

Danish support to

UNEP Copenhagen Climate Centre 2023 - 2025

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1. Introduction

The present Concept Note outlines the background, justification, and objectives for a proposed three-year Danish contribution to UNEP to support the newly established UNEP Copenhagen Climate Centre (UNEP-CCC) located in the UN City Copenhagen. The contribution amounts to DKK 83.0 million and is expected to begin with the signing of an agreement between the Ministry of Foreign Affairs and UNEP (planned for December 2022). It would provide support to the Centre's work programme for the period January 2023 to December 2025, complementing the already approved DKK 10.0 million bridging grant (cost extension) to UNEP-CCC that was approved in February 2022. The first disbursement is expected to take place in December 2022.

UNEP-CCC was established in early 2022 as a part of the UN family under UNEP's umbrella to ensure preservation and continuation of the experience and capacity established through a 30-year working relationship between UNEP, DTU, and the MFA, known as the UNEP DTU Partnership (UDP). UDP was created in 1990 as a UNEP research and advisory institution with the support of the Danish Ministry of Foreign Affairs. The new brand and hosting arrangement of the Centre has allowed to rethink some parts of its vision and niche in the international climate architecture, though its core objective continues to be delivering inputs UNEP's climate change and energy programme as part of the organization's Medium-Term Strategies (MTS).

The Centre's focus is on providing both knowledge and capacity building that enable faster, more efficient climate actions in developing countries and emerging economies. This dual function allows UNEP-CCC to contribute to UNEP's mandate by providing compelling science-policy advice, technical assistance and capacity building that helps developing countries move onto low greenhouse gas (GHG) emissions and climate-resilient pathways. This is done by providing guidance and assessment that strengthens national and global climate policy and planning and improving transparency on climate reporting and accountability. The Centre also facilitates support to national, subnational, and private-sector climate actions and methodological approaches that can be scaled up across countries and regions.

UNEP is finalizing the organizational set-up of UNEP-CCC, which currently operates under an interim arrangement as a 'UNEP project' with administrative support provided by the UN Office for Project Services through a UN-to-UN Agreement. After the interim period UNEP and UNOPS envisage formalizing the arrangement with a more permanent governance structure. The transition is expected to be completed by the end of 2022 or early 2023. Denmark's contribution to the UNEP Copenhagen Climate Centre is expected to continue at the level of approximately 25 percent of the Centre's portfolio.

The Danish support to UNEP for the UNEP-CCC contributes to achieving the ambition of both the Danish Strategy for Development Cooperation "The World We Share" and the Danish Global Climate Action Strategy. UNEP-CCC is also well-placed in the international climate architecture and so is able to provide knowledge and guidance that support international climate negotiations under the UNFCCC and deliver concrete technical assistance and support that helps raise the national climate ambitions of developing countries.

2. Context, strategic considerations, rationale, and justification

2.1. Context of climate change and developing countries

The IPCC *Sixth Assessment Report* showed that the world faces unavoidable and multiple climate hazards over the next two decades even if global warming is limited to 1.5 °C. Even temporarily exceeding this

warming level will result in additional severe impacts as a consequence of more frequent weather extremes such as heatwaves, droughts and floods; some impacts are likely to be irreversible.

Human-induced climate change is already causing dangerous and widespread disruption in nature and affecting the lives of billions of people around the world. Climatic disruption will expose millions more to acute food and water insecurity, especially in developing countries, and threatens to undermine hard-won progress in achieving the Sustainable Development Goals. Global climate change will also lead to natural resource and biodiversity degradation, and result in mass mortalities in species types such as trees and corals.

Building climate resilience is already a challenge under the current warming levels and the consequences if warming exceeds 1.5 °C above pre-industrial levels will be significant, making it critical to ensure that warming stays within the Paris Agreement aspirational goal. According to the IPCC report on mitigating emissions, however, this requires immediate and deep emissions reductions across all sectors; global greenhouse gas emissions need to peak before 2025 at the latest and be cut 43 percent by 2030.

On the positive side, the costs of solar and wind energy, and batteries have dropped by up to 85 percent the past decade, making low carbon energy sources increasingly attractive. New policies have enhanced energy efficiency, reduced rates of deforestation, and accelerated the deployment of renewable energy technologies. Increasing political commitment is also targeting new ways of mobilizing commercial finance and accelerating the transfer of technologies to developing countries.

The Danish contribution to UNEP for the UNEP-CCC allows the Centre to contribute to keeping alive the Paris Agreement 1.5 °C target and finding new ways to build climate resilience through technical assistance, assessments, and science-based advisory services provided to sub-national, national, international stakeholders and institutions.

