

Stakeholder Advisory Network on Climate Finance

SAN Strategy and Business Plan 2020

– Draft –

November 2020

1. Introduction

This document provides the roadmap for the implementation of the Stakeholder Advisory Network on Climate Finance – SAN – in the three-year period of 2021-2023, a time in which the SAN is expected to demonstrate its impact addressing important issues pertaining to the transparency and accountability of climate funds and to the participation of nonstate actors in climate finance. This Strategy is proposed by the outgoing SAN Steering Committee, for consideration by the SAN membership on the occasion of the 2020 SAN Assembly, and as a guiding note for the incoming Coordinating Committee and the future SAN Secretariat team.

The Strategy describes what a fully operational, relevant and successful SAN should look like, and lays out as the pathway to reach this position. It is built on the foundations of the previous 2018 Strategyⁱ, the Implementation Plan first proposed in 2019ⁱⁱ and other sources, as well as on the outcomes of various SAN Member Working Groups, particularly the group focused on Product & Services.

This Strategy is intended as a “living document”, which will adapt as circumstances evolve, not a binding canon limiting the scope of action of the Coordinating Committee. As such, comments, ideas – and, indeed, offers of help – are strongly encouraged¹.

As a Business Plan, this document is action-oriented, focusing on describing a problem, a concrete solution and practical steps toward its implementation. Importantly, it builds on but does not propose changes to the fundamental tenets of the SAN described in previous documents, such as its membership composition, governance and election structures or decision-making processes.

By 2023, the SAN will be a vibrant and autonomous network of nonstate actors, working in partnership with climate funds and their donors, among others, to enhance the participation of civil society, indigenous peoples and the private sector, augmenting their voice, supporting funds in making better informed decisions, creating benefit for all stakeholders and, ultimately, contributing to address the climate crisis. The SAN will add value by serving as a convener, delivering services and advocating for higher standards in stakeholder engagement. The SAN will operate as a peer-led observer network with a small and responsive secretariat, governed in an accountable and participatory manner. The SAN's activities will be sustained through donations, grants, service contracts, pro bono or voluntary contributions, and member engagement, creating value to parties invested in the success of climate finance.

2. The Problem: Toward a SAN Theory of Change

Responding to the climate crisis is the most pressing and urgent challenge of this generation, requiring the large-scale and coordinated flow of financial resources to address the causes and consequences of

¹ This document was authored by Andres Falconer, consultant to the SAN, with input from SAN Steering Committee Members and other SAN Members. Please send comments and feedback to afalconer@sanclimate.org.

climate change, including reducing greenhouse gas emissions, and supporting the resilience of ecosystems and human populations to its effects, on a planetary scale. An emerging climate finance architecture, led by multilateral climate funds, such as the *Green Climate Fund (GCF)*, the *Global Environment Facility (GEF)*² and the *Climate Investment Funds (CIF)*, among others, aspire to channel tens – eventually hundreds – of billions of dollars, as well as to leverage and influence the allocation of even larger sums of private funds into climate-friendly investments. **The effectiveness in the deployment of these funds brings to the fore issues of transparency, accountability and good governance.**

Climate funds have established non-state stakeholder – CSOs, indigenous peoples, private sector – participation mechanisms, typically through non-voting observer roles, in their governance structures. While laudable, these mechanisms often fall short of their intended impact, for reasons including the lack of resources and capacity of individual observers faced with a task frequently beyond their means, such as the need to represent vast constituencies, on a voluntary basis, linking global decision-making with local-level implementation. Furthermore, as observer terms are limited and individuals are routinely replaced, information flows, good practice sharing, and even the relationships and trust between parties inevitably suffers with observer turnover.

Constraints on the effectiveness of climate finance observers can be grouped into three broad categories of limitations, related to:

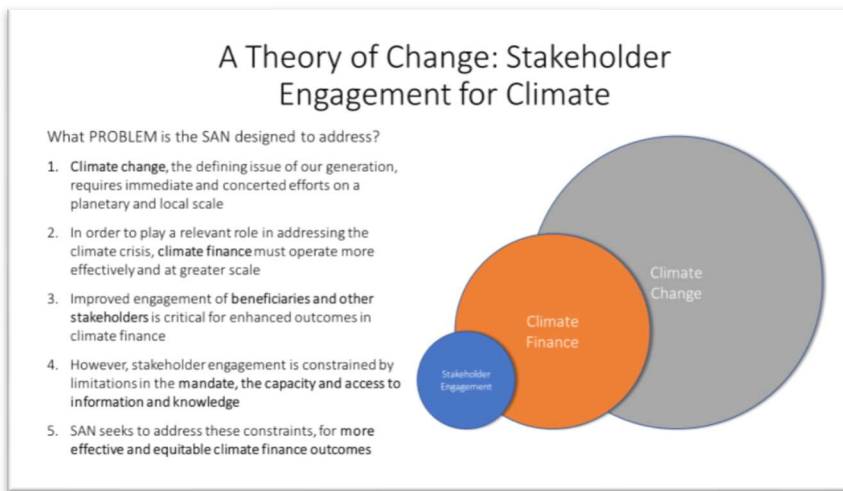
1. **their mandate**, that is, the rules and terms of their engagement with the climate funds;
2. **their capacity**, or the resources and tools available to observers, as well as their own experience and networks, in order to effectively fulfill their duties;
3. **their access to information and knowledge**, or the availability of constituency feedback mechanisms, data, documentation and other relevant information, on a timely basis, in a manner that is comprehensible and actionable by observers.

