

## Workstream IV: Monitoring and Evaluation Scoping paper

### I. Introduction

#### A. Mandate

1. The Conference of the Parties (COP), in its decision 1/CP.16, entrusted the Transitional Committee (TC) with the design of the Green Climate Fund (GCF) to develop and recommend operational documents for approval by the COP at its seventeenth session. The TC, at its initial meeting, held in Mexico City, Mexico, on 28–29 April 2011, agreed to organize its work through four workstreams: (a) Workstream I on Scope, Guiding Principles and Cross-cutting Issues; (b) Workstream II on Governance and Institutional Arrangements; (c) Workstream III on Operational Modalities; and (d) Workstream IV on Monitoring and Evaluation. It also agreed that work under each workstream will be co-facilitated by two members of the TC. The Technical Support Unit (TSU) is providing support, under the guidance of the co-chairs and Workstream co-facilitators, by preparing background papers and organizing workshops and other consultations as requested.

#### B. Workstream IV on monitoring and evaluation

2. Decision 1/CP.16 requires that the TC shall develop and recommend to the COP for its approval at its seventeenth session operational documents that address, inter alia:

(a) A mechanism to ensure periodic independent evaluation of the Fund's performance (decision 1/CP.16, appendix III, para. 1(g));

(b) Mechanisms to ensure financial accountability and to evaluate the performance of activities supported by the Fund, in order to ensure the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management to the Fund's activities (decision 1/CP.16, appendix III, para. 1(h));

(c) Mechanisms to ensure stakeholder input and participation (decision 1/CP.16, appendix III, para. 1(j)) (Stakeholder participation is addressed in all four workstreams).

3. The first TC workshop (on 30–31 May 2011) included an initial exchange of views on the terms of reference of Workstream IV as well as on the monitoring and evaluation of the GCF. This scoping document synthesizes the views expressed by TC members and their advisers, as well as the views of invited observer organizations, at the workshop. It also includes the submissions and feedback, in response to an invitation from Workstream IV co-facilitators, on a set of issues (see annex I) requested from TC members and observer organizations (coordinated through their constituencies). Submissions from TC members are contained in annex II to this document, while those from observer organizations can be accessed at the UNFCCC website<sup>1</sup>.

4. This scoping paper is intended to stimulate further discussion among TC members at the second meeting of the TC, held in Tokyo, Japan, and also to further support the drafting of a working paper by TC members at the second TC workshop.

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<sup>1</sup> <[http://unfccc.int/cooperation\\_and\\_support/financial\\_mechanism/green\\_climate\\_fund/items/5868.php](http://unfccc.int/cooperation_and_support/financial_mechanism/green_climate_fund/items/5868.php)>.

## **II. A mechanism to ensure periodic independent evaluation of the fund's performance**

### **A. General principles**

5. Some members acknowledged the need for periodic independent evaluation of the performance of the GCF. Some members also stressed the need to separate monitoring from an independent periodic evaluation from monitoring that would be a day-to-day activity. It was proposed that independent evaluations be conducted every three years, with update reports produced every year, which should be published and made available to the public.

6. Some members and observer organizations emphasized the importance of a truly independent mechanism to avoid conflict of interests, requesting that a truly independent institution be chosen and that the GCF should articulate modalities for ensuring this independence. To ensure this independence, members called for a strict delineation of the relationship between the evaluation entity and other institutions of the GCF, such as the Board, Secretariat implementing agencies (if any), countries, etc. On the size of the evaluation unit, one member emphasized that it should be lean but efficient, learning from the experiences of smaller institutions that have small but efficient evaluation systems.

7. Some members and observer organizations proposed that the evaluation function of the GCF should be guided by the following principles: independence, transparency, accountability, stakeholder participation, effectiveness, and alignment with the principles of country-driven strategies.

### **B. Purpose and objectives of the independent evaluation**

8. It was noted that evaluation should not be a 'tacked on' activity but integral to the work of the GCF. This view was supported by members and observer organizations, who indicated that monitoring and evaluation has a key role in enhancing the decision-making, accountability, effectiveness and sustainability of the GCF and its operations. It was also suggested that the evaluation should also support the cost-effectiveness of decisions, not only in the use of resources, but also in what the resources will achieve, answering questions such as: what should we do and at what cost? What works and what does not? Some TC members noted that an efficient evaluation system would serve as a basis for improving knowledge and learning. A submission from an observer organization noted that evaluations should also assess the impact of the GCF on and its responsiveness to needs of recipient countries.

### **C. The evaluation mechanism**

9. On the modalities of the Independent Evaluation Mechanism, some members expressed the view that evaluation should be undertaken by an independent evaluation unit of the GCF, which is answerable directly to the Board. This is consistent with independent evaluation units in other funds, such as the Global Environment Facility (GEF) and the funds managed by the multilateral development banks (MDBs). Still on modalities, two options were proposed for the Independent Evaluation Mechanism: (a) establishing an evaluation body that would be part of the core structure of the GCF but will comprise of impartial experts serving in their personal capacity; or (b) commissioning the periodic evaluation of the Fund's performance by an external and independent organization through an open bidding process.

10. Members made reference to the need to understand what the different options are for putting in place a mechanism to ensure periodic independent evaluation of the Fund's performance. At the request of TC members and workstream co-facilitators, the TSU has compiled a background note that provides an overview of the options (see Background note on monitoring and evaluation issues, Overview of evaluation mechanisms in selected funds TC-2/WSIV/2).

11. On what should be evaluated, submissions from some members and from observer organizations noted that the periodic independent evaluation of the performance of the Fund should take place at the level of the overall performance of the Fund, at the level of the Fund entities (Board, Trustee and Secretariat), at the level of implementing entities and at the project/programme level.

