFCCC, financing is not development financing, but obligations of developed country Parties to developing country Parties. Climate change financing is not development assistance, voluntary funding, or bilateral aid, although these are channels that are currently used for climate change financing. The financial mechanism of the Convention, defined in Article 11, is the channel through which the obligation on provision of financial resources should be implemented. The GCF has been established as an operating entity of the financial mechanism.

ADDITIONAL VIEWS AND RESPONSES TO THE SUGGESTED QUESTIONS ON THE "SCOPING PAPER" of Workstream I (internal draft document dated 26 May 2011)

1. On the mandate- as stated in the general comments, above, there is no agreement on the "work streams" as they stand. Work stream I in particular does not have any direct link to the elements of the TOR. Clarification must be made therefore on what will be the specific output of Work Stream I and how it will support the fulfillment of the TC's mandate.

2. The "scoping paper" completely confuses elements of decision 1/CP.16 with the mandated TOR, cites them selectively, and then comes up with a cocktail of all these in a totally unclear manner. Binding elements are mixed up with non-binding elements. Terms used are unclear, such as the reference to the Annex of Decision 1/CP.16 as the "Appendix" (Annex on "Table on purpose,

principles and scope"). Clear distinction must also be made on elements of the TOR that mandate the TC to come up with "methods" and others that prescribe "mechanisms", as the work involved in one or the other is not the same.

3. There are elements that are neither in the Convention, in Decision 1/CP.16 or in the TOR, such as sections D on "country-led and results-based approaches" and D, on "complementarity and value-added".

4. Delivery of financing is only referred to as "concessional financial resources", thus pre-determining the kind of resources to be provided and limiting them to loans.

5. Article 11 states that the COP shall provide guidance to the financial mechanism, and this guidance consists of policies, programme priorities and eligibility criteria. It is not the TC's mandate to prejudge this guidance.

6. The paragraphs in Decision 1/CP.16 that are relevant to this "work stream" would be para. 97, and the elements to be considered are: (a) "in accordance with the relevant provisions of the Convention scaled-up, new and additional, predictable and adequate funding shall be provided to developing country Parties", and (b) "taking into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change; and

7. Para. 102: that establishes the Green Climate Fund, to be designated as

- (a) an operating entity of the financial mechanism of the Convention under Article 11;
- (b) with arrangements to be concluded between the GCF and the COP (Article 11.3 specifies on what the arrangements shall include) ;
- (c) to ensure that it is accountable to and functions under the guidance of the COP ;
- (d) to support projects, programmes, policies and other activities in developing country Parties; and
- (e) using thematic windows.

8. On Annex IV on Work Tasks and Schedule for Work stream I : Feedback should be from TC members and not co-facilitators alone, at each stage of the document development. The documents should be circulated in a dedicated website, as suggested by the TC, for comments and views, revisions, amendments to be made. If there is no agreement among all TC members, this should be sorted out in formal, plenary meetings, and clearly reflected in whatever final document will be produced for Durban.

How is the GCF different from existing climate funds?

The GCF is the only fund dedicated to climate change and established under Article 11 of the UN Framework Convention on Climate Change (the Convention), which defines the financial mechanism of the Convention. No other existing fund is the same as the GCF.

On Annex II of the suggested questions document:

Annex II enumerates in part elements of the TOR and does not contain any "principles" of the GCF. In addition, it selectively refers to paragraphs of Decision 1/CP.16 that are not stipulated as "objectives" of the GCF.

Objective of the GCF

The GCF has been established under the Bali Action Plan process for "the full, effective and sustained implementation of the Convention now, up to and beyond 2012." Its objective therefore is the

enhanced implementation of commitments of developed country Parties to developing country Parties as contained in Articles 4.3, 4.4, 4.5, 4.8, and 4.9 of the Convention, in accordance with Article 11 defining the financial mechanism. Principles of the GCF

1. Be underpinned by the principles of equity and common but differentiated responsibilities of the Convention. (Art. 3.1)
2. Ensure that it will operate under the guidance and be fully accountable to the COP, which shall decide on its policies, programme priorities and eligibility criteria related to the Convention. (Art.11.1 and Decision 1/CP.16, para. 102)
3. Have an equitable and geographically-balanced representation of all Parties within a transparent and efficient system of governance (Art. 11.2)
4. Enable direct access to funding by the developing country Parties
5. Ensure recipient country involvement during stages of identification, definition and implementation, thus rendering it truly demand driven.

How many thematic funding windows for the GCF, and activities to be covered by each window?
Number of thematic windows. How is the number of funding windows determined? What activities for each thematic window?

The number of thematic funding windows shall be determined by the obligations of developed country Parties under the Convention related to funding. These are for mitigation and adaptation activities to be undertaken by developing country Parties (Article 4.3, which refers to Article 4.1 obligations), meeting costs of adaptation for developing country Parties that are particularly vulnerable to the adverse effects of climate change (Article 4.4); and the transfer of, or access to environmentally-sound technologies and know-how, particularly to developing country Parties (Article 4.5).

Therefore, there should be three basic funding windows: for mitigation, adaptation, and development and transfer of technology. Each window could have sub-windows relating to these three main areas.

