

Green Climate Fund

Relationship with UNFCCC and External Bodies

GCF/B.04/14

19 June 2013

Meeting of the Board

26-28 June 2013

Songdo, Republic of Korea

Agenda item 9

Recommended action by the Board

It is recommended that the Board:

- a) Takes note of the information presented in document GCF/B.04/14 *Relationship with UNFCCC and External Bodies*; and
- b) Adopts the draft decision presented in Annex I to this document.

Relationship with UNFCCC and External Bodies

I. Introduction

1. At its March 2013 meeting in Berlin, Germany, the Board considered a document on communication and external representation (GCF/B.01-13/06) and adopted decision B.01-13/05. This decision, in paragraph (f), makes reference to “the development of a broader Fund strategy on engagement with United Nations Framework Convention on Climate Change (UNFCCC) and external bodies”. As a follow-up to this decision, the Co-Chairs requested the Interim Secretariat to prepare a document on the relationship of the Fund with UNFCCC and external bodies.
2. This document intends to provide a basis for developing an engagement strategy. It identifies categories of bodies with which the Fund may wish to establish a relationship. It concludes with suggested next steps towards an engagement strategy.
3. The Fund is still developing its business model framework. In that context, it will need to take a number of strategic decisions that will impact the way it will interact with other bodies. Given the evolving nature of its business model, the Fund’s relationships with other bodies are likely to change over time.
4. A relationship with another body will be viable and sustainable only if both parties benefit from it. The Fund can benefit from another body’s expertise/advice/information or assistance it can provide to the Fund’s operations. Other bodies will benefit from a relationship with the Fund through contracts for the administrative and operational assistance, funding for the implementation of programmes and projects, and exchange of information and advice.

II. Background

5. In addition to the reference to the relationship with the Conference of the Parties to the UNFCCC (COP), the Governing Instrument refers to other bodies in paragraph 70, which states that “[i]n carrying out its functions the Board will develop mechanisms to draw on appropriate expert and technical advice, including from the relevant thematic bodies established under the Convention, as appropriate.”
6. The Governing Instrument also refers to the relationship with other climate finance institutions in paragraphs 33 and 34:

“33. The Fund shall operate in the context of appropriate arrangements between itself and other existing funds under the Convention, and between itself and other funds, entities, and channels of climate change financing outside the Fund.

34. The Board will develop methods to enhance complementarity between the activities of the Fund and the activities of other relevant bilateral, regional and global funding mechanisms and institutions, to better mobilize the full range of financial and technical capacities. The Fund will promote coherence in programming at the national level through appropriate mechanisms. The Fund will also initiate discussions on coherence in climate finance delivery with other relevant multilateral entities.”
7. The COP referred to the relationship with the Fund in a number of its decisions:

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- (a) Through decision 3/CP.17, the COP “request[ed] the Board to initiate a process to collaborate with the Adaptation Committee and the Technology Executive Committee, as well as other relevant thematic bodies under the Convention, to define linkages between the Fund and these bodies, as appropriate”;
- (b) Through decision 7/CP.18, the COP requested “the Standing Committee and the Board of the Green Climate Fund to develop arrangements between the Conference of the Parties and the Green Climate Fund in accordance with the Governing Instrument of the Green Climate Fund and Article 11, paragraph 3, for agreement by the Board and subsequent agreement by the Conference of the Parties at its nineteenth session”;
- (c) Through decision 13/CP.18, the COP “encourage[d] the Technology Executive Committee to continue to consult relevant institutional arrangements under the Convention, including [...]the Board of the Green Climate Fund [...]”; and
- (d) COP decision 14/CP.18 (Annex II), foresees that “The Advisory Board of the Climate Technology Centre and Network (CTCN), with the aim of achieving fair and balanced representation, shall constitute the following: [...] (c) One of the Co-Chairs, or a member designated by the Co-Chairs, of the Green Climate Fund Board in his/her official capacity as a Green Climate Fund representative [...]”.
8. The Rules of Procedure of the Board (paragraph 14) provide that “[t]he Co-Chairs may represent the Board at external meetings and report back to the Board on those meetings. They may delegate that function acting jointly.”