### **III. Mechanisms to ensure financial accountability and to evaluate the performance of activities supported by the Green Climate Fund**

#### **A. Financial management**

12. Several members and observer organizations proposed that mechanisms should be put in place to ensure financial accountability. Some members stressed that sound minimum fiduciary standards that are 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. Decision 1/CP.16 requests the GCF to adopt a set of "internationally accepted fiduciary standards"; however, several members requested a definition of 'internationally accepted fiduciary standards' and how they apply to other multilateral funds.

13. Other members proposed that the TC should develop a set of 'minimum fiduciary standards'. Some members and observer organizations noted that these standards should not be onerous on recipient countries and should take into account national circumstances of developing countries, particularly the least developed countries (LDCs) and small island developing States (SIDS). A suggestion was made to include capacity-building and technical support to recipient countries in the area of financing and implementation.

14. At the request of TC members and workstream co-facilitators, the TSU has compiled a table of fiduciary standards of selected international funds, aimed at identifying what could constitute minimum fiduciary standards for the GCF (see Background note on monitoring and evaluation issues, Overview of minimum fiduciary standards in selected funds TC-2/WSIV/3).

15. It was made clear that the focus of this workstream should be on designing a monitoring and evaluation system that should be able to monitor compliance with the GCF fiduciary standards at all levels (Fund, Trustee, thematic windows, funding delivery agency, projects/programmes, Secretariat, the implementing entities and, in the case of direct access, national institutions). It was also suggested that the development of the fiduciary standards should be handled in Workstream II.

#### **B. Monitoring and evaluation of activities supported by the Fund**

##### **1. Monitoring and evaluation criteria and minimum requirement**

16. On the specification of the monitoring and evaluation criteria for the GCF, some members and observer organizations suggested the following elements: compliance with social and environmental safeguards; efficiency in delivery of support and inflows of resources; balance of funding between adaptation and mitigation; balance of funding across countries and regions; cost-effectiveness; feedback from countries regarding application procedures; access and disbursement modalities; and achievement of anticipated results, including contributing to keeping global temperature rise below 2 oC. This elicited divergent views among members, who noted that this was too broad and ambitious and may not be dependent on the GCF as there will be many other players in the field. There were different perspectives among members regarding the specification of cost-effectiveness as a minimum requirement and its application to evaluation for social and economic development.

17. Some members noted that the monitoring and evaluation criteria should not become cumbersome to implement or degenerate into conditionalities for recipient countries. There was a request for full consideration of the specific constraints and circumstances of SIDS and the LDCs. The need to consider monitoring and evaluation expectations for different criteria or standards against different operational levels within the Fund was also highlighted. This implies that the Fund does not adopt a one-size-fits-all approach, as different monitoring and evaluation criteria will need to be applied to various levels of funding and recipients. Some members expressed the view that there should be a distinction of criteria that support direct access. Some members noted that monitoring and evaluation standards and criteria should not be set only by those who give the funds but also by those receiving resources.

## **2. Results measurement framework**

18. Members and observer organizations underscored the importance of establishing a robust results framework that will be applicable across the Fund but that also has the flexibility to recognize 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 early establishment of this framework was stressed, to ensure that it underpins all projects from the commencement of funding, which can be refined over time. Members and observer organizations generally agreed that this framework should align with the objectives of the Fund and should include measurable indicators across all thematic areas. It was also stressed that this should include wider development effectiveness indicators, including gender equity. The ability of the GCF to demonstrate meaningful results, particularly its impacts on mitigation and adaptation outcomes, was noted as being crucial in attracting resources.

19. There were disagreements among members on the need to monitor new and additional funds as to their meeting the standards of 'newness and additionality'. Some members noted that the debate on 'newness and additionality' of funds was beyond the scope of the TC, but that the GCF should restrict itself to managing resources allocated to it. It was also noted that the evaluation of the Fund and its operations is related to, but distinct from, the assessment of compliance by Parties with their commitments under the Convention. As such, it was suggested that issues relating to measurement, reporting and verification of the provision of financial resources, technology transfer and capacity-building by developed countries, and the actions they support, have to be addressed separately.

20. Some members noted that a number of existing international funds have results frameworks that can inform the design of the GCF, therefore stressing the need for the GCF to build on the experiences of these existing funds. Members were reminded that the Ad Hoc Working Group on Long-term Cooperative Action under the Convention is working on guidelines for the measurement, reporting and verification of mitigation actions that are supported by international finance, and that its output should be the template for further actions on monitoring and evaluation, thereby avoiding duplications. It was also suggested that the results framework of the GCF should build on input-based indicators currently used, and that the GCF should ultimately aim to evolve its framework into an outcome-based results framework.

## **3. Monitoring and evaluation modalities**

### **a. Levels of monitoring and evaluation**

21. Members and observer organizations noted that monitoring and evaluation should go beyond the activities funded by the GCF, to include its institutions (including the Board, Secretariat, Trustee, etc), funding windows and funding delivery agencies/implementing entities.

b. Types of monitoring and evaluation that can be undertaken

22. Some members called for a distinction between internal monitoring and evaluation and external evaluation. Internal monitoring and evaluation largely involves routine data collection and analyses, while external evaluation includes independent reviews or audits, or surveys of funding recipients and donors.

23. On who should carry out the monitoring and evaluation of activities funded by the GCF, some members noted that the monitoring should be part of the implementation process, while the internal evaluation could be implemented by an internal evaluation office. In the case of direct access, a monitoring system in which independent specialists would monitor and evaluate the performance of implementing agencies, under the guidance of the Board, assisted by an office established within the Secretariat was suggested. Some members and observer organizations emphasized the need for stakeholder participation in the monitoring and evaluation of activities implemented by the GCF.