2.2. Rationale and justification for supporting UNEP-CCC

The decisions and actions of the global community today will shape how people adapt and how nature responds to increasing temperatures and climate risks. The technologies and knowledge exist to reduce GHG emissions. Technology transfer to developing countries will accelerate a green transition and protecting nature will reduce emissions and exposure to climate change risks. The UNEP-CCC has the flexibility to contribute, respond, and act to the recent recommendations in the IPCC reports and progress in the international climate negotiations. The Centre can contribute in ways that range from providing assessments and guidance to sub-national actors to improving the level of ambition in the Nationally Determined Contributions (NDC) plans for both emerging economies and the least developed countries to supporting assessments that help drive the global climate agenda.

The support to UNEP-CCC is well aligned with the Danish strategy for development cooperation “The World We Share”. The strategy aims to strengthen Danish action to support climate change adaptation in the poorest and most vulnerable countries but also assume international leadership regarding greenhouse gas reductions, green transition, and access to clean energy in both Africa and emerging economies.

The support will also contribute to fulfill the ambitions outlined in the Danish Global Climate Action Strategy aimed at increasing international climate ambitions and actions necessary to reach the Paris Agreement’s 1.5 °C objective. The UNEP-CCC contributes to the Danish ambition of influencing UN members states and non-

state actors to commit to ambitious objectives that aim to limit global warming and establish accountable data and reporting on their climate actions. The Danish Global Climate Action Strategy also underpins Denmark's contribution to preventing and reducing the risk of losses and damage which is also a priority for UNEP-CCC. Furthermore, UNEP-CCC can also contribute to Danish climate diplomacy by providing technical inputs or hosting events, e.g. UNEP-CCC will in June 2022 host the Energy Efficiency Financing Charette in the UN City Copenhagen.

Through work conducted during the past 30 years, the UNEP-CCC is already well positioned and recognized in the international climate architecture. It has a broad network and existing partnerships with multilateral organizations and sub-national and national stakeholders, including the private sector. The new organizational arrangement as the UNEP-CCC will consolidate the work from the UNEP DTU Partnership and presents new opportunities for a stronger international brand and expanded influence.

The Ministry of Foreign Affairs will also continue to support the Centre to consolidate partnerships and collaboration with multilateral organizations such as the Nordic Development Fund, Multilateral Development Banks, climate funds such as GEF, GCF and NDF, as well as Sustainable Development for All (SEforALL) and the Three Percent Club on energy efficiency, where UNEP contributes in particular to work on cooling efficiency. The Centre will maintain and strengthen collaboration with the private sector such as with Danfoss and Velux as well as the Danish Energy Agency and IFU. Furthermore, the Centre has already established coordination and collaboration with bilateral engagement in countries like Kenya and Uganda but this could also be expanded to some climate front posts like India.

Being part of the UN family, also means a focus on leaving no-one-behind and applying a gender focus in the Centre's work. Denmark will encourage the Centre to increase its focus towards fragile countries and humanitarian settings, while the poverty orientation of the Centre could be strengthened to provide additional focus on the poorest and most vulnerable groups and communities. However, indicators can strengthen a stronger gender focus.

The Centre may in the future work towards an umbrella funding mechanism for all its donors, but during the interim period the Centre will work on financing its activities on a project-base. The proposed Danish grant is earmarked support to three Strategy Areas: policy, implementation, and transparency, which are elaborated below.

2.3. Lessons learned from the UNEP DTU Partnership (UDP)

The Ministry of Foreign Affairs concluded a technical and financial review of UDP at the end of 2020. The objective of the review was to assess UDP's results and progress, and expected future directions. The review mission found that UDP, as a UNEP collaborating centre, was highly relevant to SDG7, SDG13, and to the Paris Agreement and the UNFCCC Technology Mechanism. This included concrete work related to National Determined Contributions (NDCs), Technology Needs Assessments (TNAs), data transparency, energy efficiency, and private sector engagement. The review also concluded that the Outcome Monitoring System was effective as a tool for management and effective monitoring of results and outcomes. Furthermore, the review found that the outreach and active engagement with developing country partners contributes to sustainability of the outcomes and impact of UDP's work.

The review also identified areas for improvement. One area was to strengthen the uptake and application of the produced knowledge products and tools to deliver concrete results. Another recommendation was to consider whether the Centre's resources were spread too thinly to deliver impact and ensure sustainability of the work. It was also recommended that the Centre should identify its niches and added value within the continuum of functions from normative-to-research-to-practical implementation. The Centre was recommended to explore how analytical work and capacity building could be leveraged into spin-offs in terms of concrete investments and scalable actions, for example by entering in innovative partnerships with commercial investors and MDBs.