The SAN believes that by acting upon these three constraints, climate funds will deliver more effective and equitable results, both in terms of addressing and adapting to climate change, as well as in protecting groups vulnerable to its effects, as well as avoiding or mitigating any unintentional adverse consequences of climate investments.

While these constraints appear to be common to all climate fund stakeholder networks, little has been done to address them at a system-wide level. There has been limited success to date in promoting coordination and knowledge sharing between observers beyond the spheres of individual climate funds, and stakeholder engagement practices and results vary across funds. Less effort has been made at building private sector-civil society collaboration. **When the capacity of stakeholders to engage in climate finance is limited, accountability suffers, as does the legitimacy of the funds and their ability to address their ultimate challenge: serving the financial needs of the response to climate change.**

² The GEF is a fund with a broader environmental mandate, beyond climate change, and would be better described as an *environment fund*. For the purpose of this report, for brevity, the term climate fund will be used, in lieu of climate and environment fund, to include instruments such as the GEF.

Climate funds have a leading role to play in addressing the climate crisis but face significant challenges, not the least of which is securing the required financing to meaningfully address the climate crisis. Their purpose will only be achieved if they succeed in creating real value for affected communities and build a strong constituency of support across sectors, in all segments of society, both in donor and beneficiary countries. **As such, while observers play a crucial – and often adversarial – role in holding climate finance institutions to account, they are, ultimately, partners in their success, united by the common goal of overcoming climate change. The SAN was created to ensure that this partnership is meaningful and effective³.**



3. The SAN's Vision, Mission and Core Operating Values

The SAN was created to strengthen the governance and implementation of climate finance through enhanced stakeholder engagement. As noted, better governance will enhance the ability of climate funds to address the challenges of climate change through better decision-making and improved coordination. The SAN achieves this mission by advancing, upholding and supporting best practice and standards in stakeholder engagement across climate funds, and supporting and enhancing the voice, influence and impact of non-state constituencies in climate finance.

Vision: A World in which the voices of all stakeholders, including those most directly affected by climate change, shape and drive an effective and equitable global and local response to the climate crisis.

Mission: Strengthen the partnership among key actors at all levels of climate finance and investment, amplifying the voice of non-state actors and civil society groups, to better meet the needs of those most vulnerable to climate change and to advance the achievement of low-carbon, resilient developmentⁱⁱⁱ.

The SAN guides its activities based on the following value-driven operating principles. The SAN:

- operates as a **network**, connecting and strengthening relationships among stakeholders;

³ The goals of the SAN are closely aligned with those of the UNFCCC Paris Agreement, namely the commitment (Article 12) to promote public awareness, participation, access to information and cooperation at all levels, the mandate (Article 13) for transparency, and the acknowledgement of the rights of indigenous peoples, local communities, and people in vulnerable situations.

- seeks to foster **partnerships** and **constructive engagement** across all climate finance actors;
- primarily focuses on **service**, recognizing and empowering the advocacy role of its members;
- advocates, uniquely, for the issue of **stakeholder engagement** in climate finance;
- is **democratic, non-partisan** and **consensus-seeking**;
- is **transparent, accountable** and **participatory**;
- is **respectful, inclusive** and **gender-responsive**;
- incorporates **local and indigenous knowledge** in decision-making;
- acts on the basis of **research and evidence**;
- is attentive to potential **conflicts of interest**.

Thus, a **fully operational SAN**:

- **builds the ability of observers and their representative bodies** to perform their task of representation of stakeholders and beneficiaries of climate finance, with particular focus on underrepresented and marginalized groups;
- **ensures that stakeholder and beneficiary voice is heard and acted upon** in key climate finance decision levels, leading to better policies, plans and projects, from the perspective of all involved; and ultimately,
- **supports and enhances the performance and accountability of major players** involved in addressing the climate emergency, including climate funds and their donors, leveraging their ability to address climate change at scale, creating value for all.

The following sections describe how the SAN's ambitious mission is put into practice, what are the initiative's immediate implementation priorities, how it relates to other relevant actors in its field, its organizational and financial needs, and how its efforts will be sustained through a viable business model.