Activities to be funded:

1. Agreed full costs for the preparations of national communications (Article 4.3)
2. Agreed full incremental costs for the implementation of developing countries' commitments under Article 4.1 (a to j), covering:
 - The development, application, and diffusion, including transfer, of technologies, practices and processes that control, reduce or prevent anthropogenic emissions of greenhouse gases not controlled by the Montreal Protocol, in all relevant sectors, including the energy, transport, industry, agriculture, forestry and waste management sectors;
 - sustainable management and conservation, and enhancements of sinks and reservoirs of all greenhouse gases, including biomass, forests and oceans, as well as other terrestrial, coastal and marine ecosystems;
 - adaptation to the impacts of climate change, the development and elaboration of appropriate and integrated plans for coastal zone management, water resources and agriculture, and for the protection and rehabilitation of areas, particularly in Africa, affected by drought and desertification, as well as floods;
 - scientific, technological, technical, socio-economic and other research, systematic observation and development of data archives related to the climate system and intended to further the understanding and to reduce or eliminate the remaining uncertainties regarding the causes, effects, magnitude and timing of climate change and the economic and social consequences of various response strategies;

- the full, open and prompt exchange of relevant scientific, technological, technical, socio-economic and legal information related to the climate system and climate change, and to the economic and social consequences of response strategies; and

- education, training and public awareness related to climate change, including the encouragement of the widest participation in this process, including that of non-governmental organizations.

Financing shall likewise be provided for capacity-building and risk management, including insurance (Article 4.8) and the implementation of action programmes developed under the Convention, such as National Adaptation Plans of Action of least-developed countries (LDCs), and technology needs assessments (TNAs).

Additional activities identified in Decision 1/CP.16 such as nationally-appropriate mitigation actions (NAMAs), should likewise be financed through the GCF, as well as increased reporting functions for developing country Parties, in accordance with Article 4.3.

Balanced allocation between adaptation and mitigation

The GCF should address the historical imbalance of the provision of financial resources in favor of mitigation, and ensure that at least half of any financial resources handled by the GCF should be for adaptation, with no funds specifically earmarked for mitigation alone. The GCF will follow the guidance of the COP on its policies, programme priorities and eligibility criteria.

According to Article 4.4, developing country Parties that are particularly vulnerable to the adverse effects of climate change shall be assisted in meeting costs of adaptation to those adverse effects.

The Convention recognizes that low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas and liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems are particularly vulnerable to the adverse effects of climate change (Preamble, para. 19).

Furthermore, Article 4.8 provides for the full consideration in actions related to funding, insurance, and transfer of technology to developing country Parties arising from the adverse impacts of climate change and/or the impact of the implementation of response measures, and lists these special situations.

Size and Scalability

There can be no comparability with existing funds that are outside of the framework of the financial mechanism of the Convention, and that are not linked to any determination of funding necessary for the implementation of the Convention. The size of the fund can only be determined by this criterion and the needs identified by developing countries in their national communications and financing needs assessments conducted under the Convention.

Legal arrangements to be concluded with the GCF as an operating entity of the financial mechanism of the Convention include the "determination in a predictable and identifiable manner of the amount of funding necessary and available for the implementation of the Convention and the conditions under which that amount shall be periodically reviewed (Article 11.3 -d)." Documents have been prepared by the UNFCCC on this matter. There have also been studies made by institutions outside of the Convention. All these could be taken into account in determining the amount of funding necessary for the GCF.

Initial capitalization of the GCF should be provided through assessed contributions (the G77 and China proposal states that this should be at least 1.5% of the combined GDP of developed country

Parties), that would take into account respective responsibilities for historical emissions which caused the problem of climate change as well as appropriate burden-sharing among developed country Parties, taking into account the need for adequacy and predictability in the flow of funds (Article 4.3).

The GCF could receive funds from innovative sources, including those agreed under the Convention, untied contributions from private, philanthropic organizations, as well as other contributions. As in the Multilateral Fund of the Montreal Protocol model, developed country Parties could also make available a definite percentage of their bilateral funding to climate change through the GCF.

"Country-led and results-based approaches"

As previously stated, these concepts are not included either in the Convention, the Bali Action Plan, Decision 1/CP. 16 nor included in the TOR of the TC. Furthermore, these are operational guidelines that would fall under the mandate of the Board of the GCF, in accordance with the guidance provided by the COP. The TC cannot prejudge this COP guidance and should not micro-manage the fund.

Moreover, the term "country-led" implies something different from "country-driven", the principle which is clearly defined in this submission under "Principles" of the Fund. The linkage made between "country-led" is not in the TOR, as contained in para.1 (h) of Annex III of Decision 1/CP. 16.

Para. 1(h) distinguishes between the mechanisms to ensure "financial accountability and the performance of activities supported by the Fund", mechanisms "to ensure the application of environmental and social safeguards", and the "internationally accepted fiduciary standards and sound financial management to the fund activities."

Care must be taken by the TC not to interpret and to cite accurately the decisions of the COP.

"Complementarity and value added"

Here too, care must be taken to cite accurately the TOR. In this case, the TOR does not mention "value-added", and it states that the TC shall develop operational documents on "methods to enhance complementarity", and NOT to "ensure" it as stated in this questionnaire. This means that where this can be done, methods could be made to do enhance any complementarity, but it does not prescribe complementarity.

The GCF is the only fund dedicated to climate change, and where other funds deal or claim to deal with climate change financing, then one could see where these funds can enhance the complementarity of these funds with the activities of the GCF.

XVI. Submission by Mr. Hyung-Hwan Joo (Republic of Korea)

The Green Climate Fund is differentiated from existing climate funds as it is the first global fund specialized for climate change adaptation and mitigation. Therefore, prior to setting principles, it is necessary to analyze advantages and disadvantages of existing funds and fully understand how they have been operated.

Improving accessibility to climate funds

There is a need to identify advantages and disadvantages of access modalities of existing funds such as the GEF, Adaptation Fund and GFATM and seek measures to improve accessibility to climate funds. Regarding ways to utilize recipient country's own system, it would be desirable to identify recipient countries' institutions and practices related to finance allocation, and also have discussions on their financial systems and institutional capacity building.