Examples of UNEP-CCC support

- UNEP-CCC is supporting UNEP's work on accessible and climate-friendly cooling. UNEP-CCC is a partner, under the District Energy in Cities Initiative and in the future Urban Cooling Program, and is collaborating with partners such as Danfoss, Aalborg University, the Danish Energy Agency. UNEP also hosts the Cool Coalition secretariat which also has a Cold-Chain Support Programme.
- UNEP-CCC's TEMARIN project in Uganda and Kenya contributes to accelerate transfer, diffusion and uptake of specific climate technologies. The project focus is on strengthening domestic markets for climate technologies and removing bottlenecks for domestic firms operating in these markets. Coordination with the embassies has been established.

The institutional set-up was also underlined as weak, with the recommendation that a solid and efficient hosting arrangement be established. The agreement to conclude the partnership with DTU and move to a UNOPS hosting arrangement provided this opportunity.

3. UNEP-CCC objective and strategy areas

UNEP's objective for the UNEP-CCC is that it provide scientific analysis, knowledge, and capacity building for enhanced climate action, supporting developing countries to pursue low-emission, climate-resilient pathways for sustainable development. To achieve this objective, the Centre has three strategy areas, while and fourth *flexible* area has been included for the Danish support.

Policy: *Strengthening climate* policy and planning is critical to deliver Paris Agreement goals on mitigation and adaptation. This requires identifying priority areas and strengthening the enabling environment for implementation by both public and private sector actors, supporting the overall transition towards low-emission, climate-resilient development pathways. Climate policy also sets the agenda for transparency frameworks needed enhance trust in and accountability for climate actions, with the explicit target of increasing ambition in mitigation, adaptation, and the management of residual climate risks in the context of the UN SDG agenda.

Policy is strengthened through identifying and analyzing mitigation and adaptation policies, plans and actions; mainstreaming climate into national planning and policy efforts, strengthening institutional structures and capacities; guiding countries in achieving just and equitable transitions; and leading global assessments of mitigation and adaptation actions. Concretely, four action areas have been identified: (i) Advancing climate technology transitions, (ii) providing local-level evidence that informs global action on loss and damage, (iii) supporting UNFCCC climate negotiations through UNEP's emissions and adaptation gap reports, and iv) supporting developing countries in formulating and aligning long-term net zero strategies.

Implementation: *Facilitating and scaling-up climate action* is at the heart of the Centre's mission in establishing enabling environments that combine the role of the state as a regulator with space for the

private sector's creativity. This requires developing business concepts and tools that support actors in scaling up interventions lowering GHG emissions and reduce climate risks. This is done through the identification of early-stage project opportunities; supporting the development of climate action projects; developing and piloting methodologies, tools, and institutional frameworks to facilitate and support climate action; providing tools and strategies for greening investment portfolios; and building partnerships with implementing agencies and private sector partners. Four action areas have been identified: (i) technical assistance to establish a global platform on urban climate neutrality, (ii) implementation of urban nature-based solutions for mitigation and adaptation, (iii) energy transition assessments, roadmaps and learnings for emerging economies, and (iv) transitioning cities in developing countries towards low carbon transport development. In all these areas UNEP-CCC supports delivery of UNEP's Programme of Work, and its approach of working with partners to bring about transformation of key sectors such as cooling and transport.

Transparency: *Supporting tracking and reporting for climate accountability.* Climate policy and implementation depend on transparency to determine implementation and effectiveness of policies, the articulation of realistic targets and goals, and assessment of implemented actions against mitigation and adaptation targets. All are necessary to build trust in the multilateral regime through accountability. UNEP-CCC supports establishing and operationalizing transparency and monitoring frameworks; improving the quality and reliability of climate-related data; and developing metrics, datasets, and tools for improved tracking and assessment of climate results. Two action areas have been identified: (i) Support developing countries in formulating and aligning long-term net zero strategies based on the Enhanced Transparency Framework. (ii) Establish a Paris Agreement Article 6 pipeline and voluntary carbon market pipeline analysis and database.

Emerging challenges and climate partnerships: In addition to the three Strategy Areas, the Danish support to UNEP for the UNEP-CCC also allows for adaptive management to changes in the international environment (for example, Covid-19 and energy disruptions caused by the Ukraine war) and responding to emerging topics that emerge in the international climate negotiations. Possibilities to disseminate information and building partnerships will also be critical to follow the Danish priority of *Doing Development Differently*.

UNEP-CCC will also communicate, disseminate and partner in ways that support UNEP's goal of delivering for the planet and people. UNEP-CCC will aid UNEP's efforts as a repository for relevant science-based data that enables climate policy development and action. UNEP-CCC stakeholders and target groups in developing countries will have improved access to open-source, science-based data, tools and best practices to meet their needs for information, knowledge and engagement.

