

## Invitation to submit views on draft workplan for work stream III: Operational modalities

### I. Description of the workstream:

The decision 1/CP.16 provides general guidance on the operational modalities of the GCF. In particular, the decision notes that the GCF *will support projects, programmes, policies and other activities in developing country Parties<sup>1</sup> through a variety of financial instruments, funding windows and access modalities, including direct access, with the objective of achieving a balanced allocation between adaptation and mitigation<sup>2</sup>.*

Under the Revised Draft Workplan for the Transitional Committee, considered at its first meeting in April 2011, work under this stream will include, inter alia:

- *Methods to manage the large scale of the financial resources from a number of sources and deliver through a variety of financial instruments, funding windows and access modalities, including direct access, with the objective of achieving a balanced allocation between adaptation and mitigation;*
- *Methods to mobilise and leverage private sector finance, both foreign and domestic;*
- *Modalities for contributions to the Fund;*
- *The financial instruments that the Fund can use to achieve its priorities;*
- *Methods to ensure a balanced allocation between mitigation and adaptation;*
- *Mechanisms to ensure the provision of appropriate expert and technical non-binding advice, including from relevant thematic bodies established under the Convention;*
- *Mechanisms to ensure stakeholder input and participation<sup>3</sup>.*

### II. Proposed workplan

The work under Workstream III, Operational Modalities, can be organised into five categories: finance entry points; managing finance; accessing finance; balance between mitigation and adaptation; and external inputs.

The initial detailed work will focus on the Sub-Workstream III.1 topic, Finance Entry Points, which will be discussed in the First Workshop (end May-early June). There will also be a background note prepared for Sub-workstream III.3 for circulation. Sub-workstreams 3.2-3.5 would be initiated in early July, building on the consultations, the first workshop in May-June and the results of the 2<sup>nd</sup> TC Meeting with a view to feeding into a third workshop between the

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<sup>1</sup> 1/CP.16 Paragraph 102

<sup>2</sup> 1/CP.16, Annex 3, Paragraph 1(c)

<sup>3</sup> Revised Draft Workplan for the Transitional Committee, Revised Discussion note by the Co-Chairs

2<sup>nd</sup> and 3<sup>rd</sup> TC meetings. This proposed workplan is drafted in a way that will allow it to evolve based on the views of TC members.

Inputs will be sought from TC members during the entire process and as well will be solicited from different major stakeholder groups, including civil society and the private sector, prior to and during the 2nd Workshop.

The Co-Facilitators will have background and scoping papers prepared for the workshops as deemed necessary to help support discussions and feedback from TC members and others. A Working Paper will then be prepared for the entire Workstream for consideration and discussion at the third TC Meeting in September.

### **Sub-Workstream III.1: Finance entry points**

*(for discussion at First Workshop and Second TC Meeting)*

The work on this issue will examine the entry points for financing, including both modalities for managing direct contributions to the GCF and for mobilising private sector finance either to the fund or in parallel to it. Inputs will be solicited regarding:

- The types of funding (eg grants, loans, investments) that might be received by the fund from governments and other actors; the systems and structure required to manage these funding inputs; and
- The options and modalities for ‘crowding-in’ foreign and domestic private sector finance; how to do this at scale and in regions with poorly developed financial markets; the types of pre-investment activities needed; the linkage with the carbon markets; and the opportunities for the private sector to become a source of funding for the GCF.

A scoping paper will be prepared on the issue of Finance Entry Points, reflecting submissions received from TC members and observers, for discussion at the first technical workshop at the end of May. This scoping paper would be revised, based on the discussion during the workshop, for consideration as a working paper at the second meeting of the TC.

### **Sub-Workstream III.2: Managing finance**

*(for discussion at Second Workshop and Third TC Meeting)*

The work on this issue will be closely coordinated with Workstream II regarding the trustee’s role and governance more broadly. Inputs will be solicited regarding options for:

- Managing the large scale of the financial resources from a number of sources including management structures and fiduciary controls, investment strategies, and minimizing administrative costs; and
- Delivery mechanisms through funding windows, including definition of how many and what windows to be included, their management, size, and access criteria. It will also be important to discuss whether the composition of windows could change over time according to needs, opportunities and priorities and, if so, to identify the review modalities. This task would include an assessment of desirability or options for delegating windows to another entity or entities and, if so, the criteria for selection,

GCF accountability mechanisms to and under the guidance of the COP, and the relationship between the GCF Board and the governing body of the other entity including allocation decisions.

### **Sub-Workstream III.3: Accessing finance**

*(for initial discussion at First Workshop and Second TC meeting, and full discussion at Second Workshop and Third TC meeting)*

Inputs will be solicited regarding options for:

- The financial instruments that the Fund can use to achieve its priorities;
- How different instruments might be used including linkages with NAMAs/NAPAs, blending, and coordination with other financing sources at the country level;
- Methods to deliver through access modalities, including direct access, criteria for prioritizing access, proposal and approval processes; and
- Methods for proposing and approving funding.

A background note will be prepared that provides an overview of financing modalities, addressing methods to manage large-scale financial resources from a number of sources, especially the delivery of resources through a variety of financial instruments, funding windows and access modalities, including direct access. The co-facilitators will provide this note to the TC out-of-session and will be used as a resource when sub-workstream III.3 is initiated in early July.

### **Sub-Workstream III.4: Balance between mitigation and adaptation**

*(for discussion at Second Workshop and Third TC meeting)*

Inputs will be solicited regarding options for:

- How to achieve balance through entry points including achieving balance in contributions; and
- Balancing delivery through allocations and operations.

### **Sub-Workstream III.5: External inputs**

*(for discussion at Second Workshop and Third TC meeting)*

Inputs will be solicited regarding options for:

- Mechanisms to ensure effective and efficient stakeholder participation in GCF decision-making and operations; and

- Mechanisms to ensure the provision of appropriate expert and technical non-binding advice, including from relevant thematic bodies established under the Convention, if appropriate (note linkage with Workstream 2).

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