



**GREEN
CLIMATE
FUND**

Meeting of the Board
28 – 30 June 2016
Songdo, Incheon, Republic of Korea
Provisional agenda item 8(e)

GCF/B.13/08

6 June 2016

Complementarity and coherence with other funds

Summary

Through decision B.12/07, paragraph (a), the Board of the Green Climate Fund requested the Secretariat “to prepare a document for consideration by the Board at its thirteenth meeting that outlines the Fund’s approach for ensuring complementarity and coherence with other institutions in accordance with paragraphs 33 and 34 of the Governing Instrument” for the GCF. Moreover, the Conference of the Parties to the United Nations Framework Convention on Climate Change, through its decision 7/CP.21, issued guidance whereby it encouraged the Board to improve complementarity and coherence with other institutions. This document presents an overview of existing arrangements and proposes to establish an operational framework for complementarity and coherence.

I. Mandate and introduction

1. Pursuant to decision 7/CP.21, the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) encouraged the Board to improve complementarity and coherence with other institutions, as per paragraphs 33 and 34 of the Governing Instrument for the GCF, including by engaging with relevant bodies of the Convention, such as the Standing Committee on Finance.

2. The Board, through decision B.12/07, paragraph (a), requested the Secretariat to prepare a document for consideration by the Board at its thirteenth meeting that outlines the approach of the GCF for ensuring complementarity and coherence with other institutions in accordance with paragraphs 33 and 34 of the Governing Instrument and relevant COP guidance.

3. In the context of the operational modalities of the GCF, the Governing Instrument specifies complementarity and coherence as important elements in helping to deliver the objectives of the GCF. To this effect, the Governing Instrument states that:

“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.”¹

4. The strategic plan for the GCF, endorsed at the twelfth meeting of the Board, in its strategic vision, emphasizes its comparative advantages to, and the need to operate in coherence with, existing climate finance institutions. This includes leveraging its status as an operating entity which sets new standards with regard to country ownership, direct access and level of ambition.

5. Some initial discussions at the Board level and at the Secretariat level have been initiated during 2016. The Co-Chairs of the Board sent a letter to the co-chairs of the Standing Committee on Finance addressing the need to engage in a dialogue on complementarity and coherence, and the secretariat of the Adaptation Fund Board has prepared a concept note on possible options to increase complementarity and coherence, and has been in consultations with the Secretariat in this regard. The co-chairs of the Standing Committee on Finance have suggested organizing a session in order to increase complementarity and coherence among the relevant institutions as part of its deliberations at the last meeting of Standing Committee on Finance of 2016 (tentatively scheduled for September 2016).

1.1 Scope of complementarity and coherence

6. With the increasing number of financial institutions that channel investments towards low-carbon and climate-resilient development, the landscape of global climate finance is evolving quickly. The 2014 Biannual Assessment and Overview of Climate Finance Flows

¹ Governing Instrument for the GCF, paragraphs 33 and 34.

estimates that global climate finance flows over 2010-2012 varied from USD 340 to USD 650 billion per year.² Sources and intermediaries of climate finance vary from governments and bilateral aid agencies to multilateral and bilateral development banks, dedicated climate funds, and various private commercial institutions.

7. Moreover, the common standards and methodologies for the reporting of climate finance as well as the estimated monitoring and evaluation of support that would help to measure its impact is not consistent across providers of climate finance. Thus, this creates the risk of potential overlap and duplication of efforts as well as inconsistency that create barriers to enhancing complementarity and coherence.

8. Under the UNFCCC, there are two main operating entities of the Financial Mechanism (the Global Environment Facility (GEF) and the GCF) and three specialized funds (the GEF, which also hosts the Least Developed Countries Fund and the Special Climate Change Fund). Parties also created the Adaptation Fund (AF) under the Kyoto Protocol, which channels the financing for adaptation to developing countries. As outlined in the fifth review of the Financial Mechanism and the Fifth assessment report of the Intergovernmental Panel on Climate Change, demand for financial resources to tackle climate change is much larger than that which these funds combined can currently provide.³ This scarcity of resources and the risk of overlap of efforts and activities by various funds make it necessary to find options to enhance complementarity and coherence among the different sources of climate finance.