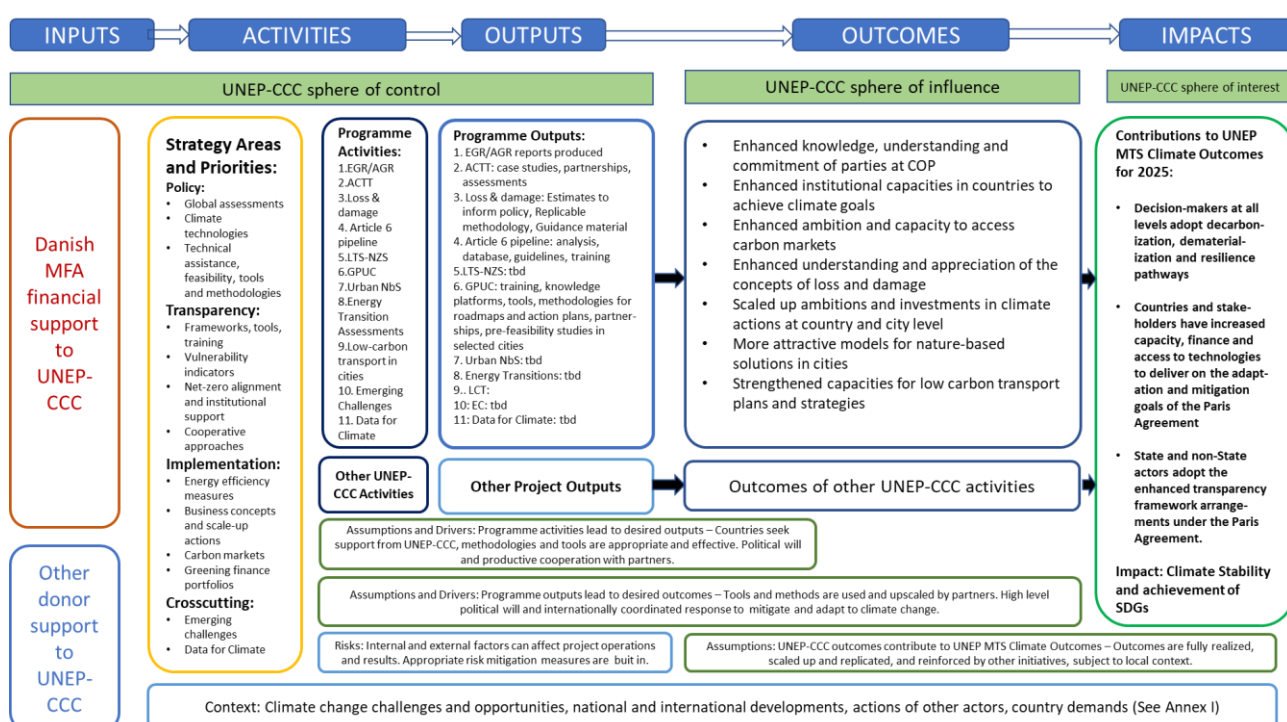
As the Steering Committee for UNEP-CCC is not yet established, budget allocations for the Emerging Challenges area must be approved by the MFA.

4. Theory of Change and key assumptions

The Theory of Change of UNEP-CCC addresses several selected problems within the field of climate change, both mitigation and adaptation, in the context of developing countries. A set of nine Programme Activities are proposed, each with its own expected outcome, outputs, intervention logic, partners, assumptions, and risks. Together, these nine Programme Activities and their respective outcomes fall within the three interrelated Strategy Areas of the UNEP-CCC: Climate Policy, Transparency and Implementation. Activities will not be implemented in siloes but aim to collaborate across the defined programmes and strategy areas.

While the intervention logic and details of the UNEP-CCC activities differ, corresponding to the specific problems, geographical setting and context, there are elements common to all the activities. In general, the interventions are targeted at partner countries and cities, which have been selected from within the group of eligible DAC-countries, ensuring positive partner stakeholder response and demand for the collaboration with UNEP-CCC.

The ultimate aim of the Danida support to the UNEP-CCC provided through UNEP is to contribute to UNEP’s Medium-Term Strategy, specifically (i) Outcome 1A - Decision makers at all levels adopt decarbonization, dematerialization and resilience pathways; (ii) Outcome 1B - Countries and stakeholders have increased capacity, finance and access to technologies to deliver on the adaptation and mitigation goals of the Paris Agreement; and (iii) Outcome 1C - State and non-State actors adopt the enhanced transparency framework arrangements under the Paris Agreement.