4. The Environment for the SAN

The SAN operates in a unique environment, acting as a convener and a bridge between multiple players and stakeholder groups in climate finance, which hold different and often diverging interests. While it is usual in private sector business planning exercises to assess the operating environment, or the “market”, in terms of competitors, clients and regulators, among others, as a social purpose organization, the environment of the SAN presents a more nuanced arena of parties which can play interchanging roles as allies, partners or opponents, with varying levels of interest and engagement with the SAN. This section identifies key actors which the SAN encounters in the pursuit of its mission.

Observers and their constituencies

Current and former climate fund observers – the individuals performing the role, as well as the organizations they represent – are the primary constituency and, in fact, the membership at the core of the SAN. As noted above, the SAN exists to enable observers to more effectively serve their roles.

Climate fund observers are not a homogeneous group. They represent different constituencies, typically civil society, indigenous peoples and the private sector, which are often themselves fragmented. The private sector is often eyed with suspicion by other groups. **The SAN embraces the participation of the private sector in climate finance as an essential actor to address the magnitude of the climate crisis, recognizing its complex and contentious role, without prejudice to or conflict with its commitment to other constituencies, including vulnerable communities and groups.**

The role of observers varies significantly across funds, as does the manner in which these observers organize themselves in networks or coalitions, to act in a coordinated manner and to represent broader constituencies.

Furthermore, it is important to distinguish the observers themselves from the constituencies they represent; while the former are intermediaries, the latter are the communities and sectors who are affected or may stand to benefit from climate finance.

It is not the purpose of the SAN to mediate between the interests and positions of these groups, nor to “represent” them with climate funds. A crucial role of the SAN is to ensure that it is the voice of these constituencies that is empowered, and that observers have the tools and the incentives to speak and act in the best interest of those whom they have been entrusted to represent.

While the perceived common challenges of the role of stakeholder observers inspired the creation of the SAN, it is noteworthy that the need for a cross-fund network is not widely recognized at this stage. It is of critical importance to the success of the SAN to cultivate the relationship with observers and their networks, earning their trust and demonstrating the relevance of the initiative to their needs and to those which they represent.

Climate and environment funds

The funds are the primary target of the attention of observers. Climate funds are powerful actors created to act as custodians of donor resources, invested through different instruments, to address climate change. While some funds are hosted and operate within larger organizations such as multilateral development banks, others such as the GCF are standalone implementation mechanisms operating under the UNFCCC framework.

Climate funds are relative newcomers in a rapidly evolving multilateral development arena. A lively and still unresolved debate on the future of climate finance has ensued since the adoption of the Paris Agreement. At the heart of this debate lies the question of whether existing funds should be subsumed under the Financial Mechanism of the Agreement, or whether the fight against climate change is better served by an ecosystem of more specialized funds, operating in a coordinated manner.

The relationship between observers and climate funds is sometimes described as a partnership, embracing the role of citizen groups in the governance of the funds. In practice, observers are not co-equal partners, but play an important advisory and oversight role, in a relationship that, at times, can be contentious.

The SAN must recognize the evolving nature of climate finance, the divergent views on the role of the funds – even among its own membership – and the politically sensitive nature of the observer role. With this in mind, the SAN must seek to create opportunities to strengthen the partnership between nonstate stakeholders and funds, and – particularly – to leverage its position to promote more coordination and dialogue across climate funds, to ensure their effectiveness.

Donor countries

Developed or donor countries play an outsized role in the governance of climate funds, given their large financial stake in these. They face strong internal pressure to address the climate crisis, for which they have a historically outsized role, and climate funds are but one instrument in their climate change portfolio. Donor countries face intense scrutiny – by the media, the political establishment, citizen groups and by official accountability institutions – on their own development and climate investments and thus have a strong interest in the transparency, accountability and the ultimate impact of climate funds. **This, as will be discussed in the following sections, creates a potentially strong alignment of interests between donors and the SAN.**

Recipient countries

Beneficiary countries are the level where policy meets implementation, where the benefits, but also potential negative externalities, of climate investment occur, and where the most directly affected constituencies – especially the vulnerable groups – live. Recipient countries vary in their level of exposure, their contribution and their response to climate change, with some particularly vulnerable to its present effects and long term consequences.

The relationship between recipient countries with local civil society organizations and the strength of accountability and oversight mechanisms also varies widely. This is also the realm of recipient countries where constraints to observer action can be most evident. **While attending board-level governance and policy meetings may be the most visible and perhaps glamorous role of observers, it is their work at the national level that likely requires most attention by the SAN.**

Implementing agencies and implementation partners

This broad category includes a range of players involved in the delivery of project, programs and activities funded by funds, from the country offices of multilateral agencies to subnational branches of government, private contractors grant recipients, among others. Understanding the complex web of implementation by independent agencies and partners can be a daunting task for observers. Yet these are the actors responsible for most of the decisions and actions of consequence to the beneficiaries and affected communities. **The SAN, through its knowledge and capacity activities, will seek empower observers to better understand the role of implementation partners, and will seek to submit these to the same standards of accountability as the high level decision-makers are held.**

Broader climate change stakeholders

Beyond the technical realm climate finance, there is a much larger community mobilized around the issue of climate change, including NGOs and their coalitions, market actors seeking finance and proposing climate-smart innovations, the scientific and academic community, media, among others. While their attention is often not focused on the level of climate finance implementation, in comparison to, for

example, high level deliberations and national commitments, there is significant overlap between the interests of these and climate observers, which often hail from these same groups. **Climate fund observers will be all the more capable of performing their oversight duties as they succeed in building coalitions of support across the broader spectrum of actors engaged in the battle against climate change.**

The following sections will refer further to these stakeholders, exploring opportunities, risks and constraints to the work of the SAN.