Recipient country-led approach

The Fund should be operated in accordance with recipient countries' development strategies and priorities. Discussions on measures to set national development strategies which take into account impacts of climate change in recipient countries are needed. It is generally considered that various donor-led support programs for poverty reduction and development have had rather negative influences on recipient countries. Recognizing such problem, international community adopted the Paris Declaration on aid effectiveness. In particular, projects should not end in one-off programs decided by comparative advantages or interests of donor countries.

Outcome-based approach

The Fund should not just put focus on the input and output, but also the outcome and impact of financial support provided. It is also necessary to analyze existing bilateral and multilateral monitoring and evaluation methods to develop new ones suited for the GCF, and have discussions on who should be an independent entity in charge. Meanwhile, given the environmental and social costs caused in the mitigation or adaptation efforts (e.g. sustaining bio-diversity, sustainable agriculture, migration, etc.), going through processes before decision making like evaluation of environmental impacts is important.

XVII. Submission by Mr. Tosi Mpanu Mpanu (Democratic Republic of Congo) and Mr. Omar El-Arini (Egypt)

1. How the GCF should/could be different from existing climate funds?

-The Green Climate Fund has been designated by COP 16, "as an operating entity of the financial mechanism of the Convention under Article 77". None of the existing climate funds was accorded this formal designation. Additionally, and the Kyoto Protocol Adaptation Fund notwithstanding, COP 16 decided that "a significant share of new multilateral funding for adaptation should flow through the Green Climate Fund".

2. Some broad objectives and guiding principles of the GCF have been agreed

-During the design stage, it might be prudent to defer this to the GCF Board for the development of operational modalities of the Fund.

3. *Thematic windows and associated activities:*

- The fund might start with two thematic windows, one on Mitigation and the other on Adaptation. Additional windows, or sub-windows under these two, could be contemplated on need basis. Projects and programmes related to mitigation and adaptation, and associated capacity building and technology transfer, are obvious activities.

4. *Should the number of thematic windows be determined by the founding size and design of the fund or should more be added by the Board as the Fund's capital grows in size or/and new needs are identified?*

- The two main thematic windows mentioned above, could be established at an early stage in the operation of the Fund, irrespective of the "founding size" of the fund, in order to ensure balanced allocations between the two thematic areas. Additional windows or sub windows to facilitate speedy implementation of projects and programmes could be considered by the Board if this would not hold up resources, and would enhance accessibility of the fund by all eligible Parties. The decision can be board decision, but with approval from the COP, after a study on the reasons/costs/benefits and other criteria.

5. *The Cancun Agreements refer to "balance" between mitigation and adaptation. How do we define and achieve "balanced allocation" between adaptation and mitigation?*

- Balance based on needs, available resources through other sources of funding (domestic/market/bilateral/..), and also on the global priorities as reflected by scientific recommendations.

6. *What is the foreseen size of the GCF compared to other existing funds?*

- Starts with an initial sum, a core, to help establish and start up of activities, then size to be of the fast start current pledges of US\$ 30 billion, with a vision to move to at least 100 billion Euros, based on the study of the EU on climate finance.

7. *What is meant by "large scale" in terms of the expected volume of the GCF, and should a minimum and maximum volume be considered?*

- Larger than all existing funds combined, given the long term finance nature of the fund and the wide range of activities that would be eligible for funding, in some 140 developing countries. A minimum, but adequate, volume should be considered, in order to start the fund operation. This is perhaps, a *condicio sine qua non* for confidence building in the institution and between parties.

12. *Should the GCF design be scalable over time, or should the GCF design immediately match the volume goal?*

Yes the scale of fund would grow over time, but to start with a minimum scale that would allow reasonable actions to be put in place.

13. *How could the GCF encourage the application of the country led principle?*

14. *What is needed to ensuring the country led principle alongside the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management?*

15. *How could the GCF encourage results based approaches among different thematic areas? What are the options for implementing result based approaches? Is there a need for taking different approaches for each thematic area?*

- Country led principle ensures that countries decide on the needs based on their own strategies and priorities, rather than donor led approach.
- Direct access, equitable and balanced allocation (urgent/short/long), related to needs, the fund should provide assistance to build capacities in applying safe guards and fiduciary standards.
- Results based is difficult to apply on adaptation, there should be a priority list to adaptation issues, and some urgent support based on the urgent or immediate needs of specific countries due to extreme effects
- Results based can be applied to mitigation, but with a balanced geographic allocation of resources, between all developing countries, to avoid CDM shortcomings.

16. *What should be the value-added of the design and operations of the green Fund?*

- Direct access, availability of large scales of financial resources that is predictable and sustainable over an extended period of time. The fund would also work in relation to the recommendations from thematic bodies through the COP, and based on the needs of developing countries.

13. *What role should the GCF play among climate finance entities?*

- It is totally dedicated to financing climate change, based on modalities developed mainly for climate finance based on the principles of the UNFCCC.

14. How will the GCF ensure complementarity between the Fund's activities and those of other bilateral, regional and multilateral funding mechanisms and institutions?

- That will be done through the finance committee under the convention, by establishing a forum or informal meeting for coordination between all financing entities.

XVIII. Submission by Mr. Manfred Konukiewitz (Germany)

1. Objectives and principles

1. How should/could this Fund be different from existing climate funds?

The Green Climate Fund (GCF) has to mobilize, leverage, manage and disburse financial resources from different sources at a large scale. Via relevant projects, programs, policies, capacity-building, technology-transfer and other activities, the resources should be used to:

- facilitate efforts of developing countries to contribute to hold the increase in global average temperature as much below 2°C as possible, and thus complementing the efforts of developed countries in achieving the peaking of global and national greenhouse gas emissions as soon as possible, and supporting the implementation of adaptation actions that can assist climate-resilient development;
- play a catalytic role assisting developing countries in their efforts to pursue transformational low-carbon and climate-resilient development paths;
- promote realization of environmental and social co-benefits thus demonstrating synergies between mitigation and the potential for low-carbon technologies to contribute to sustainable development and the achievement of the Millennium Development Goals.