III. Objectives of relationships and mode of engagement

9. The Board will likely prioritize those relationships that are most effective in furthering the Fund’s objectives, as defined in the Governing Instrument.
10. Three broad modes of engagement can be distinguished:
- (a) **Level 1 – formal relationship agreement:** A formal agreement with another body or organization would be required to establish the basis for a longer-term relationship or cooperation that requires a high degree of legal certainty;
- (b) **Level 2 – formal representation in bodies:** A relationship may foresee that the Fund can have one or several representatives in another body and/or that the other body is accredited as an observer by the Fund; and
- (c) **Level 3 – informational relationship:** As part of an informal mode of interacting, the Fund may find it useful to receive information from other bodies and/or provide information about the Fund’s work to other bodies.
11. The degree of formality of a relationship with external bodies will depend on whether the cooperation is expected to be longer-term and the potential implications of resources, effort and time for the Fund to establish and maintain the relationship. Once the Fund has committed, or sought that a partner institution commits, to establishing and maintaining a stable and reliable relationship, a more formal and secure arrangement needs to be adopted. Most relationships with other bodies will likely be informal and focus on exchange of information, consultations and general collaboration at a technical level.
12. The Fund can engage at the level of the Board, which is necessary once formal legal agreements are put in place, or it can conduct the engagement through the Co-Chairs of the Board, Board members, the Executive Director or Secretariat staff, in line with the arrangements on representation (decision B.01-13/06).

IV. Categories of external bodies

13. Based on their relevance to the Fund as it becomes operational, the following five categories of external bodies are defined:

- (a) Category 1: The COP and its thematic bodies;
- (b) Category 2: Bodies/organizations relevant for the administrative and legal framework of the Fund;
- (c) Category 3: Other climate finance institutions;
- (d) Category 4: International, regional and national bodies involved in the implementation of Fund activities; and
- (e) Category 5: Civil society organizations and other stakeholders.

14. The Board has already initiated steps on relationships with the COP and its thematic bodies. It has been requested to establish relationships with thematic bodies of the UNFCCC, and, through the Governing Instrument, it is expected to draw on the expertise of these and other bodies. Relationships with bodies in Categories 4 and 5 are being established in the context of the work on the business model framework and observer relations of the Fund.

4.1 Category 1 – The Conference of the Parties and its thematic bodies

15. As an operating entity of the financial mechanism of the Convention, the Fund will be accountable to, and function under the guidance of, the COP. The Standing Committee on Finance and the Board were requested to develop arrangements between the COP and the Fund during 2013 for agreement by the Board and subsequent agreement by the COP. Hence, the relationship with the COP will likely be a formal relationship (Level 1). The arrangements between the COP and the Fund are addressed under a separate agenda item, and the matter is not further discussed in this document.

16. The COP requested the Fund to initiate a process to collaborate with the Adaptation Committee (AC) and the Technology Executive Committee (TEC), as well as other relevant thematic bodies under the Convention, and to define linkages between these bodies and the Fund, as appropriate. Other relevant bodies could include the Climate Technology Centre and Network (CTCN), Executive Board of the Clean Development Mechanism (CDM), the Least Developed Countries Expert Group (LEG), and the Standing Committee on Finance (SCF).

17. The Fund can benefit from information and expertise a thematic body can provide. The nature of information and expertise relevant to the Fund will change as the Fund becomes fully operational and once these UNFCCC bodies have developed their work plans and modes of operation. At present, the input most likely to be of assistance to the Fund includes:

- (a) Broad policy advice – e.g. how best to support adaptation, mitigation and development and transfer of technology; and
- (b) Advice on priorities within a thematic area – types of adaptation, mitigation, technology, and other actions; geographic and other priorities; types of financial support needed.

18. Once the Fund is fully operational, some bodies may be able to offer technical expertise to assist in the development of programmes and in the assessment of specific funding proposals. The relationship with the thematic bodies may support programming efforts in developing countries to enable them to pursue project-based and programmatic approaches in accordance with climate change strategies and plans, such as low-emission development strategies or plans, nationally appropriate mitigation actions (NAMAs), national adaptation plans of action (NAPAs), national adaptation plans (NAPs) and other related activities, as foreseen by the Governing Instrument (paragraph 36). At the current stage, and until there is further clarity on the

purpose of the interaction, it is recommended to keep the relationship with these bodies at Level 3 (informational).

4.1.2 Adaptation bodies

19. The AC and the LEG may be able to provide information and advice to the Fund on how best to support adaptation efforts, including the most cost-effective adaptation measures; geographic, sectoral and other priorities; and most effective mechanisms for the provision of financial support. Such input could be valuable as the Fund develops and refines its business model.

4.1.3 Mitigation bodies

20. There is no mitigation body under the UNFCCC to provide information and advice to the Fund on how best to support mitigation efforts. A registry to help match NAMAs with financial support is being established. The Fund may also explore the usefulness of interaction with the Executive Board of the CDM or bodies outside the Convention.

4.1.4 Technology bodies

21. The TEC may be able to provide information and advice to the Fund on how best to support technology development and transfer. Since most technology development and transfer occurs outside the Convention, and since technologies evolve continuously, such advice will need to be updated frequently to maintain its relevance. The TEC may be able to provide advice on whether funding applications to the Fund for technology projects are consistent with its technology strategies, including the relevant technology roadmaps.