5. The SAN's Mode of Operation: Lines of Action, Products and Services

The SAN can be described both as an *observer network* and a *multi-stakeholder partnership*, operating as a convener, a producer and a disseminator of knowledge, promoting peer learning, access to information and advancement of good practices in stakeholder engagement. As a mission-driven initiative, the *modus operandi* of the initiative is built on three key pillars which address the main issues described in the SAN's theory of change: 1) ***standard-setting***, 2) ***capacity building***, and 3) ***knowledge and information*** dissemination and sharing. The nature of the SAN as a peer network and a partnership rather than a traditional secretariat-heavy NGO determines its modus operandi across these three pillars, or lines of action.

Standard-setting: The SAN seeks to identify existing good practices in citizen engagement, stakeholder participation, access to information and other transparency and accountability mechanisms within and beyond the field, and propose a set of recommended principles as a ***standard for stakeholder engagement in the field of climate finance***, with the aim of strengthening the mandate of climate finance observers. A "SAN Standard" is not proposed as a one-size-fits-all model for all funds, rather a common set of principles and good practices. The SAN will seek the voluntary commitment of the major climate funds to this standard and will monitor and support their efforts to comply. The commitments should include action plans to address perceived deficiencies in current transparency and accountability practices. The SAN will rely on its network of observer members for input both on the definition of the standard as well as to support verification and progress toward achieving these commitments.

Capacity building: A second line of action consists of identifying and addressing specific capacity gaps limiting the actual practice of non-state observers operating at the levels of global fund governance, regional or national policy or, most critically, project implementation. The SAN will develop products and services such as training programs and learning tools to address those needs and will advise or support members and partners in the development of projects or special initiatives.

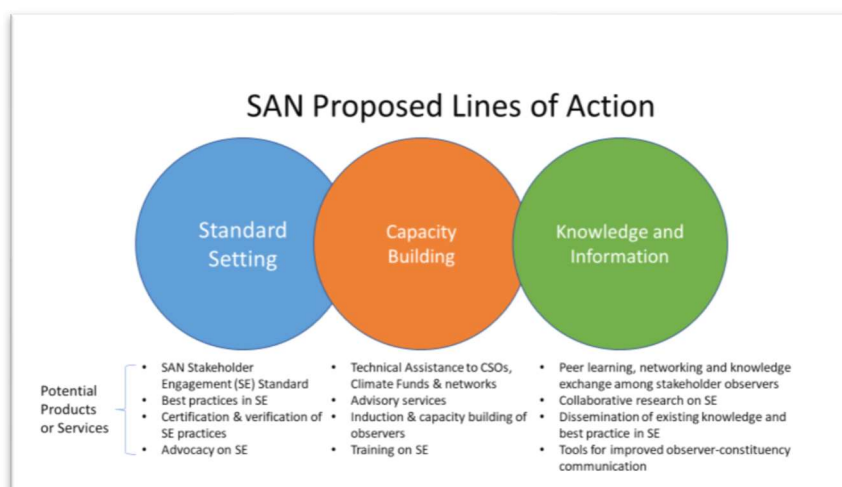
Knowledge and Information: The SAN will strive to ensure that information gaps do not hinder the ability of observer to carry out their roles. The SAN will map and information gaps and will develop tools and approaches to address these issues, such as peer exchange networks, knowledge products and

information repositories. As a knowledge network, the SAN will tap extensively into the expertise of its members. The SAN will act as an access point and platform for information on climate finance for broader constituency engagement and for public use. While much information is in the public realm, access to it may be constrained by many factors, including its dispersion across institutional websites and platforms, online accessibility, language limitations and ease of search. The SAN can act as a curator, organizing and facilitating access to information, as a repository and as a portal to third party sources. SAN will adopt technology-enabled tools to enhance the ability of citizen groups and observers to share information and engage in dialogue with their constituencies.

These three lines of action of the SAN aim to bridge the divide between communities and stakeholder groups impacted by climate finance initiatives and the climate funds themselves, enhancing the ability of observers to serve as effective intermediaries, or empowering communities to participate directly.

The SAN adopts an entrepreneurial and adaptive approach built primarily on the voluntary strength of its network rather than on a large executive secretariat. As will be described ahead, while many activities will be typically funded through donor contributions, other lines of work, such as training and technical assistance, may generate revenue through service fees.

