



UNITED NATIONS ENVIRONMENT PROGRAMME

Programme des Nations Unies pour l'environnement Programa de las Naciones Unidas para el Medio Ambiente
Программа Организации Объединенных Наций по окружающей среде برنامج الأمم المتحدة للبيئة
联合国环境规划署



Paris, 14 February 2014

To Franck Jesus
The GEF Secretariat
1818 H Street NW
Washington DC 20433 USA

Dear Franck,

Proposed areas for GEF support to the CTCN

Thank you and Chiz for the constructive discussion we had on 14 January about GEF support to the CTCN which also involved the Chair of the CTCN Advisory Board, the UNFCCC secretariat, and other colleagues from UNEP and UNIDO. We welcome this continued dialogue and look forward to finding a way in which the GEF can provide funding to the CTCN in a way that both satisfies the GEF and the specific aims, objectives and operational modalities of the CTCN as determined by the UNFCCC parties.

As agreed, please find attached our proposed areas for GEF support to the CTCN which have been approved by the Chair of the CTCN Advisory Board and the CTCN Director. We can discuss further next week via teleconferencing, and also in person at the CTCN Advisory Board meeting on 19-21 March in Copenhagen.

Best regards,

Zitouni Ould-Dada
Head of Technology Unit

cc:

Griff Thompson, Chair, CTCN Advisory Board
Jukka Uosukainen, CTCN Director designate
Heinz Leuenberger, UNIDO
Rene Van Berkel, UNIDO
Dechen Tsering, UNFCCC Secretariat

Proposed areas for GEF support to the UNFCCC Climate Technology Centre and Network (CTCN)

1. About the CTCN

The Climate Technology Centre and Network (CTCN) is the operational arm of the UNFCCC Technology Mechanism, which was established by parties to promote accelerated, diversified and scaled-up transfer of environmentally sound technologies in developing countries for climate change mitigation and adaptation, consistent with the national socio-economic and sustainable development priorities of the requesting countries. The CTCN has three core functions:

1. Manage and respond to technical assistance requests from developing countries.
2. Foster collaboration and access to information and knowledge to accelerate technology transfer.
3. Strengthen networks, partnerships and capacity building for climate technology transfer and deployment.

These functions are supported by broader outreach and awareness raising activities and a knowledge management system that enables learning and enhances the quality of assistance. Developing countries can access the CTCN services through their National Designated Entities (NDEs) who serve as the link between the CTCN and local stakeholders, including the private sector and government institutions. The CTCN does not provide funding directly to countries, but paves the way for the development, transfer and deployment of climate technologies through expert assistance in response to country requests submitted by NDEs (i.e., through 'request responses'). The CTCN helps countries put in place the policies, institutions and skills needed for selecting, investing in and deploying climate technologies that are appropriate in the national socio-economic, climate and sustainable development context.

Unlike the GEF, the CTCN is by design not a means of providing funding for investment projects. The CTCN provides technical assistance to support countries in removing technology transfer barriers and establishing the enabling conditions that enable climate technology transfer, including through investments. The CTCN provides means to address in a fast and effective way smaller requests of countries that are not practical for GEF funding (for example that are too small to be considered by GEF) but fall into the GEF climate change focal areas.

2. Request for GEF to support the CTCN

As an operating entity of the financial mechanism of the UNFCCC, the GEF was requested by the COP (decision 2/CP.17, para 140) to support the operationalization and activities of the CTCN. As part of its consultations with CTCN, the GEF held discussions with the Chair of the CTCN Advisory Board (2 June 2013), and with UNEP (10 June 2013) in the margins of the SB39 in Bonn, Germany. The GEF also attended the second meeting of the CTCN Advisory Board (9-11 September 2013) and had further discussion with the Chair of the CTCN Advisory Board (19 September 2013). UNEP and UNIDO discussed the matter with GEF colleagues in the margins of the November 2013 GEF Council meeting. At a meeting in China the GEF Chief Executive Officer and UNEP Executive Director also discussed the issue of GEF support to the CTCN (20 July 2013).

Following these discussions, the GEF developed a proposal for supporting the CTCN, and described this in its report to COP19 entitled "GEF consultation with the Climate Technology

Center and Network” dated 11 October 2013. The report states “... *the GEF, with the means at its disposal and in line with GEF procedures, is ready to support the operationalization and activities of the CTCN in response to decision 2/CP.173. GEF ability to fund projects that combine technical assistance, policy support, capacity building and investment was identified as an opportunity for the CTCN since it could enable the CTCN (i) to respond to the most challenging requests from countries, and (ii) to develop responses that can go beyond pure technical assistance to have real impact on the ground. Developing countries and economies in transition that have such requests selected through the CTCN can submit project proposals to the GEF, through any of the existing GEF agencies, for the financing of concrete project activities ...*”

COP19 noted the GEF report of its consultations with the CTCN, and invited the GEF to continue to consult with the CTCN, through its Advisory Board and UNEP as the host of the CTCN, and to report on the concrete results of the consultations at SBI 40 in June 2014.