24. Some members suggested a decentralized monitoring and evaluation system, based on the principle of subsidiarity, avoiding over-centralization that could cause project delays. This should also help recognize the diversity in national circumstances and domestic priorities in terms of outcomes.

c. Monitoring and evaluation guidelines

25. Some members observed that, for the success of the GCF, it will be critical to establish robust procedures for measuring and reporting results of funded activities in an accurate and timely manner and to provide the Board with the authority to enhance these procedures, so as to ensure transparency and effectiveness in outcomes. Such procedures could include, inter alia, independent review and monitoring processes, to provide accurate and timely evaluations which may serve as a basis for releasing further tranches of funding. It was also suggested that the development of facilitative guidelines to be used by recipient countries and the GCF, and that provision needs to be made for capacity enhancement of recipient countries for them to be able to implement the guidelines.

**C. Safeguards**

26. Members and observer organizations generally agreed on the need to have environmental and social safeguards to guide the implementation of actions, projects and programmes financed or co-financed by the GCF. On justification, some members noted that environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management are key principles in order to both: (a) ensure the confidence of the contributors to the Fund; and (b) have a proper and efficient/effective use of the funds (no misuse or negative impact on the environment or the local population which would go against the GCF global objectives).

27. Some members called for the GCF to develop a clear definition of environmental and social safeguards and to develop guidelines for their implementation. These guidelines should align with internationally agreed conventions, codes, action plans, soft-law instruments and sectoral 'best practice' standards that give substantive content to the Parties' commitments to promote sustainable development and environmental protection in climate-related actions. Members generally agreed that this should defer to the work of other international institutions that have already undertaken some standard setting in their areas of expertise, where appropriate.

28. Members expressed the need to look at the experiences already gained within the UNFCCC (with the GEF and Adaptation Fund) and from the MDBs on the use of environmental and social safeguards, and, where applicable, to harmonize the environmental and social safeguards of the GCF with those of these international institutions. It was mentioned that the International Finance Corporation has developed additional environmental and social criteria for the private sector,

which the GCF could benefit from. An observer organization noted that while the MDBs provide additional resources for standard setting they should not necessarily be the primary benchmark for harmonization. Another observer organization further noted that some thematic areas that could be covered by the Fund (e.g. REDD-plus<sup>2</sup>) may require specific or additional safeguards that are still under discussion. The GCF therefore needs to be flexible.

29. There were recommendations that the design of the GCF should consider how 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, and how this can be applied in the case of direct access). Some members requested that standards and safeguards should be applicable across different funding modalities and across thematic areas. However, some members noted that these standards should not become a complicated conditionality, with the inclusion of items or indicators that are not relevant. A member called for a bottom-up approach to the development of these safeguards, with inputs from various stakeholders.

30. In the case of direct access, some members noted that the safeguards should be tailored to have basic minimum standards that should be met, allowing countries to also apply their national systems, based on the principle of subsidiarity. Other members cautioned against the overreliance on the principle of subsidiarity, insisting that international environmental and social standards clearly need to be respected, irrespective of the mode of access to the funds of the GCF.

31. On what the TC should deliver, there were suggestions for the design of a framework for safeguards within the time frame available, leaving the detailed development of operational guidelines to the Board.

#### **D. Stakeholder engagement**

32. Decision 1/CP.16 specifically calls for the design of a mechanism to systematically incorporate the views of stakeholders and beneficiaries. This section draws heavily from submissions from observer organizations, as very few TC members provided relevant inputs.

33. Members and observer organizations generally agreed on the benefits of effective stakeholder participation in the design and implementation of the GCF. Some members held that people and communities affected by a project or policy initiative have a basic right to be informed in a timely manner about decisions that affect their lives and to have an opportunity to participate in the decision-making by making their views known to the decision makers prior to any decision being made. Suggestions were made to systematically ensure and guarantee stakeholder and civil-society inputs, participation, advice and feedback in all operations of the GCF, at each level and step, ex ante, on-going and ex post.

34. Observer organizations and one member noted that the design of the GCF should learn from other international financial institutions that have taken steps to align their decision-making processes with the basic principles of public governance. These institutions, for example, have required public consultations to enable non-state actors to influence decision-making and have adopted 'access to information' policies to ensure public input is well informed. Consequently, the need for the GCF to have an information disclosure policy was also mentioned.

35. Some observer organizations particularly requested that civil society should be fully involved in the decision-making structures of the GCF at all levels. This, they argue, is vital to the legitimacy and effectiveness of the GCF and a critical innovative step to ensure active and inclusive participation by civil society in the decisions and operations of the GCF. This should

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<sup>2</sup> Policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.

include seats for civil society on oversight bodies of the Fund and the right to request agenda items, observe proceedings, intervene in meetings and recommend experts to speak on specific agenda items. The equitable representation of women on the new Fund's Executive Board was also stressed, in addition to the Fund guaranteeing gender-sensitive policies and programmes.

36. Some members and some observer organizations noted the need for an independent redress or appeals mechanism, to enforce mutual accountability (between the GCF, national governments and non-government actors) from the start. If needed (depending on the disbursement rules of the GCF), such a redress mechanism should be available at the national as well as the global level. This mechanism is expected to fulfil at least three basic minimum criteria: independence (members should be chosen from outside the GCF and their budget should be independent and adequate); public accountability (the public should have access to every stage of the redress process); and effectiveness (the mechanism must have the authority to ensure that its recommendations are acted upon).

37. In conclusion, it was emphasized that all these mechanisms will have to be organized in such a way that they do not delay or paralyse the decision process and operations of the Fund.