2. Some broad objectives and guiding principles of the GCF have been agreed in the Cancun agreement. How can these be further developed, enhanced and operationalized?

The GCF should be guided by relevant principles agreed in the UNFCCC process, especially those included in the decision from Cancun, as well as international accepted fiduciary standards such as the the GEF Minimum Fiduciary Standards and environmental and social safeguards. Furthermore, the Fund should operate in a transparent and inclusive manner. For the operationalisation of these principles, funding guidelines will have to be developed, building on the existing experience of bilateral and multilateral finance institutions - not only in the context of climate financing -, and taking into account the capacities of domestic funding entities in developing countries, in particular the capacity to comply with internationally agreed fiduciary standards (see Submission by the Government of Germany on Workstream III) It should be ensured that the Fund can be a continuously learning institution, while at the same time providing reliable structures.

2. Thematic scope

3. How many and what thematic funding windows should be adopted? What activities should be covered by each thematic window?

The Fund should contain three funding windows for a) mitigation, b) adaptation and c) REDD+. Capacity-building, including for building institutional capacities, and technology development and transfer should be supported as cross-cutting issues. In mitigation, activities which can initiate transformational changes should be given priority. In REDD+, the GCF should also support results-based actions that are measured, reported and verified (phase 3). In adaptation, primary attention should be paid to the particularly vulnerable developing countries and especially to programmes in areas where the livelihoods of the most vulnerable people are at risk. The windows shall be operated in a manner that they allow the support of integrated climate change approaches, such as low-carbon/climate-resilient development strategies.

4. *Should the number of thematic windows be determined by the founding size and design of the fund or should more be added by the Board as the Fund's capital grows in size or/and new needs are identified?*

The Board of the GCF should keep the above mentioned arrangements under regular review and identify whether changes in the window structure are required.

5. *The Cancun Agreements refer to "balance" between mitigation and adaptation. How do we define and achieve "balanced allocation" between adaptation and mitigation?*

For the initial phase of operation, no fixed allocation formula should be applied in order to allow for sufficient flexibility. However, further work is needed to identify instruments that secure a balanced allocation between mitigation and adaptation. In some point in time, there might be need for defining what "balanced allocation" refers to. In this context, it is important to take into account, that the achievement of the 2°C- target requires in particular mitigation actions; as mitigation actions will reduce the costs of adaption in future. The Board should envisage and regularly review overall shares for mitigation and adaption, taking into account e.g. adaptation benefits of REDD+ approaches when allocating the resources to the specific windows. Resource allocation for mitigation actions should follow the objectives of the GCF and be guided by the possible contributions to hold the increase in global average temperature as much below 2°C as possible. For resource allocation in adaptation, particular attention to vulnerable developing countries and especially attention should be given to programmes in areas where the livelihoods of the most vulnerable people are at risk.

3. Size and scalability

6. *What is the foreseen size of the GCF compared to other existing funds? 7. What is meant by "large scale" in terms of the expected volume of the GCF, and should a minimum and maximum volume be considered?*

The fund's size should be significantly larger than that of existing funds like the GEF, justified in particular through its objectives and the need for transformational approaches. Its size will have to be determined against the background of the Copenhagen Accord and the Cancun Agreement ("mobilize jointly UDS 100 billion per year by 2020" from a wide variety of sources), and the important role the private sector will have to play in climate financing. Further analysis in this regard is necessary. The size will also depend on whether the GCF's modalities allow for effective disbursement, and on whether the absorptive capacities of recipient countries are given. The GCF should be sourced by public funding, and be able to receive any other funds including innovative sources. Public funding, should build on an appropriate burden sharing taking into account ability to pay and polluter pay principle. Resources of funding should where possible, particularly for action on mitigation, leverage resources from the private sector, multilateral development banks, other public resources from developed and developing countries and incentivize investments into low-carbon approaches within developing countries, both from domestic and external private entities.

8. *Should the GCF design be scalable over time, or should the GCF design immediately match the volume goal?*

The Fund's modalities' should be designed to match the expected volume of flows running through the fund, but be able to adjust to potential increases of the volume.

4. Country-led and results-based approaches

9. How could the GCF encourage the application of the country led principle?

Proposals to the Fund should be identified and developed by developing countries, based on country-level multi-stakeholder partnerships (civil society, private sector, MDBs) in line with national sustainable development and build on an ambitious climate change strategy commensurate with the objective to hold the increase in global average temperature below 2°C.

10. What is needed to ensuring the country led principle alongside the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management?

Processes and institutions needed for sustained planning, implementation and the fulfilment of safeguards as well as standards and monitoring activities, alongside concrete implementation, in a manner that enables the participation of all relevant stakeholders, should be supported by the GCF. Germany is strongly committed to the effectiveness of operational modalities for the GCF. Therefore, results oriented financing, high accountability and a variety of funding resources and financial delivery mechanisms are crucial factors when designing the operational modalities for the fund. A gradual increase in the degree of domestic implementation responsibilities should be allowed for. The capacities of national climate change funding entities should be taken into account here.

11. How could the GCF encourage results based approaches among different thematic areas? What are the options for implementing result based approaches? Is there a need for taking different approaches for each thematic area?

A results-based approach is a prerequisite for the success of the GCF. A results-based approach should generally work towards incentivising the achievement of ambitious targets and indicators set up for a specific activity. However, the specifics of the different thematic areas need to be taken into account. In adaptation, increasing the resilience especially of the particularly vulnerable countries and communities is essential. In REDD+, emission reductions alongside biodiversity benefits are crucial. In mitigation, for example, the emission reductions that should be achieved and the transformational impulses of actions are key criteria.

