

50th GEF Council Meeting
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Washington, D.C.

Agenda Item 07

**ESTABLISHMENT OF A NEW TRUST FUND FOR
THE CAPACITY-BUILDING INITIATIVE FOR TRANSPARENCY**

Recommended Council Decision

The Council, having reviewed document GEF/C.50/05, *Establishment of a new Trust Fund for the Capacity-building Initiative for Transparency*, approves the arrangements proposed for the establishment of a new trust fund, with the aim to support the Capacity-building Initiative for Transparency (CBIT) as part of the Paris Agreement and its decision.

The Council invites the World Bank to act as Trustee for the new CBIT Trust Fund.

TABLE OF CONTENTS

Introduction	1
Justification for the Establishment a New Trust Fund for CBIT	1
Objective of the CBIT Trust Fund	2
Governance and Sunset Clause	2
Financial Management	3

INTRODUCTION

1. The Paris Agreement was adopted at the Twenty-First Conference of the Parties (COP 21) to the United Nations Framework Convention on Climate Change (UNFCCC). Paragraph 84 of the COP decision adopting the Paris Agreement decided to establish “a Capacity-building Initiative for Transparency in order to build institutional and technical capacity, both pre- and post-2020” that “will support developing country Parties, upon request, in meeting enhanced transparency requirements as defined in Article 13 of the Agreement in a timely manner.”
2. In paragraph 86 of the COP decision, Parties urged and requested “the Global Environment Facility to make arrangements to support the establishment and operation of the Capacity-building Initiative for Transparency as a priority reporting-related need, including through voluntary contributions to support developing countries in the sixth replenishment of the Global Environment Facility and future replenishment cycles, to complement existing support under the Global Environment Facility.”
3. This document is intended to inform a Council decision to establish a new trust fund for the Capacity-building Initiative for Transparency (CBIT). As per the COP 21 request to the GEF, the urgent establishment of a new trust fund is recommended to enable the CBIT to progress towards implementation as soon as possible.

JUSTIFICATION FOR THE ESTABLISHMENT A NEW TRUST FUND FOR CBIT

4. The Paris Agreement establishes an enhanced transparency framework for action and support, with built-in flexibility which takes into account Parties’ different capacities and builds upon collective experience.¹ For many developing countries, capacity constraints create barriers to reporting, hence the need for additional and expedited capacity-building support related to transparency.
5. As an entity entrusted with the operation of the Financial Mechanism of the Convention, Parties decided at COP 21 that the GEF shall serve the Paris Agreement. As stated in Paragraph 2 above, the COP requested the GEF to make arrangements to support the establishment and operation of CBIT, including through voluntary contributions in the sixth replenishment of the GEF (GEF-6). The GEF is therefore optimally positioned to manage and coordinate the CBIT. Given the timing of the COP 21 request, the sixth replenishment decision of the GEF includes no specific provisions to support CBIT. The COP request therefore implies

¹ Article 13 of the Paris Agreement establishes the purposes for the frameworks for transparency of action and support. The purpose of the framework for transparency of action is to provide a clear understanding of climate change action in light of the objective of the Convention as set out in its Article 2, including clarity and tracking of progress towards achieving Parties’ individual nationally determined contributions, and Parties’ adaptation actions, including good practices, priorities, needs and gaps, to inform the global stocktake under Article 14 of the Paris Agreement. The purpose of the framework for transparency of support is to provide clarity on support provided and received by relevant individual Parties, and, to the extent possible, to provide a full overview of aggregate financial support provided, to inform the global stocktake.

that a new trust fund be established through additional voluntary contributions in order to support CBIT through the end of the GEF-6 cycle. The new trust fund has a sunset clause, as described further in this document. In GEF-7, the CBIT efforts will be an integral part of GEF's climate change support.

OBJECTIVE OF THE CBIT TRUST FUND

6. Pursuant to the mandate decided by COP 21, the CBIT Trust Fund will be established to support developing countries consistent with Article 9 of the Instrument, upon request, in meeting enhanced transparency requirements as defined in Article 13 of the Paris Agreement in a timely manner. CBIT, as per paragraph 85 of the COP decision, will aim:

- (a) To strengthen national institutions for transparency-related activities in line with national priorities;
- (b) To provide relevant tools, training and assistance for meeting the provisions stipulated in Article 13 of the Agreement; and
- (c) To assist in the improvement of transparency over time.

7. The above CBIT aims are consistent with the GEF Instrument. Proposed programming directions of the CBIT and other key issues for its operationalization are presented in the GEF Council document *Programming Directions for the Capacity-building Initiative for Transparency* (GEF/C.50/06).