5. Summary of Results Framework for UNEP-CCC

The final results framework is under preparation, but the selected results indicators is taken for the first draft of the UNEP-CCC results framework.

Programme	Support to UNEP Copenhagen Climate Centre’s work 2023-25
Programme Objective	Contribution to UNEP MTS and PoW Outcomes 1A, 1B and 1C, and achievement of the combined Danish and UNEP priorities of achieving the SDG 7 - access to affordable, reliable, sustainable, and modern energy for all - and SDG 13 - urgent action to combat climate change and its impacts
Impact Indicator	A possible measure is UNEP-CCC’s contribution to the indicators of UNEP’s Programme of Work: (i) Number of national, subnational and private-sector actors that adopt climate change mitigation and/or adaptation and disaster risk reduction strategies and policies with UNEP-CCC support (ii) Amounts provided and mobilized in \$ per year in relation to the continued existing collective mobilization goal of the \$100 billion commitment through to 2025 with UNEP-CCC support

	(iii) Number of national, subnational and private-sector actors reporting under the enhanced transparency arrangements of the Paris Agreement with UNEP-CCC support
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Project Title		Global Assessments on the Status of Mitigation and Adaptation Policies and Actions	
Outcome 1		Adaptation and emissions gap reports contributes to inform the international climate community and influence UNFCCC climate change negotiations.	
Outcome indicator		<ol style="list-style-type: none"> 1. Number Gap Reports published prior to yearly COP Meetings 2. Number of climate negotiators from developing countries using the Gap reports (survey) 3. Number of downloads of reports 4. Number of citations in relevant media 5. Number of recommendations reflected in outcomes from COPs. (surveys) 	
Baseline	Year	2022	Gap reports recognized as important contributions to climate change negotiations. All indicators estimated annually
Target	Year	2025	Gap reports continue to be recognized as important contributions to climate change negotiations by at least 60 percent of climate change negotiators and has contributed to at least 3 outcomes of the COPs. All indicators estimated annually
Project Title		Advancing Climate Technology Transitions (ACTT)	
Outcome 2		Enhanced investments in, and uptake of, climate technologies in developing countries	
Outcome indicator		<ul style="list-style-type: none"> • Demonstrated (stated) interest of key donors, governments and private actors in partnering for climate technology transfer and investments. • Recognition by leading climate change stakeholders of the importance and relevance of the technology report [assessed through surveys] • Evidence for submission of more ambitious NDCs to the UNFCCC 	
Baseline	Year	2022	<ul style="list-style-type: none"> • In depth market assessments for high impact climate technologies missing. No status of climate technology transfer and implementation in partner countries.
Target	Year 1	2025	<ul style="list-style-type: none"> • Market assessments, including investment frameworks, ready for public and private actors in developing countries and increased climate technology transfer to developing countries.
Project Title		Loss and Damage	
Outcome 3		Enhanced methodological understanding of the economics of "damages", and increased ability by developing countries to manage "losses," leading to a significant increase in ability to manage "loss and damage"	
Outcome indicator		Number of developing countries utilising the methodology for measuring economic climatic damages for submission to a relevant donor (e.g., GCF, Adaptation Fund, GEF and bilateral donors)	
Baseline	Year	2022	No commonly applied methodology and understanding of 'losses and damages', and therefore no countries utilising it.
Target	Year	2025	3 developing countries have utilised the methodological approach and applied it for submission to a donor.
Project Title		Article 6	
Outcome 4		Increased awareness and capacity for implementation of Article 6, and increased NDC ambition	
Outcome indicator		<p>Indicator 1: Number of monthly downloads/visits for use of the Article 6 pipeline tracked by country and type of user</p> <p>Indicator 2: Number of users (climate stakeholders) that have used the pipeline, and found it useful which has influenced their actions (survey)</p> <p>Indicator 3: Number of countries recorded in the Article 6 pipeline that implement A6 activities and update their NDC with enhanced ambition reflected in national mitigation targets</p>	
Baseline	Year	2022	no comprehensive Article 6 database, pipeline, and methodology
Target	Year	2025	<p>Indicator 1: 500</p> <p>Indicator 2: 100</p> <p>Indicator 3: 75</p>
Target	Year 3	2025	20
Project Title		GPUC	
Outcome 6		Enhanced understanding and activities of sustainable energy transition for carbon neutrality in cities: Cities have accelerated implementation actions for their carbon neutrality or carbon peaking targets.	
Outcome indicator		Indicator 1: Number of cities (esp. middle size cities) in developing countries and emerging economies develop and/or implement energy efficiency action plans and/or relative incentive policies, including those linked to cooling.	