22. Technical advisory panels of the Fund could draw on expertise from a range of sources, including from adaptation bodies, such as the AC and the LEG, mitigation bodies, such as experts nominated by the Executive Board of the CDM and the centres affiliated with the CTCN, and technology bodies, such as the TEC, as well as from other external technical experts, provided that they meet the technical requirements for such panels.

23. On 31 January 2013, the Co-Chairs received an invitation from the TEC to participate, or have a representative participate, in its fifth meeting to take place on 26 and 27 March 2013. Given that the Board could not consider the request until its third meeting (12-15 March 2013), and the closing date for registrations was 15 February 2013, a representative of the Fund was not able to participate in the meeting.

24. The CTCN could be, in principle, a source of experts to provide technical advice to the Fund for technology, as well as adaptation and mitigation. If the CTCN, and/or its affiliated centres, could potentially receive funding from the Fund, the nature of the relationship would need to be considered carefully, to avoid real or perceived conflicts of interest. There is a risk that some centres might not want to join the CTCN due to an intention to seek funding from the Fund in the future, which could affect the membership and viability of the CTCN in the longer term.

25. On 31 January 2013, the Co-Chairs received an invitation from the United Nations Environment Programme (UNEP), the host of the CTCN, to participate, or have a designated Board member participate, in the first meeting of the CTCN Advisory Board. The Co-Chairs requested the Interim Secretariat to seek further information from UNEP on the role, expectations and time commitments of the Board representative. UNEP has not yet provided a response.

4.1.5 Finance bodies

26. The mandate of the SCF includes three ongoing activities that are likely to be relevant to the Fund:

- (a) It is expected to organize an annual forum of entities involved in climate finance. The Fund would likely be invited to participate. The opportunity to meet with other entities engaged in climate finance could benefit the Fund;
- (b) It is mandated to prepare a biennial assessment and overview of financial flows. The first biennial assessment and overview will be completed during 2014. Although the scope of the assessment and overview is not yet known, information on the Fund's activities and plans would be a valuable input and the assessment could be useful to help inform the Fund's allocation decisions;
- (c) It was requested to consider ways of strengthening methodologies for reporting on climate finance. This may have implications for the Fund's reporting processes.

27. The COP in 2012 also decided to extend the Work Programme on Long Term Finance (LTF) until the end of 2013. The report by the Co-Chairs of the LTF may include information relevant to the Fund as it develops its resource mobilization strategy and evolves its business model.

4.1.6 Other possible thematic linkages

28. The Subsidiary Body on Implementation (SBI) is considering coordination of support for REDD+¹ actions by developing countries, including institutional arrangements. The SBI is also considering means to implement the framework for capacity building in developing countries. Should new UNFCCC bodies be established, the Fund will need to assess whether to establish relationships with such bodies and the scope of any such relationship.

29. The Board will respond to the further guidance from the COP regarding the linkages with other thematic bodies than those addressed above. It may also identify additional topics and external bodies with which it wishes to engage to further the objectives of the Fund.

4.2 Category 2 – Bodies/organizations relevant for the administrative and legal framework of the Fund

30. Based on the action taken pursuant to the information presented to the Board in document GCF/BM.2013/01, the Fund may want to seek establishing relationship agreements for the purpose of its administrative and legal framework. Depending on the guidance given and the decisions taken by the Board, this may be developed in the form of a formal (Level 1) relationship agreement. Depending on Board guidance, this may include:

- (a) An arrangement with the United Nations (UN) to obtain adequate privileges and immunities, including a Laissez-Passer passport for its staff; and
- (b) An arrangement with another organization, such as the Asian Development Bank (ADB), to facilitate collaboration on setting up the Fund's administrative infrastructure.

¹ 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.

4.3 Category 3 – Other climate finance institutions

31. The Fund may wish to engage with other climate finance institutions, such as:
- (a) The other operating entity of the UNFCCC's financial mechanism, the Global Environment Facility (GEF);
 - (b) Other funds established by the UNFCCC or its Kyoto Protocol: the Adaptation Fund, the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF); and
 - (c) Other climate finance mechanisms, such as the Climate Investment Funds (CIFs) and multilateral and bilateral development finance institutions active in climate change, as well as the numerous public and private carbon funds and funds focusing on REDD+ finance.
32. In order to initiate the discussions on coherence in climate finance delivery, called for in the Governing Instrument (see paragraph 6 above), appropriate contacts need to be established. It is therefore recommended that the relationship with the key climate finance institutions would be at Level 2: formal representation in bodies. As an initial step, and in recognizing the provisions on this matter in the Governing Instrument, the Board could invite the GEF Secretariat (which also serves as the secretariat to the LDCF and the SCCF), the Adaptation Fund and the CIFs to have observer status with the Green Climate Fund, in order to facilitate the direct interaction between the representatives of these institutions and the Board. Further engagement with these climate finance institutions can be developed once the Board has made progress on the Fund's business model.