Examples of potential products and services derived from the three lines of action. The rollout of these will be described ahead, in the Implementation section of this document.



Standard-Setting	Capacity Building	Knowledge and Information
<ul style="list-style-type: none"> SAN Stakeholder Engagement (SE) Standard Verification and Certification of Adherence to SE Standard State of SE & Best Practice Reports Advocacy and promotion of SE practices 	<ul style="list-style-type: none"> Peer learning and exchange observer meetings Diagnostic tools for effective SE Technical assistance & advisory services for climate funds Advisory services for observers and constituencies Capacity building & training of observers 	<ul style="list-style-type: none"> Technology-supported tools for observer information exchange and observer-constituency outreach Enhancing access to information via searchable document repositories Research and analytical work on key SE issues

6. Communications: Priorities and Modalities

Communication is a core, mission-centric, function of the SAN. As a member-led, peer exchange-based network, communication *is* what the SAN does, rather than an accessory or support activity merely aimed at promoting or publicizing the SAN. This notion drives the SAN's approach to communications, outlined below.

Goals and activities such as promoting dialogue, facilitating peer exchanges, disseminating ideas and best practices, building trust among climate finance stakeholders, among others are, essentially, communication functions. In addition to these mission-critical roles, the also SAN seeks to raise awareness of its cause – effective stakeholder engagement – and of its work, among key climate actors and other audiences.

The first communication challenge of the SAN requires acknowledging and addressing the current low baseline state of the SAN: at present, the SAN is an initiative that has not yet entered into operation, lacks the basic communication tools and resources (including a website or meaningful online presence), and has not established a reputation or track record of achievements, nor a significant level of engagement of its key audiences, including members. Furthermore, circumstances have led to a low level of understanding of the goals of the SAN among critical stakeholders. **Reversing misconceptions, engaging its primary constituencies and establishing clear communication channels with its members are important early priorities.**

The SAN's communication function will play an integral part in achieving the initiative's overall objectives. The proposed overarching communication goals of the SAN consist of:

1. **supporting the establishment of a strong, well-informed and productive relationship with the SAN's main stakeholders and constituencies**, including observers and their networks, climate funds and their donors, as well as other players in the climate finance environment;
2. **promoting and facilitating active and constructive peer-to-peer dialogue**, exchange and learning among SAN members;
3. **amplifying the voice of the SAN's members** and represented constituencies, with particular emphasis on marginalized or underrepresented groups;
4. **showcasing good practices, examples and solutions** to concrete issues faced by climate finance stakeholders;
5. **raising the profile of the SAN and its mission**, among the SAN's main audiences, including major players in the field of climate finance, environment and international development;
6. **developing and managing appropriate stakeholder-led communication channels and tools to support the mission of the SAN** and its activities, including stakeholder engagement and resource mobilization.

Given the stage of implementation of the SAN, the activities described here are primarily focused on the short term: completing the SAN's launch, and supporting the communication needs of the initiative in its first year of operation:

1. **Determining and developing, in consultation with the membership, the key topics for ongoing peer exchange, as well as the SAN's key messages to its main audiences**
2. **Facilitating regular peer exchanges** through simple tools such as online conferences and webinars and member networking via apps or other readily available tools
3. **Developing and launching a SAN website and other online resources.** A basic website, to be hosted on the sanclimate.org domain, which has recently been acquired, should initially focus on most immediate needs and activities, such as the Member Assembly and Coordinating Committee Election, and will incrementally enhanced as an institutional website, with additional content and interactive features.
4. **Building a simple, compelling and consistent narrative around the constraints to stakeholder engagement in climate finance, the SAN's theory of change, and the SAN's proposed approaches.**
5. **Enhancing the social media presence of the SAN,** beyond the currently inactive Twitter account, identifying suitable channels, developing messages and targeting key audiences.
6. **Developing other tools and resources, as required, to support the full implementation of the SAN.** This may involve organizing webinars, in person events, polls, consultations or other activities, as required, to advance the early goals of the SAN, and of its potential beneficiaries, partners and clients.

Communication priorities should be revisited and refined by the end of 2021, toward longer term objectives. Given the expected minimal nature of the SAN Secretariat in its early stages, the boundaries between staffing of communications “functions” and other core roles and programming will likely remain blurred. Over time, due to the above-described centrality of communications to the SAN, the Secretariat should invest in dedicated communications staff roles.

7. Business Model and Financial Sustainability of the SAN

This section explores pathways and opportunities for the financial sustainability of the SAN through a business model that is consistent with its nature as a not-for-profit organization, its unique purpose and operating mode as well as its relations. It examines the requirements and inherent risks of each potential source of finance and proposes actions to address constraints to current and past efforts at mobilizing resources for the SAN.

The purpose of developing a business model is to explore the best sustainability fit, i.e. the ideal mix of funding types and sources in accordance to the nature of the organization and its purposes, as well as to map its unique competitive advantages, potentials, and selling points for the identified ideal types of donors or clients best suited for the SAN.

