

Informal Consultations on Workstream III for representatives from Small Island Developing States (SIDS)

Co-Facilitator's Summary

Introduction

An informal consultation was convened on 23 May 2011 at the Permanent Mission of Pakistan to the UN in New York by Mr. Farrukh Khan, co-facilitator of workstream III. Both SIDS representatives on the Transitional Committee attended (one at the member level, one at the advisor level). A list of participants is attached in Annex.

Ambassador Abdullah Hussain Haroon, Permanent Representative of Pakistan to the UN in New York, opened the consultation and welcomed participants. He underscored the necessity of reaching out to vulnerable countries like SIDS. He underscored the urgency and magnitude of the task facing the Transitional Committee (TC) for the design of the Green Climate Fund (GCF) and noted the important work to be done in the year ahead.

Ms. Diane Barclay (representative of Mr. Ewen MacDonald, TC representative from Australia and co-facilitator of workstream III) gave a short presentation outlining the importance of the TC process and the need for the GCF to be different from business as usual.

Mr. Simon Billett (representing the Technical Support Unit (TSU)) gave a short introduction to inform participants about the TC process to date, including map out the structure of work over the coming months and the work being undertaken by TSU.

Following the introductory session, Mr. Farrukh Khan (TC representative from Pakistan and co-facilitator of workstream III) chaired the working session. Mr. Khan informed participants that the workstream III co-facilitators are moving rapidly to scope the issues to be addressed under the workstream, in line with decision 1/CP.16 Annex III (Terms of Reference for the TC) and the first meeting of the Transitional Committee (held in Mexico City, 28-29 April 2011).

Mr. Khan informed participants that the workstream III co-facilitators have taken two main issues as their initial focus i.e. Finance Entry Points and Access Modalities. He noted that during the first meeting of the TC, members expressed a strong desire for the GCF to be responsive to the needs of the developing countries. In this regard, Mr. Khan noted the intention of the workstream III co-facilitators to host a series of informal consultations in New York, of which the SIDS meeting was the first. He stated that the SIDS consultation aimed at eliciting direct input from SIDS on the two issues under initial consideration, especially drawing on their country-level experiences. Mr. Khan referred to the set of questions that was circulated to all SIDS missions ahead of the meeting.

In order to further focus the discussions on finance entry points and access modalities, Mr. Khan made a short presentation outlining a number of design questions facing the TC in workstream III, specifically on the issues of sourcing funds, engaging the private sector, financial instruments, thematic windows, and access modalities.

The floor was then open for responses, comments, and dialogue. Participants were invited to respond to the range of questions posed during Mr Khan's introductory presentation, as well as give their view on additional issues that emerged during the discussion. The notes below are not intended as a full account of the meeting, but instead represent some of the key points made.

Thematic Windows

What is the thematic scope of the GCF, and so how is “thematic window” to be defined in the GCF? How many, and what, windows should the GCF have?

A number of participants noted that thematic windows are vital for ensuring balance within the GCF. One participant in particular suggested that it is important for the GCF to have thematic windows on mitigation, adaptation, REDD+ and technology.

How would funding windows under the GCF be managed and administered?

Many participants outlined that it was critical for the GCF to appropriately differentiate between different groups of developing countries. There was significant discussion about the needs of threatened island nations, and a broadly held view that those countries on the frontline of climate change impacts must also be on the frontline for assistance from the GCF.

In particular, a number of representatives called for dedicated funding/fixed percentages to be set aside within the GCF for special category groups such as SIDS, either within or across windows. It was noted that such an approach could help deal with the problems many SIDS face in accessing finance on an individual basis. In addition, many participants noted the inequity of “first come first served” allocation approaches. For capacity-constrained countries, such as SIDS, these approaches can reduce the potential finance available to them.

Additional issues raised on thematic windows: categorisation of projects and programmes

There was some discussion about how the GCF should define and categorise different types of activities, not only in terms of their eligibility for financing under the GCF but also how activities are divided up across thematic windows. It was noted, for example, that defining “adaptation” activities is a complex problem, with some funds focussing on policy approaches while others determine the eligibility of project from a purely infrastructure angle. In the case of SIDS, a sea wall is both an infrastructure as much as an adaptation question. This was highlighted as an area for possible analysis by the TSU.

Access Modalities

How will the GCF provide funding? Through bilateral/multilateral intermediaries? Directly to national institutions? A combination of both? Other options?

A number of participants noted both good and bad experiences with existing implementation arrangements, illustrating how the GCF could draw on those parts of the existing multilateral architecture that work well but not simply be “another fund”. Some participants mentioned the need for building on existing institutions. More specifically, participants mentioned that existing institutions should be integrated with the Green Climate Fund.

How is direct access under the GCF to be defined? What kinds of national institutions are needed to facilitate these models of national implementation and execution?

Direct access featured prominently during the consultation. Many participants noted that direct access was a key tool to speed up disbursement of funds and to put programming choices into the hands of countries themselves. In this regard, there was some discussion about the various options for direct access under the GCF, ranging from large-scale programmatic funding to project-based finance as under the Adaptation Fund. Regional organisations were noted as providing an important function, especially for SIDS.

There was general agreement among representatives that exploring how to integrate and/or further improve the direct access provisions as adopted by the Adaptation Fund would be useful for the TC process. These representatives also underscored the importance of consistency in direct access provisions across multilateral climate funds. Many participants spoke of a single direct access modality across funds.

In a related discussion to that on direct access, representatives explored the role that domestic institutions that do not implement projects could play in the GCF. In particular the discussion focussed on the role of central banks and/or national development banks in acting as conduits of finance from the GCF and other sources at the national level. A distinction was noted, though, between direct budget support and direct access for implementation and execution.