**IV. List of background documents requested by the co-facilitators and prepared by the technical support unit to facilitate discussion under workstream IV**

- Background note on monitoring and evaluation issues, Overview of evaluation mechanisms in selected funds TC-2/WSIV/2
- Background note on monitoring and evaluation issues, Overview of minimum fiduciary standards in selected funds TC-2/WSIV/3

## **Annex I**

### **Invitation to submit views on Workstream IV on Monitoring and Evaluation**

Further views and comments are invited on the terms of reference for Workstream IV, as presented at the workshop of the Transitional Committee (TC), particularly on the following issues. Submissions received by 8 June 2011 will be used as input to documents presented at the second meeting of the TC.

1. Mechanism to ensure periodic independent evaluation of the Fund's performance

Further thoughts are needed on:

- The purpose of the evaluation
- What should be evaluated – Fund, windows, projects, institutions?
- The institutions that should be involved in the evaluation – roles and responsibilities
- The regularity of the evaluations
- Ensuring a truly independent evaluation
- The output of the evaluation
- Who orders the evaluation and who receives the report on the evaluation?
- The levels of evaluation and appropriate indicators for each level
- Participatory evaluation and involvement of stakeholders

2. Mechanisms to ensure financial accountability and to evaluate the performance of activities supported by the Green Climate Fund, in order to ensure the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management to the Fund's activities

Further thoughts are needed on:

- Fiduciary standards
  - Objectives of the fiduciary standards
  - Core principles to define the appropriate fiduciary standards that should be considered
  - Responsibilities for setting and implementing the fiduciary standards
- Monitoring
  - Purpose
  - Monitoring of private-sector involvement
  - Levels at which monitoring will take place
  - Responsibilities for monitoring
  - Performance management
- Safeguards
  - Environmental and social safeguard standards
  - Relevance to direct access
  - Use of country systems
  - Integrating gender equality
- Conflict Mediation Mechanism
  - Should there be an independent Conflict Mediation Unit?
  - Use of country systems for this recourse mechanism



**Annex II: Submissions by members of the transitional committee on Workstream IV:  
Monitoring and Evaluation**

**I. 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 fourth work-stream i.e. monitoring and evaluation as follows.

**Evaluation**

Monitoring and Evaluation is an important aspect of GCF work. However, evaluation should not be linked to achievement of a specific global goal and a result-based funding. There are no global goals to be achieved in terms of environmental safeguards; such goals are only domestic and part of a voluntarily designed nationally appropriate mitigation strategy. Such a linkage is acceptable only in the domestic and national context.

Evaluation should be decentralized so as to recognize the diversity in national circumstances and domestic priorities in terms of outcomes. GCF design should enable the process to be owned by the recipients at the local level. This alone will guide actions of both the government and the private sector entities equally towards safeguarding the environment and meeting the domestic goals.

Moreover, the principles for evaluation need not be confused with cost effectiveness of market-based actions. The example of ‘evaluation and monitoring’ guidelines as applied in the carbon markets is not an appropriate example. Markets are driven by the price of carbon but, in case of sustainable development strategies, such referencing is not possible. The goals of social and economic development and poverty eradication cannot be quantified and measured on the basis of cost-effectiveness. Sustainability is the only measure which can be relied upon, but there are no standard measures agreed internationally for the purpose.

AWG-LCA is already working on the guidelines for MRV of mitigation actions that are supported by international finance. AWG-LCA is a political body and its inputs on the subject should be the template for further actions in this Committee. Since the Board of the Fund will be accountable to COP as proposed in WS II, it cannot have independent or deviant guidelines on the matter. The process need not be duplicated. The work on this subject should therefore be sequenced in relation to other work streams.

**Monitoring**

Monitoring is a task that needs to be performed by the Board itself. We should avoid outsourcing this work to other bodies unless expertise is not available in-house. Some of the existing funds are already implementing procedures for such in-house monitoring and we should learn from them.

Moreover, monitoring must also include monitoring the flow of resources by the donors and developed countries. There is a need for development of guidelines to determine whether the funds received by the Board are new and additional. The Board should therefore have guidelines to determine the ‘additionality’ as consistent with the guidelines applied in the NATCOMs and apply it in course of monitoring to determine the actual extent of financial flows in form of ‘new and additional resources’. This should be monitored by the Board for its own resources and should be subject to oversight of the Standing Finance Committee in relation to the Financial Mechanism of the Convention.

**II. Submission by Mr. Ewen McDonald (Australia)**

- Establishing the Green Climate Fund (the Fund) with an efficient and comprehensive monitoring and evaluation audit framework from the beginning is a very important element in ensuring the credibility of the Fund and the projects it will support.
- It would be useful in this workstream to distinguish between the overarching decision on a monitoring and evaluation framework for the Fund, which may be included as a component of fund design, and the detailed implementation and design of monitoring and evaluation systems, which may be implemented by the Board or the Secretariat when establishing the Fund's operations. This may help quarantine and expedite the decisions to be made by the Transitional Committee.
- Aspects of this workstream are in part dependent on other workstream elements. However, whilst the exact criteria for monitoring and evaluation will depend on decisions on the objectives of the fund and approaches to fiduciary standards and safeguards, the framework for monitoring and evaluation in the fund can still be progressed early in the piece.
- The issue of financial auditing of the Fund is currently not specifically addressed in the terms of reference for this workstream, however, this response includes some comments that apply also to financial auditing – noting that it may be decided that the issue of financial audits more appropriately fits in another workstream.
- Tasks A and B provide a useful distinction between the overall evaluation of the Fund and evaluation of activities. It may also be useful to consider monitoring and evaluation expectations for different criteria or standards against different operational levels within the fund. Based on this, a framework could be developed that ensures coherence, feedback loops and exchange of information through different levels. The diagram below (
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- Figure 1) illustrates the types of levels that could be considered for monitoring and evaluation. The matrix that follows illustrates how these levels could be considered in the context of a monitoring and evaluation framework.