1.2 Overview of relevant guidance from the Conference of the Parties

9. As an operating entity of the Financial Mechanism, the GCF receives regular guidance from the COP pertaining to enhancing complementarity and coherence. In particular, the COP encourages the GCF to engage with relevant bodies and existing funds under the Convention, as well as other climate funds, as an important approach to achieving this objective.⁴

10. The COP also acknowledged recommendations made by the Standing Committee on Finance, which encourages the GCF to take into account and build on existing practices from relevant institutions when developing its key policy frameworks, such as access modalities, a gender-sensitive approach, environmental and social safeguards, and fiduciary standards.⁵

II. Current status and existing process of the GCF

2.1 Existing efforts under the GCF

11. Since its early operationalization, the GCF has been engaged with other financial institutions under the UNFCCC regarding lessons learned and the sharing of experience. Information on such exchanges has been recorded in a number of GCF documents presented as part of the experience of other funds, including accreditation frameworks, financial risk management frameworks, investment frameworks and others, and is included and reflected in table 1 below.

² 2014 Biannual Assessment and Overview of Climate Finance Flows. Available at <http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/2014_biennial_assessment_and_overview_of_climate_finance_flows_report_web.pdf>.

³ Available at <https://ipcc.ch/pdf/assessment-report/ar5/syr/SYR_AR5_FINAL_full_wcover.pdf>.

⁴ UNFCCC decision 7/CP.20.

⁵ Annex to UNFCCC decision 9/CP.20.

12. Pursuant to decisions B.04/15 and B.05/01, the Board of the GCF requested the Interim Secretariat to invite the Global Environment Facility secretariat, the Adaptation Fund, the Multilateral Fund for the Implementation of the Montreal Protocol, and the Climate Investment Funds to take up observer status with the GCF. These institutions now attend meetings of the Board of the GCF on a regular basis as observer organizations. Representatives of the GCF Secretariat also attend meetings of the GEF secretariat and the AF, and interact with representatives of these institutions.

2.1.1 Learning from existing lessons and best practices

13. In response to COP guidance, the Board has requested the Secretariat to conduct technical consultations and assessments of existing practices at other relevant bodies and funds under the Convention, in order to build on their experience and strive for best practice, as shown in table 1 below.

Table 1. Mandates from the Board on learning from relevant bodies of the Convention and other international institutions

Mandated actions	Thematic areas	Decision numbers
<p>Conducted assessments, against the existing criteria, of existing accredited national, regional and international intermediaries and implementing entities by other relevant funds;</p> <p>The identification of potential relevant private sector international best practice fiduciary principles or standards and environmental and social safeguards (ESS) and the adoption of International Finance Corporation performance standards;</p> <p>Conducted assessments, including a gap analysis, of institutions accredited by other relevant funds and in line with the objectives of the GCF against the interim ESS and initial fiduciary standards with recommendations on their potential accreditation or fast-tracking, including the list of institutions that are eligible to apply under the fast track; and</p> <p>Developed a work programme on complementarity and coherence with the accreditation systems and processes of other relevant funds, as well as relevant private sector associations</p>	Accreditation	<p>B.04/06, paragraph (f)</p> <p>B.07/02, paragraph (k)</p> <p>B.07/02, paragraph (l)</p>
Conducted consultations with relevant bodies and observer organizations in setting out the options for a GCF-wide gender-sensitive approach, and for developing the gender policy and action plan for the GCF	Gender policy	B.05/22, paragraph (c); B.06/07, paragraph (b)
Conducted a survey of methodologies used by relevant institutions in order to define and determine their risk appetite when preparing an analysis of the potential risk appetite of the GCF	Financial risk management framework	B.07/05, paragraph (e)
Took into account the best practices of other institutions when developing the minimum benchmarks for the criteria of the GCF investment framework	Investment framework	B.07/06, paragraph (c)