GOVERNANCE AND SUNSET CLAUSE

8. The CBIT Trust Fund is proposed to be governed by the GEF Council acting as the CBIT Council (the "CBIT Council"), which will utilize the operational policies, procedures and the governance structure of the GEF Council until the termination of the CBIT Trust Fund.

9. The types of activities to be funded under the CBIT Trust Fund will be in line with the mandate for the CBIT as provided in the COP decision adopting the Paris Agreement and elaborated in the Programming Directions document (GEF/C.50/06). The activities may be implemented by any of the GEF Partner Agencies, after signing the financial procedures agreement (FPA) with the Trustee for CBIT with its terms and conditions substantially the same as those of the FPA for the GEF Trust Fund including any subsequent amendments to date.

10. As sunset provisions, the CBIT Trust Fund will not receive new contributions from donors after the end of the GEF-6 period. The funds in the Trust Fund will be used to approve projects, activities or programmatic frameworks until the end of GEF-6 period, unless otherwise decided by the Council. If any funds remain unprogrammed at the end of GEF-6 period, the Council may decide to extend the programming period beyond GEF-6 period. If the Council decides not to extend such period, the Trustee and the respective donors need to agree on the modality of disposition of unprogrammed funds, including rolling up of such funds into the GEF Trust Fund.

11. In order to allow continuation of implementation of the approved projects, activities or programs, and taking into consideration the standard timeframe required to fully disburse funds towards them, the Trustee will continue to make commitments and cash transfers to the GEF Partner Agencies for the projects, activities or programs until five years after respective approval date (initially June 30, 2023). Extension of this date may be requested by the GEF Secretariat through submission of a 50 days prior request in writing to the Trustee, taking into account the status of projects under preparation and implementation.

12. The CBIT Trust Fund will terminate 18 months after the above described final Trustee commitment and cash transfer date (initially December 31, 2024) during which period, the Trustee will work with the relevant GEF Partner Agencies to receive relevant final financial reporting on the CBIT funds, as well as any unused funds from closed projects to be returned to the CBIT Trust Fund. The Trustee will also take any other necessary steps towards closure of the CBIT Trust Fund in accordance with its policies and procedures during this period. The GEF Secretariat and the Independent Evaluation Office will receive Project Implementation Report, Midterm Review, Terminal Evaluation, and other relevant reports of the concerned projects from the GEF Partner Agencies, and review and analyze them as required. The Trustee then will take all necessary steps to close the Trust Fund.

13. The CBIT efforts will be an integral part of GEF's climate change support for GEF-7, financed by the GEF Trust Fund under regular replenishment, as elaborated further in the Programming Directions document (GEF/C.50/06).

14. The GEF will keep separate the programs of activities financed by the GEF Trust Fund from those financed by the CBIT Trust Fund. Upon request and if justified, financing by the CBIT Trust Fund may co-finance with resources from the GEF Trust Fund, the Least Developed Countries Fund, and the Special Climate Change Fund. Costs associated with operating, as well as those associated with activities to be financed from, the CBIT will be charged to the CBIT Trust Fund. Separate accounts and reporting will be maintained. Once the CBIT Trust Fund becomes operational, a report on the Trust Fund will be submitted to the Council at each of its regular meetings.

15. All GEF policies, such as monitoring and evaluation policies, reporting requirements, gender policy, and environmental and social safeguards, will apply to projects supported by the CBIT Trust Fund. The Scientific and Technical Advisory Panel (STAP) will be invited to provide scientific and technical advice on CBIT proposals in an equivalent manner to other GEF projects and programs.

FINANCIAL MANAGEMENT

16. The World Bank will be invited to serve as the Trustee of the CBIT Trust Fund, in accordance with the World Bank's policies and procedures. The CBIT Trust Fund will be

established as a trust fund similar to the Nagoya Protocol Implementation Fund², which will combine the contributions of multiple donors. Contributions from donors will be made in accordance with the contribution agreement entered into between the donor and the Trustee per Bank's policies and procedures. The contribution agreement would include standard provisions applicable to all contributors to the Trust Fund.

17. Once the GEF Council approves the CBIT establishment, the CBIT Trust Fund proposal will be sent for World Bank's Senior Management Review and approval in accordance with World Bank's applicable procedures for establishing a trust fund.

18. The Administrative Fee will be charged based on full cost recovery as is the case with other GEF funds until such time the CBIT Trust Fund is terminated. Administrative budget is expected to be approved by the CBIT Council on an annual basis.

² For information on Nagoya Protocol Implementation Fund establishment and its modalities, see GEF/C.40/11/Rev.1 and Decision by Mail, GEF Council from January 2011.