**Figure 1: Levels of monitoring and evaluation**

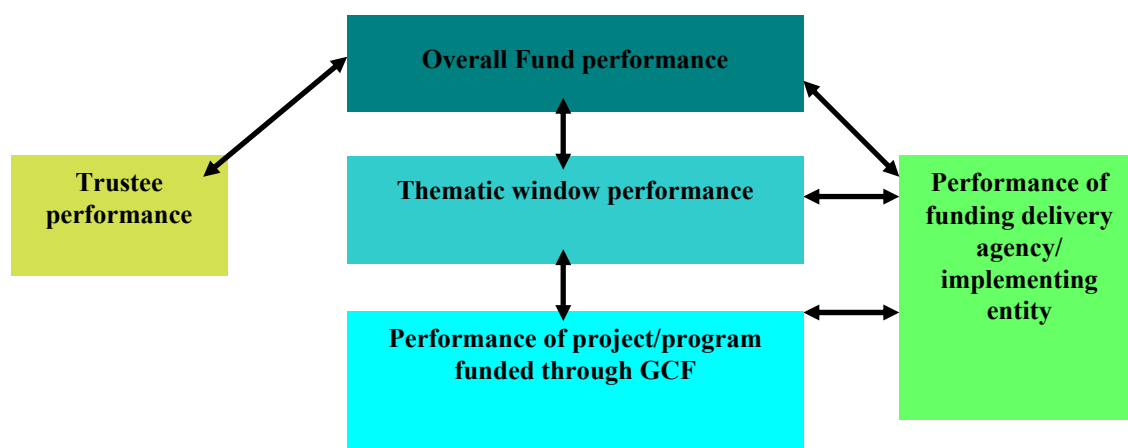


Figure 2: Matrix of monitoring and evaluation levels against issues for monitoring and evaluation<sup>3</sup>

Levels of monitoring and evaluation –	Issues for monitoring and evaluation			
	Fiduciary standards	Environmental safeguards	Social Safeguards	Results/Performance against objectives
<b>Project/Program funded through GCF</b>	Yes – monitoring and evaluation	Yes – monitoring	Yes – monitoring on a risk management basis	Yes – monitoring and evaluation
<b>Funding delivery agency/ implementing entity</b>	Yes – monitoring and evaluation	Yes – monitoring	Yes – monitoring	Yes – monitoring and evaluation
<b>Thematic window</b>	No	Yes – monitoring and evaluation	Yes – monitoring and evaluation	Yes – monitoring and evaluation
<b>Trustee</b>	Yes – monitoring and evaluation	No	No	No
<b>Overall Fund</b>	Yes – monitoring and evaluation	Yes – monitoring	Yes – monitoring	Yes – monitoring and evaluation

- Considering a matrix of this type could assist in framing this work program and establishing a monitoring and evaluation framework that is cohesive across the Fund’s activities and provides for activity level data to feed into overall Fund performance monitoring and evaluation.
- Effective monitoring and evaluation will require a commitment to appropriately resource monitoring and evaluation activities, and early establishment of systems. The TC should seek information from other funds’ evaluation offices on lessons learnt and resourcing requirements.
- Monitoring and evaluation should also consider the types of monitoring and evaluation activities that can be undertaken, ie. internal monitoring and evaluation (such as data collection, internal evaluation office), external evaluation (such as independent reviews or audits, or surveys of funding recipients and donors) and establish a framework for considering their applicability at different levels of fund activities. In particular, the framework should identify the areas where external evaluation/audit is necessary and the reasons for this (ie. overall fund financial management).
- The framework should also ensure that monitoring and evaluation are undertaken across thematic areas and funding types, noting that the criteria may differ for different thematic areas or activities.
- In line with input provided by a number of representatives at the Transitional Committee Workshop in Bonn in May 2011, the fund should seek performance feedback through a variety of means and stakeholders – including direct input from funding recipients and donors.
- In this workstream it would also be useful to identify and explore links with the consideration of results-based approaches, which is raised in workstream I – Scope, guiding principles and cross-cutting issues.

<sup>3</sup> Headings and responses indicative only – expert input would be needed to propose an appropriate framework and levels of monitoring and evaluation

**III. Submission by Ms. Naoko Ishii (Japan)**

**Workstream IV (Monitoring and evaluation)**

1. ***Project monitoring and evaluation in direct access modalities.*** Ensuring the application of environmental and social safeguards is important especially during the project implementation phase. In case of the direct access, there needs to be a monitoring system in which independent specialists would monitor and evaluate performance of implementing agencies. We would like to ask TSU to analyze best practices of conducting independent monitoring during implementation phase and how to apply those practices to the direct access modalities.

**IV. Submission by Ms. Marisa Lago (United States of America)**

Thank you for the opportunity to comment on Workstream 4. Below are the U.S. comments on Transitional Committee workstream IV.

We agree that the work of this Workstream is very important both in the context of robust independent evaluations as well as the need for strong fiduciary standards and environmental and social safeguards to enhance the accountability and effective use of limited climate financial resources. It will be important for this workstream to draw upon the extensive work of other multilateral institutions in these areas. We appreciate the draft Terms of Reference provided by the co-facilitators that attempt to balance the needs of developing countries with the need to use robust safeguards and standards.

The co-facilitators appropriately divided this workstream's work into two subsets.