The GEF proposal was discussed on 14 January 2014 in a teleconference involving the GEF, the Chair of the CTCN Advisory Board, the UNFCCC secretariat, UNEP and UNIDO. UNEP explained that the option proposed by GEF, which involves a request-by-request appraisal and decision by GEF, caters insufficiently to the functional and operational requirements of the CTCN by UNFCCC parties, including the means of responding to developing country requests. That is, since the CTCN would need to respond to developing country requests in a flexible and timely manner, it is necessary to adopt a broader approach to funding, one that provides the CTCN with the mandate and resources to respond to multiple requests. It was agreed that UNEP and UNIDO would propose alternative options, which is the purpose of this document.

3. Complementarity between the GEF and the CTCN

A number of areas of synergy between the CTCN and the GEF are mentioned in the functions of the CTCN. These include the following areas where both CTCN and the GEF aim to deliver similar or complementary services:

- To ensure high degree of national ownership (i.e. a country driven approach).
- To strengthen data and information, capacity building, and promote best practices and lessons learnt.
- To promote multi-stakeholder alliances and partnerships, and North–South, South–South and triangular cooperation.
- To strengthen private sector engagement, promote public-private partnerships, and de-risk investment.
- To provide technical assistance and training to countries to:
 - transform policy and regulatory frameworks
 - demonstrate innovative approaches
 - strengthen institutional capacity and decision-making processes
- To support and promote interventions that are scalable and can be replicated by others

Given these CTCN-GEF synergies, both CTCN and GEF mechanisms would benefit by jointly addressing the needs of countries and helping them meet their climate change objectives.

The CTCN has a specific role to play in engaging governments, the private sector, multilateral banks, and bilateral funding organizations in the implementation of projects and investments involving technology transfer for low carbon and climate resilient development. Notably, the CTCN will respond rapidly to country requests to support creating conditions for climate technology transfer and diffusion, and to unlock public or private sector investment for clean technology deployment in the country.

4. Proposed areas for the GEF to support the CTCN

The CTCN proposes that the GEF provide funding of \$20 Million, averaging \$5 million annually, during the GEF6 cycle. Such funding would target, in a balanced manner, each of the three core functions of the CTCN described in section 1 above: combining technical assistance; collaboration and access to information; and partnerships and capacity building. Such balanced funding would provide flexibility with respect to aligning the strategic frameworks of both GEF and CTCN, and ultimately meeting the expectations of Parties and the GEF Council.

Moreover, activities to be supported by the CTCN under each of its core functions will provide benefits to new and/or ongoing GEF activities. Knowledge created through the CTCN will be made available to a wide range of stakeholders through the Knowledge Management System, increasing access to and exchange of climate technology data, resources and expertise that will aid the design and implementation of GEF projects. The creation and strengthening of the CTC Network will build capacity of national institutions, which will in turn benefit the design and implementation of GEF projects.

Proposed areas for the GEF to support the CTCN:

- Area 1: Support to Function 1 of the CTCN : Manage and respond to technical assistance requests from developing countries)

The CTCN will respond rapidly to country requests for assistance with the creation of conditions for climate technology transfer and diffusion, and to unlock public or private sector investment for clean technology deployment in the country. The CTCN will do so by providing technical assistance (and not funding) in response to requests received from countries (country ownership).

It is expected that a number of these requests would focus on advisory services to establish enabling frameworks for investments and private sector engagement in line with the vision and objectives of the GEF. With GEF funding, the CTCN could set-up a special allocation to support requests related to '*private sector engagement and investment*'. The technical assistance (quick or larger response for a value up to 250k\$) funded through this special allocation would respond to specific modalities and criteria to be jointly developed by the CTCN, its Advisory Board and the GEF Secretariat. Support to developing countries in these areas could include activities such as:

- a) Support for project assessment and financial risk analysis.
 - b) Support to improve policies and regulations (e.g. develop codes and standards) in close collaboration with private sector to remove market barriers and attract investments.
 - c) Support for designing de-risking mechanisms for climate technology projects (e.g. risk mitigation funds, tax incentives, subsidies).
- Area 2: Support to Function 2 of the CTCN : Foster collaboration and access to information and knowledge to accelerate technology transfer)

GEF funding here would support the development and management of the 'private sector' and 'finance and investments' hubs of the CTCN Knowledge Management System (KMS). This would include strengthening data and information for entrepreneurs and investors on (i) developing country markets for low carbon and climate resilient technologies and related

policy frameworks and (ii) on project financing opportunities for the business community. It would also involve offering on-line training and helpdesk services.

- Area 3: Support to Function 3 of the CTCN : Strengthen networks, partnerships and capacity building for climate technology transfer)

GEF funding would support actions to promote multi-stakeholder alliances and partnerships, and North–South, South–South and triangular cooperation. Activities under this area would include the following:

- a) Supporting the establishment of in-country business networks that include the indigenous private sector and government agencies to help identify potential investment opportunities.
- b) Supporting the organization of business conferences, seminars and other events to provide up to date market information, allow attendees to showcase technologies, identify potential partners.

The CTCN believes that the above proposed areas provide a workable way for GEF to support the CTCN, and we would welcome further dialogue with the GEF in order to reach a mutual solution which would be suitable for both the CTCN and the GEF. To make this happen, we propose to the GEF to set-aside funding under the GEF6 for a GEF-CTCN support programme as described in this proposal. The CTCN would then further develop this option into a more comprehensive proposal. Details on modalities and expected deliverables could be jointly developed by the CTCN, its Advisory Board and the GEF Secretariat. We would welcome suggestions from the GEF for the role they would like to play in coordinating and implementing this joint work.