The first important consideration, often overlooked by social organizations, is that its mission and purpose should never be presumed to be self-evident, especially in the eyes of donors seeking to allocate scarce resources across competing and equally virtuous initiatives. **Simply put, in order to demonstrate its relevance and value to donors and other potential financial supporters, the SAN must clearly link its**

***raison d'être* and its action to the concrete challenges and current shortfalls in addressing what is arguably humanity's most pressing challenge: tackling catastrophic climate change and its effects.**

The SAN must make a compelling case that enhanced stakeholder engagement will lead to better outcomes in climate finance – not only for the affected stakeholders themselves, but for society as a whole. Hence, the importance of continuously revisiting and refining the first sections of this strategy – the theory of change, mission and operating mode – along with creating a compelling narrative on the SAN's value proposition⁴.

A second key consideration is the need to address the “*what's in it for me?*” question of potential supporters, beyond the intrinsic merits of a cause. This includes, understanding the priorities, the value, modus operandi and other aspects of each potential donor or business partner.

Finally, another often-overlooked consideration for nonprofit organizations, involves contemplating opportunities for sources and modalities of funding beyond grants and donations, examining revenue generation through services, fees and other forms of more commercially-oriented income that support without compromising the social mission.

As a partnership between key actors in climate finance, the natural source for funding of the SAN would be these very partners. It stands to reason that the main investors of an initiative should be those with the strongest interest and involvement, and it is a reasonable expectation of other potential supporters that these primary constituencies should have “skin in the game”. Thus, **the primary funding source options potentially available for the SAN include: 1) bilateral donors, 2) climate funds** and, to a more limited extent **3) private philanthropic foundations**. Other sources, including private sector sponsorship and individual donations (including membership contributions) were not considered at this stage, though they may become a viable option later.

Each source of funding carries implications and challenges: for instance, funding from **climate funds** requires clarity regarding potential conflicts of interest and loss of autonomy, but may prove a sustainable, long-term funding source. **Foundation** funding, on the other hand, is often limited to early-stage, proof of concept interventions, new initiatives, or project funding. Akin to venture capital in the private sector, it can leverage an initiative at critical stages, but is rarely a viable long-term funding source. **Bilateral donors may ultimately be the ideal donor type for the SAN**, as they are the primary funding source of the climate funds themselves, have a strong interest in climate finance accountability, and present a lower potential

⁴ An example of how the SAN's value proposition can be described in an “elevator pitch”: “In a time when runaway climate change threatens humanity's very existence, and a global response that has not yet risen to the magnitude of the challenge, we need to ensure that the billions of dollars being invested in addressing climate change are used effectively to pave the way for climate-smart investment at scale. In order to succeed, climate funds must prove themselves reliable and effective custodians and executors of the resources entrusted to them. To do so, they must embrace the voice and feedback of the stakeholder and beneficiary groups involved in and affected by their decisions. The SAN advocates for higher standards of participation and accountability across climate finance and provides tools for effective stakeholder engagement, so that funds can make better decisions for all concerned.”

for conflict of interest. Bilateral donors, however, are not always well suited to fund relatively small civil society organizations and tend to have burdensome eligibility and reporting requirements.

Potential drawbacks of one type of source can be offset by others, reducing dependence. A **financially sustainable SAN will pursue a balanced mix of funding sources, to ensure long term viability, as well as to mitigate the inherent risks drawbacks of overdependency from a single funding source.**

Relevant types of funding potentially available to the SAN are:

- **Core or unrestricted funding**, in the form of donations or grants, (for example, for the purpose of establishing the SAN)
- **restricted grants**, for specifically identified purposes (typically, project funding, such as creating a website, developing a training program, organizing a conference etc.)
- **service contracts**, awarded to deliver specific activities demanded by a *client* rather than a donor (e.g. creating an observer onboarding program, organizing stakeholder consultations etc.)
- **sponsorship**, a specific type of service contract focused on promotion or publicity, such as for a high-profile public event (e.g. the SAN Open Forum), publication or website space
- **fees or annuities** from parties with a membership or partnership stake in the initiative – e.g. members and climate funds themselves, if they were to be embraced as full partners

Consistent with the founding SAN documents, **this strategy envisions a SAN not merely as a fully independent association of observers, but rather as an observer-led partnership that involves climate funds and other stakeholders (including donors) in some capacity, based on their stated shared goals. Crucially, this determines that climate funds themselves, as well as their donors, may in fact be acceptable sources of financial support**, through service contracts, project grants or core funding (potentially in the form of an annuity) or – ideally – a combination of the three. This acknowledges that funds, their donors and beneficiaries share a set of common goals, albeit with significant nuances and interests that do not always coincide. Donors and climate funds both have inherent incentives to support an initiative such as the SAN: **in the case of the climate funds, support for the SAN demonstrates a value-for-money commitment to effective stakeholder engagement, transparency and accountability, as required by their own primary donors: the national governments and their development agencies.** Bilateral donors, which are subjected to scrutiny by the public and by official oversight bodies, are pressured to justify or demonstrate the value of their large commitments in climate finance, **the SAN can be an effective partner in holding climate funds to account, enhancing their implementation strategies and reducing risk in their investment portfolio.**