It is important that the lessons learned through project investments should be independently evaluated and that this evaluation and lessons learned should feed back into the Board of the Green Climate Fund to inform future Board decisions and the policies and practices of the fund. This would allow the future board of the Green Climate Fund to have the best information possible to make adjustments in their decision making process.

We would also like to note that the analysis asked of the TSU on relevant decisions that would influence the work of this workstream should be narrowed to only include the text of the Cancun Decision and not any "other negotiated documents" as outlined below the draft Terms of Reference.

**V. Submission by Ms. Bernarditas Muller (Philippines)**

**Workstream 4 Monitoring and Evaluation**

1. An evaluation mechanism on the overall performance of Fund, including results achieved, efficiency, effectiveness of the functioning of the Fund
  - Take account of the goals and objectives of the GCF.
  - Learn from the experience of other relevant Funds, and financing institutions dealing with climate change financing, including their respective mechanisms.
  - Consult with evaluation experts
  - Put in place a practical and simplified mechanism that can function efficiently
  - Take into account the specific characteristics of GCF, including its funding windows and financial instruments
    - Consider the special circumstances, relevance, concerns, national priorities of LDCs and SIDS, and other particularly vulnerable countries as defined by the Convention.
    - Consider the need for initial baselines to facilitate evaluation studies
    - Consider the institutional aspects of **periodic independent** evaluations
  
2. Evaluation and Monitoring:
  - a) Evaluation and monitoring of activities to ensure the application of environmental and social safeguards;
    - Define concept of environmental and social safeguards
    - Consult other organizations with same systems
    - Develop facilitative guidelines to be used by recipient countries and GCF
    - Consider institutional aspects of implementing the monitoring and the evaluation and division of responsibilities
  
  - b) Mechanisms to ensure financial accountability and to evaluate the performance of activities supported by the Fund, in order to ensure the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management to the Fund's activities. (TOR, para. 1- h)
    - Definition of financial accountability
    - mechanisms to ensure financial accountability
    - mechanisms to evaluate the performance of activities supported by the Fund
    - with the objective of ensuring the application of environmental and social safeguards (see above)
    - and the application of internationally accepted fiduciary standards and sound financial management to the Fund's activities.
      - Consult other funds and organizations and learn from their experience, such as the Adaptation Fund of the Kyoto Protocol and the Multilateral Fund of the Montreal Protocol
      - Consult financial experts in relevant international organizations
      - Develop standards that are not onerous and prohibitive to developing countries
      - Guidelines and modalities to be developed taking into account national circumstances of developing countries
      - Capacity-building and technical support to recipient countries in the area of financing and implementation
      - Consider the institutional aspects of developing this mechanism and division of responsibilities

**Periodic independent evaluations**

There should be periodic independent evaluations of the performance of the Fund, in relation to several aspects as to the efficiency of the Secretariat, the appropriateness of its structures and policies, the extent of responsiveness to needs of the recipient countries, and the effectiveness of the work of the thematic windows and departments, etc.

The evaluation should be undertaken by an independent evaluation unit of the Fund, which is answerable directly to the Board, so that it is able to carry out its task without being answerable to the Secretariat management which it is asked to evaluate.

The terms of reference of this evaluation department and the items to the subject to evaluation can be further spelt out by the Transitional Committee, or by the Board.

**Environmental and Social Safeguards**

The **Fund's activities** should ensure the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management. In the **evaluation of activities supported by the Fund**, it should be ensured that these do not become a complicated conditionality, especially one that has items or indicators that are not relevant, which has been the case with other funding or financial institutions.

The environmental and social safeguards can be further worked out by this Committee to the level of detail that time permits; and further details if necessary can be spelt out by the Conference of Parties and/or the Board.

It is essential that the designated institutions and personnel in the developing countries be provided with training, capacity building and institutional development in relation to financial management and accountability. This should be financed through an appropriate window (Institutional Development and Capacity Building) of the Fund. This capacity building should be implemented as a priority so as to ensure that financial resources can be transferred as soon as possible, i.e. when the institutions and personnel are established and prepared for the tasks of financial management.

**VI. Submission by Mr. A. F. Elisaia (Samoa)**

1. The Alliance of Small Island States (AOSIS) welcomes the opportunity to present the preliminary views of its 43 member States to the Transitional Committee (TC), in response to the invitation by the co-facilitators of Work Stream 4 and is looking forward to working with TC members and observers on these issues.
2. As requested by the decision 1/CP.16 (Annex III, 1 (g) and (h)), the TC is tasked to design “a mechanism to ensure periodic independent evaluation of the Fund’s performance” (task A) as well as “mechanisms to ensure financial accountability and to evaluate the performance of activities supported by the fund, to ensure the application of environmental and social safeguards, as well as internationally accepted fiduciary standards and sound financial management to the fund activities” (task B). AOSIS recognizes the organization of work under these two tasks as proposed by the co-facilitators as practical and logical, however the two mechanisms/levels of evaluation will have to relate to and inform each other.
3. At the first technical workshop from discussions on work stream 4, it appears that much can be learned from experiences and mechanisms of existing multilateral funds. AOSIS looks forward to the comparative study to be prepared by the TSU.
4. AOSIS is of the view that the Green Climate Fund (GCF) should operate effectively and efficiently and be a continuously learning institution. Therefore, the establishment of robust monitoring and evaluation mechanisms are needed both at the overall and operational levels. This is of critical importance to ensure that the Green Climate Fund functions:
  - a) in compliance with COP guidance;
  - b) in line with its general purpose, principles and objectives;
  - c) in accordance with the strategic priorities decided by the Board.