Consultations with the relevant experts and thematic bodies when developing the initial results management framework of the GCF	Results management framework	B.08/07, paragraph (c)
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14. This learning process has contributed to the operationalization of the GCF. Learning from other relevant institutions has become institutional practice for the GCF as a continuously learning institution. There is also ongoing work related to coherence and complementarity related to the linkages with other thematic bodies of the Convention, including on national adaptation plans (NAPs) with the Least Developed Countries Expert Group and work on the operational definition of climate finance under the Standing Committee on Finance. These matters are addressed in document GCF/B.13/07 titled “Relationship with relevant United Nations Framework Convention on Climate Change thematic bodies”. Other institutions’ approach to coherence and complementarity is provided in table 2 below.

2.1.2 Other institutions’ approach to coherence and complementarity

Table 2. Approach of other institutions to coherence and complementarity

GEF/LDCF/SCCF	<ul style="list-style-type: none"> • Articulate the three unique propositions for the climate change mitigation efforts of the GEF in the GEF-6 strategy; • Continue ongoing dialogue and information exchange with the GCF, the AF and the CIFs on several foundational and policy elements, such as accreditation, readiness, resource allocation modalities, private sector engagement, etc.; • Foster partnerships with a growing number of bilateral and multilateral agencies that provide financial and technical support towards the NAP process in developing countries; • Collaborate with the AF at the project level, such as in the United Republic of Tanzania where UNEP implanted projects from both funds in the same area of intervention in order to reduce costs, build synergies and avoid duplication of effort; and • GCF Secretariat, CTCN, and GEF agencies consulted on various occasions, including through participating at their respective events, such as the CTCN Advisory Board meetings on matters related to regional technology transfer
AF	<ul style="list-style-type: none"> • Proposed a scenario analysis on the potential linkages between the AF and the GCF in the Adaption Fund Board document AFB/B.20/5 titled “Strategic prospects for the Adaptation Fund”; • Enhance its relationship with relevant bodies by increasing mutual participation and contribution in meetings and technical workshops, such as the SCF Forum and AC/LEG workshops on NAPs; and • The AF has also requested the CTCN to comment on its new regional funding window

Abbreviations: AC = Accreditation Committee, AF = Adaptation Fund, CIFs = Climate Investment Funds, CTCN = Climate Technology Centre and Network, GEF = Global Environment Facility, GEF-6 = the sixth replenishment of the GEF, LDCF = Least Developed Countries Fund, LEG = Least Developed Countries Expert Group, NAPs = national adaptation plans, SCF = Standing Committee on Finance, UNEP = United Nations Environment Programme.

2.2 Proposed actions and next steps

2.2.1 Suggested principles and arrangements for complementarity and coherence

15. The Governing Instrument calls for the GCF to 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 GCF. Therefore, it is suggested that the Board agrees to establish a framework for complementarity and coherence with other funds, which would be built on the principles and key elements as set out in the Governing Instrument.

16. The following principles could be agreed, which are also in line with the principles set out in the document on linkages with the thematic bodies of the Convention:

- (a) Result-oriented, time-specific engagement;
- (b) Mutually-beneficial and practical;
- (c) Help to achieve the objective of the GCF;
- (d) Fit-for-purpose and in accordance with existing arrangements, respective mandates and functions; and
- (e) In line with the GCF business model, strategic plan and other relevant decisions.

17. In particular, the Governing Instrument calls for complementarity with other entities at the activity level, coherence at the national programming level and the establishment of a dialogue on coherence at the delivery of climate finance with other relevant multilateral entities. In this context, it is proposed that the following be established:

- (a) Methods to enhance complementarity between the activities of the GCF and the activities of other relevant bilateral, regional and global funding mechanisms and institutions in order to better mobilize the full range of financial and technical capacities;
- (b) Appropriate mechanisms for coherence in programming at the national level; and
- (c) The initiation of discussions on coherence in climate finance delivery with other relevant funds and multilateral development banks.

