



Facilitators of Workstreams I and IV of the GCF Transitional Committee

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Subject **Inputs to the GCF Transitional Committee on Workstreams II and IV;
issues raised during the first technical workshop of the TC**

UNDP thanks the Co-Facilitators of the TC Workstreams II and IV for the opportunity to provide further input to the TC following the first technical workshop held on 30 May – 1 June 2011.

UNDP strongly supports the design and establishment of the Green Climate Fund (GCF), specifically as it contributes to the overarching goals laid down in decision 1/CP.16, notably “the legitimate needs of developing country Parties for the achievement of sustained economic growth and the eradication of poverty, so as to be able to deal with climate change”.

Workstream II

Decision 1/CP.16 does not strictly provide for the Transitional Committee (TC) to permanently define the functions and scope of the Green Climate Fund (GCF). However, as noted by many TC members and observers (including UNDP’s submission on workstream I) it is essential to define in broad terms the objectives and parameters of the GCF in order to design the institutional and operational elements of the Fund. The governance and institutional arrangements of the GCF must fit within the broad mandate of the GCF, which ultimately must contribute to ensuring that global average temperature increase is kept below 2 C above pre-industrial levels by 2050 and build the resilience of those communities that are, and increasingly will, be impacted by climate change. In addition, the ongoing discussions under workstream I provide further important parameters for the governance and institutional arrangements, namely: country-driven approaches; focus on integration with national development planning; coherence of climate finance flows at the national level; and equitability and efficiency in decision-making.

The governance arrangements of the GCF must fit within these broad parameters, while maintaining sufficient flexibility to evolve as the nature of the Fund itself matures over time, including as new guidance from the Conference of Parties (COP) is received in the future.

1. Legal and Institutional Issues

For the GCF to be a state-of-the-art climate fund, it must have the legal capacity to support multiple implementation arrangements, including national and multilateral implementing entities (NIEs and MIEs). It is essential that the legal arrangements for the GCF do not preclude any implementation or access modalities, now or in the future. Developing countries must be able to have sufficient choice in implementing arrangements in order to promote access to GCF resources and a country-driven approach to implementation. Importantly, the GCF must be able to enter into legal agreements with multilateral and national implementing partners. This requires legal personality, which could amongst others be conferred through national legislation in a UN member state. As such, the legal instrument establishing the GCF may confer capacity on the Board to enter into agreements with different types of institutions (e.g. National Institutions, UN agencies, MDBs, etc).

The legal instrument that establishes the GCF could identify initial implementing agencies and define their roles and responsibilities (as in the GEF instrument). The role and responsibilities of the MIEs could be defined at two levels: (1) directly programming and implementing programmes of the GCF; and (2) supporting NIE-led implementing, where MIEs provide specific implementation, oversight or capacity building tasks for which the implementing agencies have particular expertise.

The overall institutional landscape of the GCF has a number of parts, as defined in decision 1/CP.16, including: Board, independent Secretariat, Trustee, and links with other bodies under the UNFCCC as well as other related climate change financing mechanisms. In UNDP's experience with managing and implementing climate change funds, this institutional landscape must be focussed at the country-level (see Secretariat section below). If the institutional set up of the fund is such that the bulk of the implementation capacity of the GCF is located at the national level, with regional centres and networks providing technical backstopping, then the legal and institutional arrangement should also regulate the fiduciary, accountability and transparency requirements for the global, regional and national chapters of the fund.

2. The Board

UNDP's experience with existing global funds, both for climate change and other specialised issues, is that there must be a clear division of labour between the Board and the Secretariat, by which the Secretariat should implement the decisions of the Board. Given the importance of the GCF to both developed and developing countries the Board could take the leading role in allocation of resources, both between thematic areas, between the MIE (see above, MIE as defined in the legal instrument that establishes the Fund) and between countries (NIE). For the GCF to have legitimacy, it must be recognised as an intergovernmental body that undertakes such activities via a strong Board, rather than the Secretariat.

Moreover, to promote country-driven implementation and ensure that overall temperature increase will remain below the 2 degree Celsius increase by 2050, it is important the Board take low-emission, climate-resilient development strategies, as well as NAMAs and NAPs, as the basis for funding decisions, specifying implementing channels. This is important for two

reasons; first, it ensures that the allocation and funding decisions within the GCF are taken *by governments* based on proposals *from governments*. Second, the use of country plans, in various forms, can speed up approval procedures; the Board would be able to consider entire country package at once, rather than every single project activity.

Low emission, climate resilient development strategies should be comprehensive and holistic in nature and address all sectors that contribute to or relate to GHG emissions and/or build resilience against climate change impacts. They will need to be produced in iterative processes and take the legitimate sustainable development objectives of countries into consideration including the achievements of the MDG's. Peer review mechanisms, as currently operated by OECD, could be established to ensure the best available expertise is brought to bear in the iterative development of these pro-poor, pro-growth, low emission, climate resilient development strategies.

There is of course an important linkage here with workstream III on the criteria for allocation of resources. It is essential that a robust definition of transformational changes, that includes MDG and human development indicators, is the foundation for this.

The relationships between the GCF Board and other parts of the Fund, as well as the wider UNFCCC process, are important to ensure that the Fund is able to function efficiently and equitably. Importantly, this means that there should be a strong relationship between the COP and the Board, including annual reporting and guidance. Within the GCF itself, the Board should then govern and have oversight of the independent Secretariat; this prevents the independent Secretariat becoming autonomous from the mandates and desires of governments while still maintaining its institutional independence.