Task A

5. The evaluation mechanism should report on the results and conclusions of the periodic evaluation directly to the GCF Board, which, in turn, should forward the report and its associated recommendations to the COP for consideration.
6. The in-depth independent performance evaluation should be conducted on a 3-year basis, with update reports produced every year. These reports should be published and made available to be public
7. In addition to the elements listed in paragraph 4 above, the performance evaluation of the fund should also include an assessment of the operation of its bodies, including the interim trustee. Therefore the first periodic review should be completed in time to inform the open-bidding process to select the permanent trustee.
8. After initial reflections, AOSIS is of the view that two broad models can be considered, which would ensure simplicity and independence in the evaluation process:
  - a) Establishing an evaluation body (here several variations are possible) that would be part of the core structure of the GCF, but will be comprised of institutionally independent and impartial experts serving in their personal capacity.
  - b) Commissioning the periodic evaluation of the fund’s performance by an outside and independent organization/company, through an open-bidding process.

Task B

9. Monitoring and evaluation of the activities of the fund should include the following elements:
  - Compliance with social and environmental GCF safeguards (still to be defined);
  - Achievement of anticipated results;



- Efficiency in delivery of support;
  - Balance of funding between adaptation and mitigation;
  - Balance of funding across countries and regions; and
  - Feedback from recipient countries regarding application procedures, access and disbursement modalities.
10. As requested at the first technical workshop, it is necessary to define “internationally accepted fiduciary standards” and compare definitions used by various existing multilateral funds. AOSIS looks forward to the background note to be prepared by the TSU.
11. AOSIS wishes to emphasize that, as mentioned in sub-paragraphs 3 (vi) and 6 (v), the monitoring and evaluation mechanisms should not place an undue burden on developing countries and that full consideration should be given to specific constraints and circumstances of SIDS and LDCs.

**VII. Submission by Mr. Richard Weber (European Commission)**

**The 10 main objectives and principles of the Green Climate Fund should be:**

**-I) COUNTRY APPROPRIATION AND LEADERSHIP, BOTTOM-UP APPROACH, DEVOLUTION, DECENTRALISATION, DIRECT ACCESS**

The Developing Beneficiaries Countries (or the implementing entities designated by them) have direct access to the Fund. In accordance with the Accra and Paris Principles of country ownership and leadership, they identify, plan and prepare the adaptation, mitigation and forestry programmes and projects they wish to present to the GCF for financing - within the context of their national, regional, local, development and economic, multiannual strategies and programmations-in collaboration with the local communities concerned, the civil society representatives, and the international Donors community local coordination. The whole process is need-based, country and demand driven, and placed under the entire control of each Beneficiary Developing Country, following a comprehensive bottom-up approach. The required capacity building and technical international expertise is provided for, to the developing countries which are not sufficiently equipped, to conduct this process with their sole national human resources. After agreement on their financing requests, the Developing Beneficiaries countries - directly or through the implementing entities which they have chosen - manage and implement, under their entire responsibility, their own Adaptation and Mitigation programmes and projects.

**-II) MAIN FUNCTIONS OF THE G.C.F.**

The overall and global objectives of the Fund, as fixed by the COP, are to contribute, through mitigation and adaptation actions, to effective emission reductions in order to reach the goal of staying below the 2°C target as well as to contribute to reduce CC risks and vulnerabilities and improve Climate resilience.

Within this context, the Green Climate Fund has 4 main functions:

-1) **provide high added value**, through pilot and innovative, demonstration projects and programmes which can, on the basis of the results achieved, be broadly disseminated and replicated, worldwide.

-2) **fill any gap in climate financing**, and identify the most relevant strategies and practices to tackle Adaptation, Mitigation and Forestry financing needs, as well as cross-cutting issues, like Capacity Building and Technology Transfer.

-3) **correct, through targeted financial interventions, any unbalance and unfair distribution of Climate Change resources** among Beneficiaries Countries and regions, and take care of potential Orphan Countries. Specific attention will be granted to the needs of LDCs and SIDS countries. Particular care will also be taken to avoid to use instruments which - useful and adequate in specific situations - could in specific cases, aggravate the financial situation and endanger the global borrowing capacity of the most fragile and poorest Developing Countries.

-4) **catalyse and attract complementary resources**, coming both from public donors and private investors, at the national, regional and local levels, thanks to its financing interventions on specific programmes and projects. The Fund will play a pivotal role in the global Climate Change Finance System.

The GCF will report to and take guidance from the COP whereas the GCF Board will directly take all operational decisions.

**-III) THEMATIC WINDOWS AND CROSS-CUTTING ISSUES**

The GCF may potentially address all types of climate actions. From the start, 3 main thematic windows are created for: Adaptation, Mitigation and Forestry (REDD+). Capacity building and technical expertise as well as Technology Development, Cooperation and Transfer, being cross-cutting issues, are fully integrated in the three main windows. If needed, new windows might be created, later on, depending on financing resources available and following Beneficiaries needs.

**-IV) BALANCE BETWEEN ADAPTATION AND MITIGATION**

The GCF aims at a balanced allocation between Adaptation and Mitigation, in a pragmatic way, taking in due consideration: 1) the needs and requests of the Developing Beneficiaries Countries, 2) the number, size, nature and quality of the programmes and projects directly submitted by them and 3) the resources available for each window, following the amount of unearmarked and earmarked financial contributions paid to the Fund by the different categories of donors. Efficiency gains must also be sought, through projects, actions and programmes, contributing to both Adaptation and Mitigation, and delivering further multiple benefits.

**-V) CONTRIBUTION TO ENVIRONMENTAL AND SOCIAL OBJECTIVES**

Actions, Projects and Programmes financed by the GCF must duly contribute to natural resource conservation, in particular biodiversity protection and restoration, and to environmental objectives as set out in the various multilateral environmental agreements. Within this context, the GCF will seek environmental and social co-benefits and apply environmental and social safeguards in all actions, projects and programmes which it finances or co-finances.

