Guidance for capitalization of the Climate Vulnerable Forum Trust Fund

INTRODUCTION

Further to the Manila-Paris Declaration, this document establishes a clear policy guiding contributions from Climate Vulnerable Forum members, as well as non-members, towards the Forum’s preference financing mechanism, and includes relevant background information and capitalization targets and parameters.

BACKGROUND

The Climate Vulnerable Forum Trust Fund, administered by the United Nations Development Programme (UNDP), was established at the request of then Chair Bangladesh in September 2012 on behalf of and following broad consultation with Forum members during 2012. The fund aims to provide a sustainable and efficient mechanism, drawing from a variety of sources, for financing the Forum’s activities and to support the achievement of Forum objectives. The fund’s stated goal is to empower the most vulnerable countries as collective agents for realizing enhanced international and national climate change policies. Through this goal it aims to deliver positive transformative change for countries most vulnerable to the adverse effects of climate change. The fund is governed by a Steering Committee constituted of CVF members (the troika), donors and implementing agencies and chaired by the Forum Chair plus the Administrative Agent, the UNDP Multi-Partner Trust Fund Office. Because the Forum has no independent legal personality the Steering Committee of the Trust Fund serves as the leading programmatic governance body for the Forum’s activities. UNDP currently hosts the technical secretariat of the Forum Fund, inclusive of serving as the Forum’s ad hoc Secretariat.

In addition to support for CVF policy, communications, cooperation and research activities, in July 2014, the CVF Trust Fund’s Steering Committee adopted a new strategy that expanded the fund’s focus to promote conditions and partnerships favorable to the realization of climate action for vulnerable groups including through fostering an increased focus on addressing climate change among key international agencies.

Multi-partner trust funds administered by UNDP, including the CVF fund, can be implemented by a wide range of participating international organization four of which have signed MOUs with the CVF Trust Fund, as follows: International Organization for Migration (IOM), UNDP, United Nations Office for Disaster Risk Reduction (UNISDR), and the World Meteorological Organization (WMO) (to-date UNDP is the only agency to have implemented activities).

By April 2015, the initial capitalization of 100,000 USD from Bangladesh (April 2013) has leveraged 263,426 USD in additional resources to the CVF Trust Fund from non-member donors (Norway and Switzerland). Furthermore, implementing agency projects supported by the CVF Trust Fund have leveraged an additional 189,435.46 USD in parallel funds from non-member donors (Germany) to implement activities figuring in Forum Trust Fund work plans. The initial contribution from Bangladesh has therefore leveraged close to five times its scale in non-member donor resources, and 2.5 times its scale in direct contributions to the CVF Trust Fund. The fund’s Administrative Agent levies 1% on all fund contributions to cover operating expenses of the fund.
The resources committed to the CVF fund during April 2013-April 2015 have enabled a wide range of Forum member and partner activities on all continents and at global level, including cooperation meetings, public policy events and communications activities, and have been indispensable to enabling the Forum to operate and achieve progress during this entire period and beyond it.

Latest United Nations Development Group guidance for all multi-donor trust funds with not more than one project per implementing agency—the case for the CVF fund—stipulate that annual capitalization must exceed the 2 million USD threshold with minimum single transfer amounts of 100,000 USD to agencies from 2015 onwards. These thresholds apply to the creation of funds or their prolongation past the original timeframe foreseen for implementation. In July 2014, the Steering Committee decided to extend by one year the Forum Trust Fund past its original end timeframe of 31 December 2015. By mid-2015, the Forum’s fund was yet to meet this scale of capitalization.

ANNUAL CAPITALIZATION TARGETS

The following amounts will henceforth serve as minimum capitalization targets for the CVF Trust Fund:

- Members collective CVF Trust Fund contributions target per year: 575,000 USD
- Non-member donors collective CVF Trust Fund target per year: 1,450,000 USD
- Total annual CVF Trust Fund target per year (above 2 million USD): 2,025,000 USD

Parallel contributions towards Forum Trust Fund activities directly in favour of fund implementing partners are also encouraged as a means of further amplifying the impact of the Forum’s work and the fund’s implementation potential.

ANNUAL MEMBER CONTRIBUTIONS

For the period commencing on 1 January 2017, every Forum member is requested to make annual contributions towards the CVF Trust Fund at levels differentiated according to the individual economic means and population scale of member countries and the annual capitalization targets set for members (as above).

The Fund secretariat is requested to issue formal notification to each member with request for minimum contributions in January of each year, commencing 2016, soliciting contributions for January of the following calendar year. For this purpose, the secretariat is additionally requested to calculate a graded allocation of the burden of minimum contributions based on latest data on GNI PPP (from The World Bank) and population (from the United Nations Department of Economic and Social Affairs Statistics Division), and to advise each member of their expected minimum contribution level. Where circumstances permit, members are strongly encouraged to contribute sums greater than the minimum contribution level advised.

Forum members that are in arrears for more than one calendar month with respect to contributions will have Trust Fund derived travel assistance and other programmatic assistance temporarily suspended. Under certain circumstances, such as following major natural disasters, arrears penalties may be waived.

NON-MEMBER CONTRIBUTIONS

Further to the Manila-Paris Declaration, members of the Forum and of the Trust Fund Steering Committee are requested to continue to advocate for financial contributions by non-members to support the work and objectives of this Forum, non-members being strongly encouraged to consider supporting the Forum’s Trust Fund. Further to the annual capitalization targets (as above), the viability of the fund itself does rely on partnership with non-member donors in order to meet the minimum capitalization thresholds set by the United Nations Development Group.
MODIFICATIONS/REVISIONS

The above capitalization targets and the contribution policy are subject to periodic review in accordance with changing operational realities of the CVF Trust Fund and any future modifications to United Nations Development Group guidance for multi-donor trust funds. Revisions may be confirmed through future decisions of the Forum.