Finally, the Board must be sufficiently equipped to carry out its tasks. As such the selection of the Board members should be based on pre-determined criteria that guarantee the highest competency, integrity, expertise, and knowledge on both climate change and development. As is increasingly becoming standard practice, the Board must include active observer participation from accredited observers as well as implementing partners. It will also be critical to engage the private sector at the level of the Board to ensure that decision-making is informed by this important partner to the Fund. Overall transparency in the production and posting of documents and minutes of the meetings will of course also be essential to creating a functioning decision-making body.

3. The Secretariat

In the context of the section above on the Board, the functions of the Secretariat should not focus on decision-making but instead focus on facilitation of the functions of the Board and implementation of its decisions. Decision-making should remain with governments. In particular, this could mean a focus for the Secretariat on quality assurance review of national programmes (see above: low emissions, climate resilient development strategies) against Board-agreed criteria, monitoring and evaluation functions, servicing the functioning of the Board, and cooperation with MIE's and NIE's in ensuring fair access to the GCF and effective implementation of GCF approved fund allocations.

As such, as many functions as possible of the Secretariat could be devolved to national coordinating mechanisms at the national level, ideally within national government entities. Regional support centres could link with the adaptation and technology centres under establishment under the UNFCCC negotiation process, while the global coordination office of the Secretariat should be small and effective. National coordinating mechanisms could serve to both support national decision-making and planning for access to GCF resources, including through the development of low emission, climate resilient development strategies and national climate finance mechanisms, as well as facilitate dialogue and linkages with the private sector and other stakeholders.

The Secretariat—across all levels—should of course conform to international best practice for transparency and independence in the selection of senior management. Pre-determined selection criteria ensure the highest level of competency, integrity, expertise and knowledge for the recruitment of the senior secretarial staff should be established and approved by the Board and their performance monitored against benchmarks on a regular basis.

4. UN Services to GCF Governance Arrangements

The UN recognises and respects the wish of governments to have an independent Secretariat, as agreed in decision 1/CP.16. Indeed, this is important for both political and substantive reasons.

It is UNDP's experience that the following five building blocks will need to be in place if countries are to effectively access and make use of the GCF to support national development objectives:¹

- 1) Formulating low-emission, climate resilient development strategies (LECRDS) to bring about bottom-up climate change actions, fully aligned with long-term, sustainable national development goals.
- 2) Empower countries to blend different sources of finance at the country level (international and national, public and private, grant and loans, innovative and direct budget contribution). Depending on the unique requirements of each country, this will involve the establishment of new mechanisms to promote public-private partnerships, and the creation of national climate funds.
- 3) Developing the capacity of countries to translate LECRDS into bankable NAMAs, NAPAs etc, projects and programmes in line with the requirements of the GCF and other funds. This will involve creating detailed proposals and investment plans, combining and sequencing different sources of financing.
- 4) Enhancing national implementation capacity. In addition to enabling direct access to international public resources, national implementation entities are also called to play a

¹ UNDP has argued this before in its publication [Human development in a changing climate: A framework for climate finance](#)

leading role to translate sectoral approaches into discrete project activities at the national and sub-national level. A strong NIE capacity will further empower countries, given them the choice between national or multilateral implementation modalities on a case by case basis.

- 5) Enabling countries to effectively perform monitoring, reporting and verification (MRV) on a range of different types and generations of climate change actions. Addressing climate change is a long term endeavor, involving many generations of instruments, which will need to learn from, and build, on each successive generation.

UNDP stands ready to support the GCF and developing countries, particularly through facilitation (including building awareness, convening stakeholders, engage national development community), institutional capacity development (including supporting the establishment of national MRV systems and supporting development of direct access institutions), project formulation support (including articulation of LECRDS, NAMAs, and NAPs), as well as research and assessment support (including capturing and disseminating lessons learned and south-south knowledge sharing).

Workstream IV

The monitoring and evaluation of the GCF will be essential to promoting effective results on the ground. UNDP sees two main issues:

1. What should be monitored, evaluated, reported, and verified?

To promote transparency and aid resource allocation decisions, it is essential for the activities funded under the GCF to be thoroughly reviews and evaluated. This must include both investment work and capacity development activities (much work has been done in recent years by UNDP on developing indicators for measuring capacity development). Assessments must include human development, including gender, indicators, as well as an overall understanding of how funding from the GCF is contributing to holding global average temperature rise to below 2 C above pre-industrial levels. It will also be essential to consider wider development effectiveness indicators within the GCF to ensure that country-driven approaches are at the centre of the Fund's operations.

2. How should this take place?

Most existing funds rely on the social, environmental, and fiduciary standards of their multilateral implementing partners. This is based on the principle of subsidiarity, where over-centralisation that could cause administrative delays is avoided. Concerns about the relative strengthen of standards across institutions has recently been addressed within the REDD+ area, where UN agencies and MDBs have been exploring how to demonstrate "equivalency" in approaches.

For national implementing institutions, that do not have such high ratings, extra support will need to be provided. Support for meeting such standards will be essential, and could link with the "national chapters" of the Secretariat.

UNDP would be happy to provide further elaboration on any of these points or related subjects as desired.