A number of large philanthropic foundations have sizeable climate change grantmaking programs, and may become interested in the SAN. Preliminary contacts have revealed, however, that most foundations are increasingly reluctant to invest in global initiatives (as opposed to local interventions), seldom consider unsolicited proposals, and are reluctant to engage with large multilateral organizations and funds. Foundation funding, nonetheless, can be instrumental in ensuring a greater degree of independence from core supporters, to support initial start-up costs, as well as to target specific types of action, beneficiary groups or geographies. Finally, **philanthropic funding can enhance credibility with sectors of civil society who may eye multilateral organizations with distrust.**

The approach proposed for mobilizing resources for the SAN is based on building relationships and maintaining dialogue with climate fund secretariats and with bilateral donors, pitching the SAN value proposition as a whole, as well as developing and pitching specific concepts, ideas and projects, tailored to their interests and needs.

Potential pathways for funding include:

- Advocating for **core support to the SAN in climate funds' own fundraising/replenishment drives**, using the SAN value proposition as a selling point to donors, as a demonstration of the funds' commitment to transparency and accountability.
- Conversely, encouraging donors to require **financial support to the SAN as a condition for additional contributions to climate funds**. As with the above, SAN support could be "earmarked" in the donor's contribution to the climate fund.
- Approaching climate funds and donors to finance, via grants or sponsorship agreements, **specific projects or activities, such as knowledge products**, or conferences, in exchange for recognition and/or involvement in these activities.
- Responding to requests or proactively offering **services to climate funds**, in areas where these would usually rely on in-house expertise or external consultants, such as observer selection, onboarding, training, research etc.
- Seeking **foundation grants, stand-alone or to match contributions from climate funds and bilateral donors**, or to target specific constituencies or territories, as a means of piloting projects, leveraging impact and reducing overdependency from climate funds.

This approach is contingent on embracing the notion of the SAN as a partnership, engaged in active collaboration with climate funds and their donors. While this proposition may elicit resistance within segments of civil society who interpret this close relationship to conflict with their mandate as observers, it is important to distinguish the observers' own role as independent advocates and watchdogs from that of the SAN, as noted in its mission and operating principles.

There have been significant constraints to the SAN's resource mobilization attempts in the past, which have perpetuated the initiative's dependency on CIF funding and have hindered the ability of the SAN to become operational. Addressing these constraints, which extend beyond the realm of resource mobilization, is the most pressing priority for the SAN's sustainability efforts in the short term. These are described and addressed in the following section, which focuses on the short to mid-term implementation actions to make the SAN fully operational.

8. Implementation Priorities – 2021-2023

Making the SAN fully operational, to achieve its intended impact, is the ultimate goal of this strategy and business plan. While the initiative has been first proposed in 2015, the SAN has not entered operation over a five-year period. This delay, which risks tarnishing the credibility of the initiative, can be attributed

to constraints such as outlined below. It is encouraging that significant progress is underway on all fronts, which are prerequisites for an operational SAN and thus the initial implementation priorities.

- **Executive Capacity:** The SAN has relied on limited executive capacity, in the form of part-time short-term consultants seconded by the CIF. Progress has been slow and essential tasks – such as member outreach, pilot projects etc. – have been neglected. The lack of executive leadership also presents a “chicken-and-egg”-type of problem, in which the SAN would lack the basic capacity to deliver activities if it were successful in raising funds, which in turn inhibits fundraising. **Recruiting a full time Executive Coordinator, or a full-time “startup manager” is a critical step for the success of the SAN.**
- **Strategy:** the SAN Strategic Plan of 2018, focused on the period of 2018-19, outlines ambitious goals, values and governance criteria for the initiative, but falls short of articulating a solid theory of change and a business model resulting in a clear set of objectives, concrete actions or products and services illustrating what a successful SAN would do to create value and to reach its ambitious goals. **This document seeks to build on the 2018 Strategy and resolve these issues.**
- **CIF Hosting:** The SAN has relied on the CIF as its institutional host and initial sponsor. This relationship has provided support and core funding, though it has been, at times, a contentious one. SAN members have reiterated their desire for autonomy from the CIF, while also expressing that the CIF should continue to provide funding to the initiative, at least until it can finance itself by other means. Association with the CIF has also led to continued misrepresentations of the nature of the SAN with key audiences. **The CIF has played a critical role in the creation of the SAN, and should continue to be a valued partner, but the terms of this relationship must evolve to reflect the autonomous nature of the SAN.**
- **Organizational Form:** The SAN exists informally, as an initiative temporarily hosted by the CIF. It is presently pursuing incorporation as a 501(c)(3) nonprofit in the US, while maintaining a fiscal and administrative hosting agreement with a reputable US-based nonprofit.^{iv} Before these are completed, the organization is effectively unable to solicit or receive donor funds outside the CIF, or to implement autonomous decisions. **These arrangements are underway and are expected to be completed by the end of 2020.**
- **Membership:** the SAN has had, to date, limited success in engaging observer networks beyond the CIF’s own, and has been repeatedly described as the “CIF’s CSO network”, rather than a cross-fund initiative. This is a critical shortcoming that has continued to present obstacles to the credibility and relevance of the SAN. **The election of a representative coordinating committee, as well as ongoing outreach efforts across all climate and environment fund constituencies is an important step to address this issue.**