It should be considered whether a certain share of the GCF mitigation resources could be allocated on a competitive basis to reward the most effective activities, in addition to considering a balanced country.

Elements of a results-based system could include inter alia independent review and monitoring processes, mid-term evaluations as a basis for releasing further tranches of funding.

5. Complementarity and value added

12. What should be the value-added of the design and operations of the green Fund?

The Fund shall assist developing countries in their efforts to pursue transformational low-carbon and climate-resilient development paths. The operating modalities of the GCF (workstream III) should be as easy as feasible for access by developing countries.

13. What role should the GCF play among climate finance entities?

The Fund could become a key player in the climate finance architecture, complementing existing bilateral and multilateral climate financing channels, if reliable procedures and standards ensure the delivery of results.

14. How will the GCF ensure complementarity between the Fund's activities and those of other bilateral, regional and multilateral funding mechanisms and institutions?

Recipient country ownership will be key to ensure complementarity on the ground. During the design process the GCF should draw on experiences and lessons learnt from existing funds and international financial institutions, in particular regarding the need to ensure the cost-effective deployment of increased financial flows. In addition, close collaboration and consultation with other funding mechanisms should be secured. While duplication in purpose and scope should be minimised, a certain level of competition between institutions will be instrumental to advancing good practice and results achieved.

XIX. Submission by Mr. Ewen McDonald (Australia)

Australia appreciates the opportunity to provide initial feedback on issues to be considered in Workstream I, Scope, guiding principles, and cross-cutting issues. We look forward to working with Transitional Committee colleagues, the Transitional Support Unit, observers and other stakeholders to further analyse and consider these issues and provide more substantive input as the work progresses. Australia will look to consult with domestic and international stakeholders over the coming months across the different workstreams to inform the consideration and ultimately recommendations of the Transitional Committee.

In all workstreams it will be important to identify areas of cross-over between workstreams and key areas for information gathering and analytical work to inform the considerations of the Transitional Committee. Value could be added to the consideration of a number of issues under this workstream by collating lessons learned and background on existing financing mechanisms, funds and entities, both in the climate change area and more broadly. The issues covered in this workstream also consistently point to the importance of obtaining the views and input of a range of stakeholders.

Objectives and principles

1. How should/could this Fund be different from existing climate funds?

The Green Climate Fund (The Fund) should be designed to be responsive to the needs of developing countries to respond to climate change, to be attractive to donors and to operate effectively and efficiently.

The Fund has the potential to channel a significant amount of future funding flows to address the climate change needs of developing countries. It will therefore be important that the Fund works to complement the broad range of existing international financial architecture. The Fund should leverage the efforts and lessons learned of multilateral and regional international funds, bilateral efforts and the private sector. An assessment of the scope of the existing climate funds will provide a good basis to inform the focus and direction of the Fund.

The Fund will need to be flexible, responsive and innovative. It should also be able to facilitate and maximise investment from a range of sources, including the private sector and be able to utilise a range of financing options.

Some key elements which differentiate the Fund from existing climate change funds are set out in the Cancun Agreements. These include that the Fund will have:

- Representative governance, including equal representation of developed and developing countries on the Fund board;
- A direct access modality; and
- Be accountable and under the guidance of the Conference of the Parties and to only one Convention - the UNFCCC.

Other key points for the Transitional Committee to consider in designing the Fund include:

- **Efficiency** of fund management and distribution;
- **Country ownership**, through supporting direct access and other mechanism that increase ownership of projects and links to country's strategic priorities;

- Ability to leverage **private sector investment**;
- Ability to significantly **scale-up** climate change investments; and
- **Complementarity** to other international funding avenues.

Some existing funds have a number of these characteristics, including the Climate Investment Funds, and can be used as examples for designing the Fund.

2. Some broad objectives and guiding principles of the GCF have been agreed in the decision 1/CP.16, Cancun Agreements. How can these be further developed, enhanced and operationalized?

The Green Climate Fund should be designed in line with a number of key principles:

- **efficiency and effectiveness** to enable funds to be disbursed and used well and to deliver results;
- **results-based** to produce outcomes for developing countries and the global climate;
- **country led** to promote inclusiveness and fairness;
- **accessibility**, including enabling **direct access**, as we recognise that this is crucial to developing countries and a way to help deliver future climate finance at scale;
- **flexibility** to enable the Fund to accept a range of sources of finance and deliver through a range of financial instruments, including innovative instruments;
- **attractiveness for investment** from the public and private sectors to enable the Fund to achieve ambitious and sustainable results;
- **efficient, effective and equal representative governance arrangements**, suited to the objectives and size of the Fund; and
- **robust fiduciary standards** to provide confidence and ensure effective use of funding.

Consideration of principles that other successful funds have instituted can assist to identify the appropriate principles for adoption under the Fund.

Of the principles identified in 1/CP.16, Australia notes that other workstreams will have key responsibility for work towards their operationalisation. For example, fiduciary standards (workstream II), evaluation of performance (workstream IV), and appropriate advice and stakeholder participation (workstream III). To avoid duplication of effort, the detail related to adopted principles should be addressed as part of the work of relevant workstreams, rather than be considered in workstream I.

Thematic scope

- 3. How many and what thematic funding windows should be adopted? What activities should be covered by each thematic window?**
- 4. Should the number of thematic windows be determined by the founding size and design of the fund or should more be added by the Board as the Fund's capital grows in size or/and new needs are identified?**
- 5. The Cancun Agreements refer to "balance" between mitigation and adaptation. How do we define and achieve "balanced allocation" between adaptation and mitigation?**

The questions on thematic scope for workstream I should focus on the overall scope of the Fund (i.e. should the Fund cover adaptation, mitigation, REDD+, capacity-building and technology transfer as outlined in the Copenhagen Accord?) and should point to what this might mean for

management of the Fund (i.e. the need for thematic windows). Decisions on the number and categories of thematic windows to adopt, or other management or systems required to implement this scope, should then be considered under the relevant workstream (i.e. thematic windows is listed for consideration under workstream III).