4.4 Category 4 – International, regional and national bodies involved in the implementation of Fund activities

33. The Governing Instrument foresees that access to Fund resources will be through international, regional and national implementing entities accredited by the Board. This may eventually involve some 10 to 50 international organizations – such as the World Bank and United Nations Development Programme (UNDP), regional organizations – such as the regional multilateral development banks, and national organizations – such as national climate funds, national development banks and other organizations.
34. The Fund also will provide finance, directly and indirectly, to private sector mitigation and adaptation activities through its Private Sector Facility. The number of private sector entities is likely to be larger than the number of implementing entities.
35. The Governing Instrument also foresees that developing countries may designate a national authority to recommend funding proposals in the context of national climate strategies and plans. National designated authorities may be consulted on other funding proposals prior to submission to the Fund. Ultimately, there could be up to 150 designated national authorities in developing countries.
36. The Fund may need to develop a separate engagement strategy for accredited implementing entities and designated national authorities.

4.5 Category 5 – Civil society organizations and other stakeholders

37. The Fund is already developing policies and procedures to govern its relationships with civil society organizations and other stakeholders. These policies and procedures are on:
- (a) Accreditation of observer organizations and their participation at Board meetings;

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- (b) Communication strategy and associated communication materials; and
 - (c) Participation of Fund representatives in external events.
38. Further modalities for stakeholder engagement will be developed separately.

V. Summary and next steps

39. The focus of this document is on the engagement with UNFCCC thematic bodies. All of UNFCCC thematic bodies are relatively new and are still working on how best to implement their respective mandates. The Fund is also still developing its business model. As UNFCCC thematic bodies and the Fund mature, the nature of the arrangements that could offer the most benefits to the Fund and each of the thematic bodies is likely to change. Flexible relationships in the short term may therefore be most suitable both for the Fund and UNFCCC thematic bodies. Given this, relationships with UNFCCC thematic bodies could commence at Level 3, focussing on an exchange of information. The Interim Secretariat, under the guidance of the Co-Chairs, could be requested to take the following steps:

- (a) Provide information on the Fund's developments at the relevant UNFCCC thematic bodies' meetings, in person or via electronic communication;
- (b) Invite relevant UNFCCC thematic bodies to provide input to the Fund on areas of relevance, as decided by the Board; and
- (c) Invite relevant UNFCCC thematic bodies to provide information on thematic areas that may require funding support, to inform the programming of the Fund's resources.

40. The above approach should be sufficient for the AC, the TEC, the SCF and, if considered appropriate, the LEG. Relationship with other thematic bodies can be addressed once they are established.

41. Formal representation of the Board on the Advisory Board of the CTCN will be considered once there is further clarity on the role of such interaction and whether any concerns of potential conflict of interest could arise. A response from the CTCN Advisory Board to questions raised about the role will help clarify this.

42. It is proposed that invitations be sent to the GEF Secretariat, the Adaptation Fund and the CIFs to become observers to the Fund. The Interim Secretariat, under the guidance of the Co-Chairs, could consult these and other relevant actors as a first step towards developing the relationships required to enhance the complementarity between the activities of the Fund and the activities of other relevant bilateral, regional and international funding mechanisms and institutions.

43. Based on the activities mentioned above and the information received, the Interim Secretariat could be requested to present a draft engagement strategy to the Board for the relationship with UNFCCC thematic bodies and external bodies.

Annex I: Draft decision of the Board

The Board having considered document GCF/B.04/14 *Relationship with UNFCCC and External Bodies*:

- (a) Decides that, in the short term, the Fund should commence the engagement with UNFCCC thematic bodies by focussing on an exchange of information, with a view to reassessing this engagement as the Fund and UNFCCC thematic bodies evolve;
 - (b) Requests the Interim Secretariat to invite the Global Environment Facility Secretariat, the Adaptation Fund and the Climate Investment Funds to take up the observer status with the Green Climate Fund;
 - (c) Further requests the Interim Secretariat to engage informally with other external bodies by exchanging information, as required; and
 - (d) Further requests the Interim Secretariat to prepare a draft engagement strategy outlining the relationship with UNFCCC thematic bodies and external bodies for the consideration of the Board at its first meeting in 2014.
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