

## **Submission of views to the Transitional Committee for the Design of the Green Climate Fund (GCF)**

*Workshop on 'Lessons learned from relevant Funds and Institutions for the design of the Green Climate Fund' Tokyo, July 2011*

1. I am very pleased to have been asked to contribute to the work of the Transitional Committee in relation to lessons learned from relevant funds and institutions, by being asked to be part of a CSO panel at the workshop. I regret that I cannot attend and I would like to submit my views for circulation and consideration. They draw in particular on my experience chairing the GAVI Alliance Fund Board.
2. Both I and the Mary Robinson Foundation – Climate Justice (MRF CJ) warmly welcome this initiative to learn lessons from existing Funds and Institutions to ensure that these inform the design of the GCF and make it an effective and responsive climate financing instrument.
3. Critical to the analysis which will take place at the workshop of these Funds and Institutions is to assess the performance of the Funds from the perspective of the beneficiaries – that is national governments, local government and civil society and communities in developing countries.
4. It is of significant importance that the GCF adds value to the current climate and development financing architectures. It must be
  - capable of delivering at scale;
  - well governed and managed so that it becomes the fund of choice for contributing countries and entities;
  - easily accessible while being fiscally robust;
  - able to deliver funding efficiently by minimising bureaucracy and time delays;
  - able to contribute to improved trust between contributor and recipient countries; it must be gender responsive;and it must reduce vulnerability to the impacts of climate change and enhance opportunities for low carbon development.
5. This is a tall order but it is achievable and must be achieved if the poor and vulnerable are to be protected from the negative impacts of climate change and allowed to benefit equitably from the opportunities presented by the transition to low carbon, green growth.
6. The GCF will have to redress the imbalance between adaptation and mitigation funding and help place funding for adaptation on a par with that for mitigation – through ensuring accessibility in practice.
7. There are many lessons to be learned from decades of experience in major global funds and more recent experience with funding for climate change. What is critical in designing the GCF is that the quality of finance provided to countries be of equal importance to the quantity of finance provided.
8. The following sections highlight some key lessons learned from existing Funds and Institutions which are recommended to the Transitional Committee in its design of the GCF.

- a) The Principles of Aid Effectiveness as enshrined in the Paris Declaration and the Accra Agenda for Action provide benchmarks of **the quality of external sources of public finance** and as such are directly applicable to climate finance. The essence of the principles should inform the design of the GCF so that it is above all responsive to country needs, aligned with country systems and focused on delivering results.
- b) The GCF should support **country owned plans and strategies** which articulate national priorities and local priorities in relation to climate change, poverty reduction, social development and economic growth. Priorities must be demand driven and not supply driven; i.e. the GCF must respond to needs expressed nationally and not by priorities established internationally. In the past some development and climate funds have required countries to develop issue specific plans to access funds. Experience has shown that this approach undermines existing national plans and can create tensions nationally in relation to prioritising domestic resources. Building on and reinforcing national plans is more sustainable in the long term and reinforces country leadership. The GCF should encourage the inclusive participation of all stakeholder in local and national planning to ensure that the needs of all parts of society are reflected (rural, urban, men, women, children, the elderly etc.).
- c) In delivering climate finance the GCF must **use and strengthen country systems**. Too many global funds to date have delivered support via systems which run parallel to national systems for public financial management, thereby weakening and undermining national capacity. Funding must be delivered 'on budget' and use national trust funds, Programme Based Approaches and Budget Support mechanisms wherever possible. Disbursement cycles for the GCF should respond to recipient country budget cycles and processes and not vice versa. Recipient countries must be in the driver's seat and given responsibility for the management of funds wherever possible.
- d) Where national capacity for financial management is weak alternative forms of accessing finance should be made available (e.g. via an implementing entity) but tied to this must be a programme of **capacity support to build and strengthen national systems** so that they take on responsibility for future funding agreements.
- e) **Coordination of financial support at national level** is critical to effectiveness. For this reason Ministries of Finance in recipient countries must be informed of all funding coming into the country and must play a leading role in managing national and international financial flows.
- f) The Adaptation Fund has important lessons to share from its experience in enabling **direct access** to climate finance. It is worth noting that this model is informed by modalities for providing development assistance and supports country ownership and alignment with national systems.
- g) Many of these measures can help to **minimise the burden on recipients** who have to grapple with the procedures and bureaucracy of numerous different funding entities. In countries where capacity is weak, every effort should be taken to simplify measures for monitoring, reporting and reviewing progress. The GCF should **use existing country systems for monitoring, auditing and reporting** in relation to funding and project and programme activities rather than creating requirements specific to the fund. Where country systems are