		Indicator 2: Number of energy-efficient pilot projects for sustainable energy transitions reaching implementation stage, e.g., public procurement or contracting.	
Baseline	Year	2022	0
Target	Year	2025	3 pilot cities for indicator 1 and 3 pilot projects for indicator 2

6. Budget

The total Danish funding to UNEP-CCC amounts DKK 83.0 million and is planned to run from 2023-2025. Another DKK10.0 million has already been granted for bridging the transition for UNEP DTU to UNEP-CCC for the fiscal year 2022.

The Danish support provided through UENP makes up approximately a quarter of the annual budget of the UNEP-CCC's activities. However, majority of the funded activities from other donors, including UNEP, are earmarked to more narrow project activities. The budget below summarizes the overall budget for the Danish contribution and the estimated total budget for UNEP-CCC for 2023-2025. As final financial host arrangement has not been completed, adjustment for the budget take place before final submission to the Danish Council for Development Policy.

UNEP-CCC 2022-2025					Existing funding 2022-2025
	2023	2024	2025	Total	
1. Strategy Area: Policy					
Project 1. Emissions and Adaptation Gap Reports	1,063,838	1,063,838	1,063,838	3,191,513	45,800,000
Project 2. ACTT	3,039,536	3,039,536	3,039,536	9,118,608	
Project 3. Loss and damage	2,064,351	2,064,351	2,064,351	6,193,054	
Project 4. NDC Net-Zero	2,026,357	2,026,357	2,026,357	6,079,072	
Sub-total Policy				24,582,246	
2. Strategy Area: Transparency					
Project 5. Article 6	2,722,918	2,722,918	2,722,918	8,168,753	87,400,000
Sub-total Transparency				8,168,753	
3. Strategy Area: Implementation					
Project 6. Global Platform for Urban Climate Neutrality (GPUC)	3,748,761	3,748,761	3,748,761	11,246,283	72,700,000
Project 7. Urban NbS	2,406,299	2,406,299	2,406,299	7,218,898	
Project 8. Energy transitions	1,389,787	1,389,787	1,389,787	4,169,360	
Project 9. Low carbon transport in cities	1,389,787	1,389,787	1,389,787	4,169,360	
Sub-total Implementation				26,803,900	
4. Crosscutting Activities					
Project 10. Responding to emerging challenges	2,766,667	2,766,667	2,766,667	8,300,000	12,859,304
Project 11. Data and partnerships for climate action	1,519,768	1,519,768	1,519,768	4,559,304	
Sub-total Crosscutting				12,859,304	
Total Areas 1 – 4				72,414,202	
Administrative overhead UNEP 7%	1,809,969	1,809,969	1,809,969	5,429,907	205,900,000
Administrative overhead UNOPS 3%	753,108	753,108	753,108	2,259,323	
Direct Project Support cost UNOPS 4%	965,523	965,523	965,523	2,896,568	
Sub-total administrative cost	3,528,599	3,528,599	3,528,599	10,585,798	
Total Grant	27,666,667	27,666,667	27,666,667	83,000,000	

7. Institutional and Management arrangement

The new organizational set-up and hosting arrangement of the UNEP Copenhagen Climate Centre requires updating of the operational procedures and processes, including for budgeting, accounting, governance and operational management to make these compatible with UN agencies. The new Centre is in the process of becoming an integrated part of the United Nations system, connected to both UNEP and UNOPS. The new organizational set-up entails alignment with UN rules and regulations.

The Centre is undergoing a transition period for up to a year under an interim administrative agreement before a permanent set-up as a centre supporting UNEP and hosted by UNOPS can be finalized. The nature and content of the transition period addresses the immediate issues necessary to pave the way for the longer-term operation, ambitions, goals and sustainability of the Centre. The new hosting arrangement is expected to be completed by end of 2022 or early 2023.

Detailed governance and administrative modalities will be elaborated among the parties during the interim period. A Steering Committee will be set-up and will serve a function similar to that of UDP's Management and Policy Committee. The purpose of Steering Committee will be to advise on policy and programme matters of the UNEP-CCC. It is expected that the Steering Committee will provide strategic advice on the directions for UNEP-CCC activities, including review of annual reports, financial reports, and work plans. Within the general mandate of UNEP, the Steering Committee should guide UNEP-CCC to maintain a strong position as a scientific knowledge centre within climate change and sustainable development, renewable energy and energy efficiency.

The staffing of the Centre currently matches the competence and capacity needs for the interim period. However, to further ensure a sustainable set-up of UNEP-CCC, careful consideration will be given to hiring new staff and a more flexible employment policy is being considered. The Centre will thus increasingly hire short-medium term consultants based on identification of technical requirements in ongoing and new projects where in-house technical skills are not already available. This will create a flexible workforce, matching the availability of project funding as well as always ensuring a match between skills and project requirements.