**-VI) SUPPORT OF UNFCCC NEGOTIATIONS DECISIONS**

The GCF is instrumental in supporting the Developing Beneficiaries Countries who effectively implement decisions and actions agreed in the UNFCCC negotiations.

**-VII) FLEXIBILITY, SIMPLICITY, RESPONSIVENESS, SPEED AND EFFICIENCY**

The GCF must be highly flexible, in order to quickly and adequately answer to evolving needs and priorities of the developing countries, and to face efficiently any potential urgency or crisis situation requiring an immediate financial intervention of the Fund. Administrative and financial procedures used by the GCF must be and remain, simple, clear, and effective, in order to deliver quickly, to be responsive to the requests of the Developing Beneficiaries Countries, to achieve the results and value for money expected both by the Beneficiaries and the Donors Countries, and to keep the administrative and staff costs at a reasonable level.

**-VIII) TRANSPARENCY, CLARITY, CIVIL SOCIETY AND STAKEHOLDERS INVOLVEMENT, MONITORING, REPORTING AND RESULT ORIENTATION**

The GCF must be managed in a fully transparent way, both at the central level, and at the national, regional or local level of implementation of the actions, projects and programmes. Regular, clear, comprehensive, operational, technical and financial reporting, monitoring and (periodic or final) evaluation must be organised at all levels, in particular, on the:

- 1) **Fulfilment of Donors and Beneficiaries commitments**, funds disbursed centrally and locally, different categories of financing instruments used (grants, loans, guarantees, insurances, combination of instruments....).
- 2) **Results compared with initial climate objectives, value for money achieved**, indicators used, direct and indirect impacts of the actions, projects and programmes, satisfaction index of the concerned populations, civil society and stakeholders, positive and negative potential externalities.
- 3) **Thematic categories of actions and project financed** (adaptation, mitigation, forestry, mixed...).

All categories of actors and interested parties (local populations, National Parliaments, other democratic institutions, stakeholders, NGOs, NSA, civil society organisations, Donors and Beneficiaries) must receive permanent and immediate access, if possible, on-line, to all information and data, without any restriction and in full transparency. In parallel, stakeholders and civil society inputs, participation, advice, and feed-back will be systematically ensured and guaranteed, in all operations of the GCF, at each level and step, ex-ante, on- going and ex-post. In particular, an appeal and redress system will be put in place from the start. All these mechanisms

will be organised, in such a way, that they cannot delay or paralyse the decision process and operations of the Fund.

**-IX) GOOD MANAGEMENT, ACCOUNTABILITY AND FIDUCIARY STANDARDS**

In application of the mutual accountability and reciprocal commitments, taken by Developing and Donors countries, within the context of the Paris Declaration, Internationally Accepted Fiduciary Standards will be applied, both centrally and at the national, regional and local levels, to all operations, actions, projects and programmes financed by the Fund. If needed, financial auditing, including on the spot audits, will be performed, at any stage during the implementation process. Any irregularity or fraud will be sanctioned and corresponding financial resources will be recuperated.

**-X) COMPLEMENTARITY, ADDITIONNALITY, PREDICTABILITY OF GCF RESOURCES- GCF ROLE AS CORNESTONE OF THE GLOBAL CLIMATE FINANCING SYSTEM**

The GCF must be complementary to all existing - multilateral, bilateral, regional, national and local Funds, Instruments and tools – which finance Climate Change Actions, projects and Programmes.

The GCF must not be conceived as a structure, designed and planned to absorb or replace them in a given future as such a concept would disturb and disrupt the diverse mechanisms of the Climate Change financing, by introducing incertitude and risk for all operators, donors, and actors involved.

For the GCF, the possibility to succeed to attract a significant proportion of the huge resources of Climate Change contributions, which will flow progressively to reach 100 billion per year in 2020, seems quite challenging. The example of ODA worldwide resources, which are, annually, of the same order of magnitude, amply demonstrate that donors and beneficiaries prefer to use diversified instruments and channels, together with multilateral funds, for their contributions.

A Fund of several tens of billions would become an enormous, heavy, costly and politicised machinery, requiring several thousands employees, and would lose in the process, flexibility, efficiency, and direct contact with the ground and operations. Basic management principles indicate that devolution and decentralisation are the best way to achieve efficiency and concrete results. Climate Change can only be tackled efficiently at the local level of each beneficiary country.

A huge and centralised GCF could, de facto, represent a negative incentive on donors and investors who may prefer to keep the direct decision and control on the use of their contributions for visibility, accountability, political, constitutional, legal, and other varied reasons.

That is why, instead of creating a huge and centralised Fund, it would appear to be more efficient to give to the GCF a role of cornerstone of the worldwide Climate Financing System for developing countries. The GCF could organise and lead a central platform for exchange of information, of good practices and concertation between the different existing mechanisms of Climate Finance. It could act as a catalyst leader in charge of ensuring coherence, cohesion, complementarity and synergies within the whole CC Financing System for Developing Countries.

However, within the financial mechanisms of the Convention, there may be scope for rationalisation and that would not prevent the GCF, if judged appropriate and effective, to progressively integrate (in time and, taking care not to disturb or prevent on-going operations) different, multilateral, existing Funds (and, in particular, UN and World Bank Multilateral and Multidonors Funds).

The GCF should be scalable in time, in order to attract additional resources, in relation with the results achieved and the absorption rate of beneficiaries.

GCF resources should be stable, predictable, additional and significant from the day one.

This implies that developed countries should pledge multiannual grant contributions, under the form of firm commitments, and that, as soon as possible, the GCF should get access (at least partially) to devoted innovative sources of revenues.