not well enough developed, capacity and technical support should be provided to streamline and / or strengthen these as appropriate.

- h) Critical to the success of the GCF will be its ability **to disburse funds efficiently**. This is important from the perspective of contributors who need to see funding provided used in order to provide more support, and from the perspective of recipient countries that are in need of international support to implement priority activities. The design of the funding modalities of the GCF should learn from the experience of existing funds which have very varied timeframes for disbursement. Enabling an efficient system of direct access should be one key step in reducing the time taken from proposal submission to disbursement of funds. In addition administrative costs at the international level should be kept to a minimum so as to maximise the impact on the ground.
- i) Learning from the experience of the Global Fund for Aids, Malaria and TB, the GAVI Alliance Fund, the Adaptation Fund and the Climate Investment funds, the GCF should put in place modalities to ensure the **participation of civil society and the private sector** in the fund's activities. This is important in relation to transparency and accountability and also in relation to coordination with other sources of finance such as those from the private sector. Accountability and transparency is important to both the citizens of recipient countries and to the citizens of contributing countries. Models for stakeholder engagement at international and national level from the various Funds and Institutions under consideration should inform the approach the GCF takes (e.g. the web casting of Adaptation Fund Board meetings and the creation of an adaptation fund NGO network).
- j) Communication by the fund to recipients, contributors, civil society, the private sector and to other funds will be critical to its success and to building trust in the fund as an effective institution. As with anything new and ambitious there will be teething problems and throughout these the fund will need to **communicate openly and honestly** with all stakeholders.
- k) The **funds managed by the GCF must reach and have a positive impact on those most vulnerable to the impacts of climate change**. This means that funds must flow to vulnerable countries and to vulnerable communities within those countries. Many at risk communities are yet to benefit from international climate finance and the GCF must play a key role in changing this. By putting countries in the driving seat and empowering and strengthening country-level governance of climate finance the flow of funds to the local and community level should be enhanced.
- l) The Green Climate Fund has the opportunity to be the **first climate fund to be gender responsive, reactive and progressive from the outset**. Where other funds have had to integrate the gender dimension into their operations once up and running, such as the GAVI Alliance Fund, the GCF through the work of the Transitional Committee can address gender from the beginning, in the early design stages of the fund. By assuring gender balance in the governance of the fund, gender responsive policies and measures, robust gender analysis and the collection of gender disaggregated data the fund can be gender aware from its creation.
- m) The climate finance 'space' is crowded. There are multiple actors providing a range of supports to recipient countries. To date their efforts are not coordinated and the result is a minefield for recipient countries. The GCF must **play its part in helping to improve coordination between funds at international and national level** and by clearly identifying its

value added, its comparative advantage and the niche areas it will address. Many areas are oversubscribed and others have yet to receive funding. While this is an issue which will be addressed by the Standing Committee each fund will have to play its part in helping to rationalise the support available to recipient countries.

As Christiana Figueres, UNFCCC Executive Secretary stated at the first meeting of the Transitional Committee a well-designed GCF will help to ensure a low-carbon future that is sustainable and profitable. She noted that the members of the Committee had "set out an important vision for the fund as a central tool to assist countries to transform their economies towards a low-carbon, climate-resilient future."

The task of the Transitional Committee is to propose an effective design for the new fund in time for approval by the next UN Climate Change Conference in Durban, South Africa, in December 2011. It is to be hoped that the outcome of this workshop will help it in proposing an effective Fund in time for approval by COP 17 in Durban in December of this year.