To assess the progress during the transition period, which entails adjustments on operational management as well as the governance structure, it is planned that Denmark will undertake an Interim Review (a technical review) to assess the organizational set up and management procedures and provide recommendation on changes to the results framework and budget. The review should be conducted early after completion of the interim period, and not later than Q2 of 2023. This Review will also take stock and approve potential proposals for the Emerging Challenges area.

8. Financial management, planning and reporting

The agreement between Danish Ministry of Foreign Affairs and UNEP covering the bridging period expires at the end of 2022. A new agreement covering this proposed grant is planned to be signed no later than December 2022 to enable timely disbursement of funds to cover activities in 2023 and onwards. The MFA will, as hitherto, transfer funds to UNEP, and UNEP will make funds available to UNEP-CCC through the UN-to-UN arrangement. All activities shall comply to meet OECD regulations for development assistance.

The overall planning and budgeting of the grant is fully aligned and integrated as a subset of the overall 2022 budget of the UNEP Copenhagen Climate Centre. UNOPS will act as the administrator of the grant under UNEP guidance. The financial management and administration of the grant will follow the UN systems regulations. The financial project and programme management in UNEP, including financial planning and management, follows the principles set out in the UNEP Programme and Project Management Manual. All costs in the Centre are linked directly to project funding and payments.

To ensure continuous operational support, the Centre will operate under Direct Support Cost (DSC) approach, covering the basic operational costs as well as the administrative support for project implementation. The DSC is expected to be revised every 6 or 12 months. As part of establishing the new UNEP-CCC, a functional review of the Centre's administrative and financial set-up will be carried out by UNEP in mid-2022 with the aim of ensuring an appropriate DSC level, through an efficient and lean administrative set up, while meeting the various requirements of donors.

UNOPS reports to UNEP and to UNEP-CCC on a quarterly basis. UNEP will provide to the MFA financial statements on an annual basis reporting on the use of funds against the agreed annual budget. UNEP-CCC will provide quarterly financial and progress reporting to MFA through UNEP in alignment with the requirements set out in the DANIDA Guidelines for Programmes and Projects. Further, the same financial reporting will be provided to the Steering Committee (to be set up). Furthermore, an indicative disbursement schedule should be presented aligned with the approved work plan and the annual financial and narrative report.

The Danish MFA has a zero tolerance for anti-corruption and inaction approach to tackling sexual exploitation, abuse and harassment (SEAH) as well for child labor and any associated link to support terrorism. Any violation will be ground for immediate termination of the Agreement. Denmark requires maximum openness and transparency is essential when fighting corruption, and information concerning the public sector is generally accessible to the general public in accordance with the Danish Public Administration Act and the Danish Act on Access to Public Administration Files. Therefore, any reports on corruption will be made publicly available by the MFA. In this connection, UNEP will report any corruption cases to the Ministry according to the Danish Anti-corruption Policy (<https://amg.um.dk/en/policies-and-strategies/anti-corruption-policy/>). The principles of anti-corruption and transparency are already embedded in the current administrative set-up rules followed by UDP and will be continued for the cost extension period, for example in recruiting consultants as specified in the UDP Project Management Manual¹. Moreover, in future under UNOPS, the UNEP-CCC will comply with all relevant UN policies and guidelines, with regard to child labor², misconduct including SEAH³ and anti-terrorism⁴, and the general Code of Ethics which includes a policy on protection of "whistle blowers"⁵.

9. Risk management

Most of the risks and their possible mitigation responses are quite specific to the nature of the component projects, the geographic location, and the intended partners. A generic description within the three risk categories (contextual, programmatic, and institutional) is presented below, building upon experience with past projects, recent contextual challenges and considering uncertainty of building up the UNEP-CCC under significant different organizational set-up.

¹ UDP Project Management Manual, version 16-06-2020.

