

Some further thoughts on the draft TC work plans

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1. WORKSTREAMS I & III

A submission by the Oxford Institute for Energy Studies, dated 20 May, addressed two key issues.

1.1 *The objective of achieving a balanced allocation between adaptation and mitigation.*

The ‘allocation’ referred to, the submission argued, must be the global amounts spent on supporting developing countries for adaptation and mitigation activities, and not merely the funds assigned to the adaptation and mitigation windows of the GCF. The latter, it was argued, needs to be an instrument to remedy imbalances in the former.

What is clear is that in either case – as reflected in the US response² to relevant question by the WS.I Co-facilitators³ – these decisions are *profoundly political*. Indeed, in stressing that ‘donors should have the flexibility to assign contributions to the windows’, the US response points at the very heart of the issue, namely the question: Who should (be allowed to) take the decisions on the use of GCF funds. Should it be the *contributors* alone, or should the *recipients* also have a say?

The original submission argued strongly for the subsidiarity principle, devolving as many such decisions to the recipient countries as possible, on grounds both of equity and effectiveness. However, there is another purely pragmatic reason why it would be inadvisable to leave these decisions to contributors alone, if the aim of the GCF is indeed to rectify (thematic) imbalances in the global climate finance regime: Given that a significant proportion of any such imbalance is likely to be due to the preferences/constraints of bilateral donors, it is doubtful whether, as contributors, they would choose otherwise if given the option to earmark funding for specific GCF windows.⁴

The solution may be to encourage contributors to recognize the consolidated nature of the CGF and to refrain from earmarking their contributions, if the GCF really is to serve as the sort of remedial instrument for global (thematic) imbalances.

1.2. *Funding and Disbursement*

The second key point of the first OIES submission was that the architecture of the GCF must be *bi-functional*: it ought to have a ‘*Funding Arm*’ functioning as a traditional fund, with funding

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² *U.S. response: While balanced allocation is certainly important – particularly to ensure sufficient resources for adaptation – this is a political rather than mathematical decision. Donors should have the flexibility to assign contributions to the windows. sufficient resources for adaptation – this is a political rather than mathematical decision. Donors should have the flexibility to assign contributions to the windows.*

³ *5. The Cancun Agreements refer to “balance” between mitigation and adaptation. How do we define and achieve “balanced allocation” between adaptation and mitigation?*

⁴ *If for whatever reasons, the bilateral donor community say prefers mitigation over adaptation, then it is unlikely that they would do otherwise in the context of contributing directly to different GCF windows.*

decisions taken at the Board level, as well as a '*Disbursement Arm*', functioning as a *direct access (lump-sum) throughput instrument with funding decisions devolved to National Funding Entities*. Moreover, the argument was that there will have to be an *evolution over time* from predominance of former to the latter.

As concerns prioritizing the work of the TC, this means that top priority ought to be given to *operationalising the Funding Arm* by Durban. Judging from the operationalisation of the Adaptation Fund, the minimal requirements for this are to have drafts of the following documents:⁵ (i) Rules of Procedure; (ii) MOU with (interim) Trustee; (iv) Secretariat Arrangements; and (vi) Strategic priorities, policies and guidelines.

WORKSTREAM II

Given that the first three of these minimally required draft documents fall within its remit, WS.II is clearly of paramount importance in the work that needs to be done for Durban. However, work will have to be prioritized even in that Workstream. In particular, there are good reasons to think that the work of the final Sub-workstream – *II.5: Coherence with the other operating entities of the financial mechanism and other climate, environment, and development finance* – will eventually be superseded by work carried out elsewhere, viz. the Standing Committee of the COP, and thus should really not compete for time with the other tasks of the Workstream.⁶

Yet there is one issue that does not feature in the current draft WS.II plan of work, but which is important to be included: the manner in which the GCF will *engage with civil society stakeholders apart from Board participation*. The need for such additional engagements was highlighted in the original OIES submission, but need to be re-emphasised here, in the context of the WS.II work plan.

WORKSTREAM IV

According to the Terms of Reference (TOR) for the design of the Green Climate Fund, *the Transitional Committee shall develop and recommend to the Conference of the Parties ... operational documents that address, inter alia: ... (g) A mechanism to ensure periodic independent evaluation of the Fund's performance*. This task is taken up in WS.IV, the draft TOR for which rightly point out the *need to, inter alia: ... (viii) Consider the institutional aspects of "ensuring periodic independent evaluations" with a stress on "independent"*. It would seem to be not unreasonable to assume that assuring such independence would be easier if the evaluations were commissioned by some other body than the GCF, such as the Standing Committee, as part of providing general support to the COP in giving guidance and holding accountable the operating entities of the Financial Mechanism.

The fact that task lists of both TORs referred to are qualified as open ('inter alia') means that WS.IV ought to be able to look at an issue not addressed in the deliberations thus far, but essential for setting up the new fund, namely *complaints and dispute resolution procedures*. The need for and usefulness of such procedures is generally acknowledged – although there are a lot of lessons to be learned from existing models – and there can be no doubt that if the GCF is to follow best-practice governance, then it will have to include such procedures. It is therefore strongly advised that WS.IV take on the task of elaborating such procedures for the GCF.

⁵ Decision 1/CMP.4; <http://unfccc.int/resource/docs/2008/cmp4/eng/11a02.pdf>

⁶ For more on this, see Farrukh Iqbal Khan and Benito Müller, *What Functions? What Form? Operationalising the Standing Committee*, ecbi Policy Brief, forthcoming.