18. In order to strengthen current efforts on complementarity and coherence, the Board is invited to consider setting up an operational framework and a process for actions to be programmed in a stepwise approach. The framework for complementarity and coherence with other funds could be built around three main pillars as per paragraph 34 of the Governing Instrument:

- (a) Enhanced complementarity at the activity level;
- (b) The promotion of coherence at the national programming level; and
- (c) A dialogue on coherence at the level of delivery of climate finance.

19. These three pillars can underpin a process in which actions are programmed throughout the initial resource mobilization period in line with the strategic plan for the GCF. The Board may wish to decide to initiate the framework for complementarity and coherence with other funds, with a view to deciding on these matters during 2016 and proposed concrete actions under each of the elements for 2017 and 2018, respectively.

2.2.2 Suggested elements and actions for complementarity and coherence

20. It is expected that the development of the framework for complementarity and coherence with other funds will reveal the type of arrangements needed between the GCF and other funds under the Convention, and between the GCF and other funds, entities and channels of climate change financing outside the GCF, as per paragraph 34 of the Governing Instrument. Institutions have focal points at the national level, which in many instances are different national level authorities, and where coordination could be enhanced.

Table 3. Contact points between UNFCCC related bodies and countries

Green Climate Fund	National designated authority/focal point
Secretariat of the United Nations Framework Convention on Climate Change	Focal point
Adaptation Fund	Designated authority
Global Environment Facility	Political/operational focal point
Climate Technology Centre and Network	National implementing entity

21. Table 4 below suggests key operational elements to support coherence and complementarity at the activity level.

Table 4. Possible elements for complementarity and coherence

	Coherence and complementarity area	List of suggested coordination elements	Coordinating Institutions
1.	Coordination at the activity level	<ul style="list-style-type: none"> • Co-financing • Templates • Stakeholder consultations • Programming approaches (programmatic approaches, regional programmes and small grants) 	AEs, NDAs, FPs, delivery partners, other climate funds and other climate finance providers
2.	Coordination at the national programming level	<ul style="list-style-type: none"> • Impact areas • Performance management, monitoring and evaluation • Operational policy matters 	AEs, NDAs/FPs, relevant UNFCCC focal points and implementing entities
3.	Coordination at the climate finance delivery level	<ul style="list-style-type: none"> • Reporting requirements 	MDBs, the GEF, the AF, climate finance funds and other institutions

Abbreviations: AEs = accredited entities, AF = Adaptation Fund, FPs = focal points, GEF = Global Environment Facility, MDBs = multilateral development banks, NDAs = national designated authorities, UNFCCC = United Nations Framework Convention on Climate Change.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.13/08 titled “Complementarity and coherence with other funds”:

- (a) *Decides* to prepare, with the support of the Secretariat, an operational framework on complementarity and coherence to be considered by the Board at its fifteenth meeting, and as a basis for the cooperation of the Board with the Standing Committee on Finance;
- (b) *Reaffirms* that the following key elements shall form part of the operational framework, in accordance with the Governing Instrument for the GCF:
 - (i) Board-level discussions on fund-to-fund arrangements;
 - (ii) Enhanced complementarity at the activity level;
 - (iii) Promotion of coherence at the national programming level; and
 - (iv) Complementarity at the level of delivery of climate finance through an established dialogue;
- (c) *Requests* the Secretariat to prepare a document presenting options for the operationalization of the key elements outlined in paragraph (b) above, and to present it for consideration by the Board at its seventeenth meeting;
- (d) *Also requests* the Co-Chairs of the Board, with the support of the Secretariat, to initiate an annual dialogue with climate finance delivery channels, commencing at, and in conjunction with, the fifteenth meeting of the Board, and thereafter annually and in conjunction with a Board meeting to be held at GCF Headquarters in Songdo, Republic of Korea, with other funds in order to enhance complementarity at the activity level.