² In line with ILO and SDG (target 8.7) to eliminate child labour:

<https://www.un.org/en/observances/world-day-against-child-labour/background>

³ UNEP Misconduct and Anti-Fraud policies, including sexual harassment:

<https://www.unep.org/about-un-environment-programme/policies-and-strategies/misconduct-and-anti-fraud-policies>

⁴ UN Global Counter-Terrorism Strategy <https://www.un.org/counterterrorism/un-global-counter-terrorism-strategy>

⁵ [https://www.un.org/en/ethics/assets/pdfs/Attachment_2_EN_Putting°20Ethics°20to°20Work.pdf](https://www.un.org/en/ethics/assets/pdfs/Attachment_2_EN_Putting%20Ethics%20to%20Work.pdf)

Contextual risks

Risk Factor	Likelihood	Impact	Risk Response	Residual risk	Background to assessment
Covid-19 curtailing country visits, training workshops, internal communication in partner countries.	Likely	Minor	Positive experiences and knowledge in using on-line and digital media in training and consultation.	Limited in most cases due to widespread on-line facilities and connectivity.	Based on experience during Covid-19, most project activities were able to proceed using digital media. However, internal processes in some partner countries were hampered through difficulty of physical meetings.
Geopolitical turmoil and energy crisis may change partner countries climate commitments.	Likely	Minor	Monitoring changes of political commitment to climate and energy is an integrated part of all activities.	Risk is reduced significantly by the choice of country and the scope of UNEP-CCC to collaborate with sub-national and national stakeholders.	In general, UNEP-CCC has many years of engaging with countries and diverging priorities of governments.

Programmatic risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Non-engagement of project partners, including private sector and financial institutions.	Minor	major	Careful selection of project partners, supported by involvement of decision makers and high-level contacts.	Risk is significantly reduced by prior consultation and engagement with actors, building on UNEP-CCC experience and contacts.	Based on experience in targeted countries, ensuring that the country needs and local project conditions are fully considered in the design and implementation of the project. H
Limited capacity of partners and ability to turn technical assistance into policy changes.	Likely	major	Selection of partners through competitive bidding. Resources dedicated to further capacity building.	Reduced risk through careful recruitment together with supplementary capacity enhancement.	Based on experience, involvement of local partners in projects includes resources for building capacity in the partner organizations. Countries and stakeholder careful reviewed to ensure willingness to adopt technical advisory into action and planning.

Institutional risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
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Loss of some key staff due to the transfer to UNOPS.	Likely	medium	Recruitment of new staff as well as short-term consultants attracted by the new terms and prospect of UN career.	Reduced impact, but potentially time-consuming process of recruitment.	Anecdotal evidence and judgement of staff.
Challenges of finalizing administrative host arrangements, governance structure and financial sustainability of the Centre.	Unlikely	major	Progress on governance and host arrangements are already advanced. Fundraising is given high priority.	Administration costs and overhead needs to be defined between UNEP and UNOPS to allow the Centre some flexible financial resources.	The Governance structure and host agreement is a high priority. To allow time to set-up the Centre adequately, a year is given for this work.

10. Sustainability and closure

The long-term funding structure of the Centre is envisaged to be more earmarked and programmatic in the future. The Centre will aim to attract more donors in a blend of direct project support and broader programme support, the latter more similar to the Danish contribution. This transition to a multi-donor support arrangement will also entail a transformation of the governance set-up from the former Management Policy Committee (MPC), with participation from UNEP, MFA, and the host organization to one in which the respective larger donors are represented. All in all, this will reduce dependence on solely for Danish contribution for more flexible financing and support the longer-term sustainability of the Centre.

The transition towards the envisaged multi-donor involvement will require, already from the interim period, a systematic and targeted fundraising engagement with the international donor community, focusing on potential programmatic work for the Centre, in-line with the UNEP Medium-Term Strategy.

Annex 8: Process Action Plan (PAP) for UNEP-CCC

Action/product	Deadlines	Responsible/involved Person and unit	Comment/status
Prepare two-page concept note of UNEP-CCC	January 2022	UNEP-CCC	DK expressing expectations
Prepare draft programme document	1. Feb – 14 April	GDK-Reduction	UNEP to deliver all strategic and operational material
Confirm agenda item for Programme Committee	24. March	GDK- Reduction	
Draft programme document for GDK management review	14 April		
Submit draft programme document to MFA Programme Committee including public consultation	19 April	GDK	
Meeting Programme Committee	12 May	GDK	
Prepare full programme documents including annexes for appraisal	16 May to 13 June		
Submit draft project document for comments and approval to UNEP	13 June	UNEP-CCC	UNEP will be informed along the preparation. UNEP to deliver final comments and approval no later than 9 September 2022
Submit for programme document for Appraisal	13 June to 26 August		Extended time included due to summer break
Confirm agenda item on Council for Development Policy	11 August		
Incorporate recommendations from appraisal into programme documentation	26 August		
Confirm agenda item on Council for Development Policy	1 September		
Submit programme documentation including annexes to Council for Development Policy	26 September		
Council for Development Policy meeting	13 October		
Approval of the programme by the Minister	30 October		
Prepare and submit “aktstykke”	10 November		
Meeting in the Finance Committee	30 November		
Signing of agreement	5 December		
First disbursement	5 December		