Size and scalability

6. What is the foreseen size of the GCF compared to other existing funds?

7. What is meant by "large scale" in terms of the expected volume of the GCF, and should a minimum and maximum volume be considered?

Australia recognises that the Green Climate Fund has the potential to channel a significant amount of future climate change financing and has the potential to be significantly larger than other existing climate funds. As the question of size and resourcing the Fund remains the subject of negotiations under the UNFCCC, discussions on this issue by the Transitional Committee should remain broad and be informed by UNFCCC discussions.

Rather than consider a precise minimum or maximum scale for the Fund, it may be useful to consider potential ranges, for example, more significant than the Climate Investment Funds. The Fund is likely to grow in size over time, so it should be designed to be scalable. This would allow Fund design to be aligned accordingly while also providing flexibility for consistency with future decisions taken in the UNFCCC.

8. Should the GCF design be scalable over time, or should the GCF design immediately match the volume goal?

As there is not yet an agreed volume goal the Green Climate Fund should be scalable over time. Australia anticipates that the Fund will need to grow over time, particularly as it builds its credibility, demonstrates its ability to deliver and resources come online.

Experiences of other multilateral funds or organisations that have adopted a similar approach, or have experience having scaled up over time, will be useful in informing the work on this area. Examples could include the Global Environment Facility, relevant Multilateral Development Banks and the Climate Investment Funds.

It will be important for the Transitional Committee to consider the design implications of a scalable Fund and this workstream should therefore provide advice to other workstreams on areas that could be impacted by scalability, including secretariat, reporting and evaluation arrangements.

Country-led and results-based approaches

9. How could the GCF encourage the application of the country led principle?

Application of the country led principle could be considered in a number of aspects of fund design, including:

- Processes and modalities for accessing funding - such as enabling direct access modalities and linking project funding to country strategies, including nationally appropriate mitigation actions (NAMAs), national adaptation programs of action (NAPAs) and low-emissions development strategies (LEDS); and
- Governance - ensuring representation of key constituencies on the Fund Board and equal representation of donors and recipients as outlined in the Cancun Agreements.

Workstream I should work with other relevant workstreams to ensure the country-led principle is incorporated into consideration of relevant issues. Workstream I should also consider best practice guidance and principles for aid effectiveness such as the Paris Declaration and Accra Agenda for Action. Principles of ownership, alignment, harmonization, results and mutual accountability should be considered and applied in the design of the Green Climate Fund.

10. What is needed to ensuring the country led principle alongside the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management?

The Green Climate Fund should have a sound governance and management framework, which includes environmental and social safeguards, together with internationally accepted fiduciary standards. The Transitional Committee should look to leverage existing safeguards and standards where appropriate, noting that some thematic areas that could be covered by the Fund (e.g. REDD+) may require specific or additional safeguards that are still under discussion.

Standards and safeguards should be applicable across different funding modalities and across thematic areas. However, the design of the Fund should also consider how these standards and safeguards can be applied on a risk management basis to ensure funding can be distributed in an efficient and timely manner (for example, whether there should be varying application by funding volume or project size).

The safeguards that are used in existing funds, such as the Adaptation Fund, Least Developed Countries Fund, the GEF and Climate Investment Funds, should be examined as a useful input.

11. How could the GCF encourage results based approaches among different thematic areas? What are the options for implementing result based approaches? Is there a need for taking different approaches for each thematic area?

It is important for the Green Climate Fund to establish a results framework(s) that is applicable across the Fund, but also has the flexibility to recognise the unique nature of different thematic areas. This will enable a consistent framework to be applied whilst also allowing results expectations to be appropriately targeted to activities. The results framework should include measurable indicators across all thematic areas. Building on input-based indicators currently used, the Fund should ultimately aim to evolve into an outcomes based results framework. Australia supports the early establishment of a robust results framework to ensure it underpins all projects from funding commencement and can be refined over time. A number of existing international funds have results frameworks that can inform the Fund, for example the Climate Investment Funds and the GEF.

Complementarity and value added

12. What should be the value-added of the design and operations of the green Fund?

This is a key question for the Transitional Committee to consider given the range of existing climate funds and private sector activity on climate change. The Fund should avoid duplication of efforts and should dovetail with, and capitalize on, existing funding being delivered through other international avenues.

The Committee should actively seek the views of a broad range of stakeholders to inform consideration of this issue. Some key areas to be considered, where the Fund could add value in international climate finance, include:

- Scale of financing;
- Use of innovative financing mechanisms;
- Harnessing international commitment and ownership of the Fund by all Parties; and
- Learning from the lessons of previous and existing funding mechanisms and entities.

13. What role should the GCF play among climate finance entities?

In principle rationalisation of climate change funds, entities and mechanisms is something that Australia supports. However whether this occurs as a result of design of the Green Climate Fund will in part be determined by the effectiveness, efficiency and flexibility of its design and operation.

If designed appropriately, the Fund has the potential to be a key multilateral funding mechanism for climate change action internationally, bringing together existing climate change funding entities to ensure a cohesive and integrated approach to climate change funding. An effectively designed Fund will provide an opportunity to harness multilateral climate change funding on a scale not previously seen.

However, it is possible that other multilateral funding mechanisms will remain and the Fund will need to complement and coordinate with these, and other bilateral and plurilateral funding channels.

14. How will the GCF ensure complementarity between the Fund's activities and those of other bilateral, regional and multilateral funding mechanisms and institutions?