What are the criteria for determining when to use which channel? How can different modalities complement each other in country? How can country choice and flexibility be maximized? Should certain modalities (e.g. direct access) be made available for all purposes or should certain modalities only be used for some specific purposes?

In terms of the balance between direct access and multilateral implementation options, a number of participants noted the complementarity of both approaches and that countries should be given the option where they can choose either of the channels (multilateral or direct access) to access finance. Many representatives noted the

importance of keeping as many access modalities available as possible to aid access to finance for developing countries.

If funding can be provided by the GCF through multilateral institutions, what types of institutions should lead that process?

Participants did not identify any specific institutions; however, they underlined two criteria to underpin the use of multilateral institutions--1) speed in delivery and disbursement, and 2) the need for balancing efficiency with the transaction costs for engagement with the multilateral institution.

One participant underlined that in his view the World Bank represented a strong case for efficiency and speedy disbursement unlike many other institutions dealing with development or climate finance. Another participant, while noting the efficiency in disbursement, highlighted the need for balancing efficiency with transaction cost. It was mentioned that while the World Bank's processes are efficient in delivering the resources many countries have felt that transaction costs of engaging with the World Bank are enormous. The GCF should consider rectifying this issue.

What is the role of NAMAs, NAPs, and NAPAs in guiding fund applications?

It was noted that country strategies and priorities should guide the functioning of the GCF. Some participants pointed out the absence of funding available for implementation of existing NAPAs. In this regard, the need for delivery channels to follow those areas outlined in NAMAs, NAPs, and NAPAs as priorities for implementation was noted.

Additional issues raised on Access Modalities: Capacity Constraints

Significant time was spent during the consultation discussing the importance of addressing capacity constraints in smaller developing countries, particularly SIDS. Many representatives noted the difficulty facing SIDS within the existing architecture to access finance and marshal the complex web of application and eligibility criteria. A number of participants noted that capacity building should feature as a core, cross-cutting element of the thematic windows of the GCF. It was highlighted that different access modalities may be needed for large and small developing countries, particularly given the scale of challenge and the nature of projects to be submitted by different countries.

Private Sector

How can the GCF best 'crowd-in' private finance at scale, including foreign and domestic sources?

A large number of participants reflected on the important role of the private sector, both large multinational actors and local enterprise. Representatives noted that the majority of finance for market transformation resides within the private sector and that the GCF must tap into that finance. A number of participants noted the need to

create markets and reduce risks within SIDS in this regard. Some participants specifically highlighted the need for engaging the fossil fuel industry both internationally and nationally for generating financial resources. A specific case noted was that of a recent oil spill, where one fossil fuel company set aside USD 20 billion immediately for cleanup costs. It was noted that such examples present opportunities for raising funds for climate change financing.

How can the delivery of private finance be improved in regions with poorly developed financial markets?

It was noted that in drawing in the private sector, the GCF should institute/agree on risk mitigation tools such as guarantees. Many participants also reflected on the importance of regulatory certainty and support investment environments. In addition, it was argued that the GCF must have the deal with risk related issues.

Additional issues raised in addition to formal questions

The importance of informal consultation

Many participants noted the importance of consultations on the TC process based around country groupings, such as SIDS. Representatives noted that such interactions aid coordination of positions but also help to ensure that specific needs and concerns of groups, such as AOSIS/SIDS, can feed into co-facilitators' work. Participants encouraged the facilitators to continue to hold such informal interactions.

Simplicity in design

Many representatives noted that a central reason behind the decision to establish the GCF in Cancun was a desire to change the way the multilateral system supports developing countries address climate change. A number of participants underlined the need for a simple design, although no specific design option was presented.

Annex**List of Participants**

1. Ambassador Abdullah Hussain Haroon,
Permanent Representative of Pakistan
2. Ambassador Milan J. N. Meetarbhan,
Permanent Representative of Mauritius
3. Ambassador Antonio Pedro Monteiro Lima,
Permanent Representative of Cape Verde
4. Ambassador Federico Alberto Cuello Camilo,
Permanent Representative of Dominican Republic
5. Ambassador Peter Thomson,
Permanent Representative of Fiji
6. Ambassador Raymond O. Wolfe,
Permanent Representative of Jamaica
7. Ambassador Dr. Donatus Keith St. Aimee,
Permanent Representative of Saint Lucia
8. Ambassador Colin D. Beck,
Permanent Representative of Solomon Islands
9. Ambassador Henry L. Mac-Donald,
Permanent Representative of Suriname
10. Ambassador Ali ioaiga Feturi Elisaia,
Permanent Representative of Samoa
11. Mr. George Wilfred Talbot,
Charge d' Affaires (a.i.)
Guyana
12. Mr. Janine Elizabeth Coye-Felson,
Charge d' Affaires (a.i.)
Belize
13. Ambassador Said Mohamed Ousseïn,
Deputy Permanent Representative
Comoros

14. Mr. Raza Bashir Bashir Tarar,
Deputy Permanent Representative of Pakistan
15. Mr. Farrukh Iqbal Khan,
Counsellor and Co Facilitator of the workStream III
16. Ms. Wu Ye-Min,
First Secretary
Singapore
17. Ms. Rueanna Haynes,
Second Secretary
Trinidad & Tobago
18. Mr. Salwin Hart,
Counsellor
Barbados
19. Mr. Ahmed Naseem Warriach,
Counsellor, Pakistan Permanent Mission
20. Mr. Ahmed Farooq,
First Secretary, Pakistan Permanent Mission
21. Ms. Marcela Main,
UNFCCC Liaison Office
New York
22. Ms. Diane Barclay,
Australia (Representing Mr. Ewen McDonald co-Facilitator of
Workstream III from Australia)
23. Mr. Simon Billett,
Technical Support Unit (TSU)
UNFCCC