The design of the Green Climate Fund should be informed by views from entities currently undertaking or supporting international climate change action. The Transitional Committee should review existing entities and lessons learned and in light of this, consider the respective roles of existing entities, their comparative advantages and potential links to the Fund. Once the Fund is operational there will still be bilateral and regional climate change funding as well as potentially other multilateral entities operating. It is important that complementarity between these is identified and there is a mechanism for information sharing and cooperation. This is an area the Transitional Committee should consider in identifying the relationships between the Fund and other funds or entities.

XX. Submission by Mr. Idrissa Ouedraogo (Burkina Faso)

Objectives and principles:

Suggested questions/issues

How should/could this Fund be different from existing climate funds?

The creation of the GCF is an opportunity to make the existing climate finance landscape **transformational**. At present, access to finance remains unequal, funding is not operating in a highly catalytic manner, and there is insufficient integration with development planning. Hence there is a lack of economy-wide impact. The GCF is a tool to leverage these existing instruments by promoting the power to blend resources at the national level. Through a targeted approach the role of the GCF can provide the "glue" that brings international assistance on climate change together and so addresses these issues.

Some broad objectives and guiding principles of the GCF have been agreed in the decision 1/CP.16, Cancun Agreements (see annex below) How can these be further developed, enhanced and operationalized?

Given the magnitude of finance needed to address the climate change challenge, the GCF is a major opportunity to transform economies and societies toward sustainable production and consumption patterns while reducing GHG emissions in a pro-poor, pro-MDG, pro-growth manner. The Cancun Agreements made it clear that it is essential to have human development at the center of the GCF's mandate and not focus on financing projects that reduce Greenhouse gases only.

Thematic scope: Suggested

questions/issues:

How many and what thematic funding windows should be adopted? What activities should be covered by each thematic window?

Human development and poverty reduction should be part of the goals and objectives of the GCF, including contributing to MDG achievement and benefit to all countries (and not only the major emitter countries). Indeed the GCF should not only invest in GHG reductions, but also build the capacity of governments, at all levels, to take informed and rational policy and investment decisions that reduce emissions and lead to long term and equitable sustainability. The Fund should be transformational in nature (transform production and consumption processes) and not only promote best practices and diffusion of best available technology. Indicators should be developed to assess this transformational impact. As such the Fund should also support research and development and south-south cooperation.

The thematic funding windows can be:

- Research and development and south-south cooperation
- Production and consumption transformation process
- GHG reductions
- Adaptation

Should the number of thematic windows be determined by the founding size and design of the fund or should more be added by the Board as the Fund's capital grows in size or/and new needs are identified?

The Cancun Agreements refer to "balance" between mitigation and adaptation. How do we define and achieve "balanced allocation" between adaptation and mitigation?

Size and scalability;

Suggested questions/issues

What is the foreseen size of the GCF compared to other existing funds?

The GCF should be catalytic in scope and be a flexible instrument that is able to respond to all developing country needs, including the poorest and most vulnerable. The diversification of sources of climate finance in recent years has largely benefitted larger economies, but a future financial architecture must allow access for all developing countries. Sources of finance should be flexible enough to support the design and deployment of public finance for any developing country context.

What is meant by "large scale" in terms of the expected volume of the GCF, and should a minimum and maximum volume be considered?

One major way to achieve scalability is to build the capacity of national and local governments and other relevant stakeholders to make them able to take informed policy and investment decisions. In other words, capacity building should constitute a large part of the activities the Fund supports and should be part of every single investment project (and thus not be a stand alone, isolated activity).

Should the GCF design be scalable over time, or should the GCF design immediately match the volume goal?

Country-led and results-based approaches;

Suggested questions/issues

How could the GCF encourage the application of the country led principle?

To achieve a country-led fund, countries must be in the driving seat in making decisions on climate finance. The GCF should support countries to have the political and institutional leadership, knowledge and technical capacity, financial and fiduciary management and accountability systems to take advantage of the multiple sources of climate finance available and make flexible, robust decisions on climate change in line with low-emissions, climate-resilient development.

What is needed to ensuring the country led principle alongside the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management?

To this end most of the staff supported by the Fund should be located at the national level.

How could the GCF encourage results based approaches among different thematic areas? What are the options for implementing result based approaches? Is there a need for taking different approaches for each thematic area?

Complementarity and value added:

Suggested questions/issues

What should be the value-added of the design and operations of the green Fund?

The creation of the **GCF is an opportunity to make the existing climate finance landscape transformational**. At present, access to finance remains unequal, funding is not operating in a highly catalytic manner, and there is insufficient integration with development planning. Hence there is a lack of economy-wide impact.

What role should the GCF play among climate finance entities?

The GCF is a tool to leverage these existing instruments by promoting the power to blend resources at the national level. Through a targeted approach the role of the GCF can provide the "glue" that brings international assistance on climate change together and so addresses these issues.

How will the GCF ensure complementarity between the Fund's activities and those of other bilateral, regional and multilateral funding mechanisms and institutions?

XXI. Submission by Ms Marisa Lago (United States of America)
Objectives and principles:

1. How should/could this Fund be different from existing climate funds?

U.S. response: The creation of the GCF represents a chance to build a state-of-the art finance channel that takes into account the lessons learned from existing multilateral trust funds for climate and other global issues. In terms of scale, the GCF should be designed to attract significant donor contributions and leverage private sector co-financing at a larger scale and from more diverse sources than previously achieved. In terms of operations, the GCF should set new benchmarks for accountability, fiduciary standards, efficiency, and measurable impact.

2. Some broad objectives and guiding principles of the GCF have been agreed in the decision 1/CP.16, Cancun Agreements (see annex below) How can these be further developed, enhanced and operationalized?

U.S. response: The paragraphs on financing in the Cancun outcome fall into various categories -(1) various general statements regarding efforts by the Parties in the context of the UN Framework Convention on Climate Change (UNFCCC) regarding financing of efforts to address mitigation and adaptation (paragraphs 95-101); (2) certain specific operational modalities for the GCF, such as composition of the Board and designation of the interim trustee (paragraphs 102-107); and (3) elements that are intended to frame the discussion on the design of the GCF as described in Annex III of the decision.

The general statements regarding efforts by the Parties in the context of the UNFCCC are matters for the COP and its subsidiary bodies to discuss in the Convention context, rather than a productive discussion for the technical work of the Transitional Committee.

The GCF design process, however, would benefit from a succinct statement of purpose, building upon the language in paragraph 102 of decision 1/CP.16. The statement of purpose should focus on practical elements of the Fund's role in the delivery of climate finance to address the mitigation and adaptation efforts of developing countries.

With respect to operational modalities and the framing of the Transitional Committee's discussion, Workstreams II, III, and IV are taking up specific elements of the legal contours, operational modalities, and accountability arrangements in the design of the Fund.

Thematic scope:

3. How many and what thematic funding windows should be adopted? What activities should be covered by each thematic window?

U.S. response: The Board should retain the flexibility to designate thematic windows. Windows are best organized according to programmatic purpose, *i.e.* mitigation, adaptation, and REDD+. This would parallel the normal approach taken by existing climate funds and bilateral programs, and also facilitates performance-based allocation decisions (the methodologies for allocating available funds to countries and activities will likely be very different for mitigation, adaptation, and REDD+). We could also envision the Board needing the flexibility to consider establishing windows for certain financial instruments (*e.g.* loan guarantees) or for access modalities (*e.g.* the private sector).

4. Should the number of thematic windows be determined by the founding size and design of the fund or should more be added by the Board as the Fund's capital grows in size or/and new needs are identified?

U.S. response: The Board should retain the flexibility to designate thematic windows, rather than determining the number and scope of windows in advance. The fund should be designed to accommodate changes in scale, and the Board therefore requires the flexibility to add windows to account for new resources and needs.

5. The Cancun Agreements refer to "balance" between mitigation and adaptation. How do we define and achieve "balanced allocation" between adaptation and mitigation?

U.S. response: While balanced allocation is certainly important - particularly to ensure sufficient resources for adaptation - this is a political rather than mathematical decision. Donors should have the flexibility to assign contributions to the windows.

Size and scalability;

6. What is the foreseen size of the GCF compared to other existing funds?

U.S. response: The GCF should be designed to operate at the scale required to play a meaningful role in promoting transformational investments in mitigation and adaptation in developing countries. Its exact size depends on numerous factors, notably the design features now being developed by the TC. In designing the GCF, the TC should be mindful of the features that will make this fund attractive to contributors. If the design process succeeds, the GCF could potentially be the keystone of the multilateral climate finance architecture. It will not, however, channel \$100 billion a year, since this goal in the Cancun decision refers to both public and private finance. Moreover, it is not anticipated that the GCF will be the only channel for public climate finance, since bilateral assistance will continue to play a major role and other multilateral funds like the GEF may continue to work in this space.

7. What is meant by "large scale" in terms of the expected volume of the GCF, and should a minimum and maximum volume be considered?

U.S. response: See response to previous question. The GCF should be scalable and should retain the flexibility to evolve to handle varying degrees of resources. The scale of resources does not need to be defined in advance.

8. Should the GCF design be scalable over time, or should the GCF design immediately match the volume goal?

U.S. response: The GCF should be scalable both within windows and across the fund. Climate finance is expected to scale up over time, so the fund may grow accordingly.

Country-led and results-based approaches;

9. How could the GCF encourage the application of the country led principle?

U.S. response: The GCF should be guided by recipient country priorities but will need to be flexible in its approach so as to ensure the ability to leverage the private sector. Recipient countries should

lead in identifying areas for which they seek GCF funding. Ideally, these requests should be put in the context of low emission development strategies and national adaptation plans.

10. What is needed to ensuring the country led principle alongside the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management?

U.S. response: Direct access may play an important role in the GCF, but to do so, such access must be accompanied by rigorous standards and safeguards. This will be an important condition for contributor country treasuries and parliaments making decisions about funding the GCF both at the outset and on an ongoing basis.

11. How could the GCF encourage results based approaches among different thematic areas? What are the options for implementing result based approaches? Is there a need for taking different approaches for each thematic area?

U.S. response: Nothing will be more important for attracting donor resources to the GCF over time than its ability to demonstrate a meaningful impact on mitigation and adaptation outcomes. It will be critical to establish robust procedures for measuring and reporting results of funded activities in an accurate and timely way and to provide the Board with the authority to enhance these procedures in a manner that ensure transparency and effectiveness in outcomes. We believe the Climate Investment Funds and the GEF have made good progress in this area. In addition, result-based financing (or "pay-for-performance") is also a type of financing modality which the GCF Board may consider exploring.

Complementarity and value added:

12. What should be the value-added of the design and operations of the green Fund? **U.S. response:**

See response to question 1.

13. What role should the GCF play among climate finance entities?

U.S. response: There are many sources and channels of climate finance, both private and public, both bilateral and multilateral. The GCF will play an important, but not exclusive, role in this architecture. Its activities should be designed to complement and strengthen financial flows through other channels. We do not see the GCF fulfilling systemic functions in the overall climate finance architecture (i.e. oversight or matching). However, greater coordination among the various institutions with a role in climate finance should be encouraged. To this end, the GCF may work with other institutions to establish the kind of "climate finance forum" that has been discussed in the UNFCCC negotiations and elsewhere.

14. How will the GCF ensure complementarity between the Fund's activities and those of other bilateral, regional and multilateral funding mechanisms and institutions?

U.S. response: See response to previous question.