To achieve a fully operational SAN, within the timeframe of this 2021-2023 strategy, the following priorities and activities are proposed, aimed at removing past constraints, as well as propelling the initiative into action, through impact-oriented programs, projects and services.

- 1) **Investing in Executive Capacity:** In order to become operational, the SAN must recruit a full-time executive coordinator, even if in interim capacity, due to funding limitations. As noted, the absence of dedicated staffing has been the main constraint to the full implementation of the SAN, cascading into other issues due to lack of required capacity to resolve these.

- 2) **Creating a mandate for action:** A cornerstones for an effective SAN is the creation of conditions to confer authority, under clear directions, to its future leadership team. This involves activities such as completing the governance transition with an incoming Coordinating Committee, holding a successful member assembly, and debating and approving this strategy and other key deliberations that will strengthen the consensus around the role of the SAN and its needs. Once recruited, the SAN must ensure that the executive coordinator is trusted with the discretion and tools to perform the duties of the role. Notably, the 2018 SAN Strategy proposes that the SAN coordinator “does not have executive authority”, placing the executive function with the (voluntary) coordinating committee. This does not conform with good management practice in any sector or field. While the coordinator should be fully accountable to the SAN’s oversight bodies and, ultimately, to the membership, the role requires the exercise of leadership and autonomy.
- 3) **Resolving pending organizational issues:** Formalizing and initiating the relationship between the SAN and its proposed host, Resolve, completing the incorporation of the SAN as a tax-exempt nonprofit organization in the US, without severing ties to the CIF
- 4) **Reframing the relationship with the CIF and other climate funds:** Establishing a mutually beneficial relationship with the climate fund that has incubated and supported the SAN, as the standard for the future relationship the SAN seeks with other climate funds. In the short term, the SAN will seek financial support, within clear terms, with the aim of making the SAN operational and sustainable. In the mid-term, the SAN will explore opportunities for service provision and other value and revenue-generating arrangements with the CIF. A successful relationship with the CIF should open doors for collaboration with other funds, as well as climate donors.
- 5) **Engaging members on a continued basis:** Transforming the currently low level of observer engagement into a vibrant network, through regular knowledge activities, peer-exchange tools and other opportunities for active participation in SAN affairs. This also includes intensifying outreach efforts across all climate fund observer networks and constituencies, fulfilling the SAN’s mission as a cross-fund network.
- 6) **Producing and disseminate knowledge and capacity building products and activities:** As a result of member engagement, the SAN will identify and examine critical issues, from the perspective of observers and the constituencies they represent, and will develop products and services such as described in a previous section, including studies, training programs, tools and information resources, to address these needs.
- 7) **Proposing and advance the SAN Stakeholder Engagement Standard:** As the SAN’s primary advocacy role, a series of consultations and studies will converge toward a proposed standard defining expected common practices and principles across climate funds to ensure meaningful and effective participation of stakeholders in the decision-making and monitoring of implementation of climate finance.
- 8) **Resuming active outreach with climate funds, donors and other relevant climate investors,** with the purpose of establishing constructive relationships, creating opportunities for closer collaboration across funds, advancing the interests of observers and to support the operation of the SAN.

The actions and priorities described above will be implemented according to the timeline that follows. Removing constraints, engaging key constituencies and initiating mission-related activities should set in motion a virtuous cycle resulting in the gradual building of the SAN's track record and reputation, the strengthening of relationships, generating opportunities demand for further activities, enhancing the impact of the initiative.

In terms of the programmatic activities described above, the potential lines of action proposed in this document articulate a vision for a fully developed SAN, operating at capacity on multiple fronts. This full scope will be achieved over the term of 3-5 years. But where does the SAN start? **The immediate programmatic priorities in the next 36-month period will be:**

- Organizing regular (e.g. monthly) online webinars on critical stakeholder engagement topics
- Creating and facilitating online peer networking and exchange groups, on widely available platforms, such as WhatsApp
- Commissioning, publishing and disseminating a limited number (3-5) of “foundational” studies and thought pieces representing the pillars of the SAN's work.
- Developing and piloting observer onboarding and capacity building activities
- Actively exploring opportunities for other services and activities with the SAN's membership and other key actors in climate finance

Some of the activities referenced above, such as the webinars and peer exchanges, can be carried out at relatively low or virtually no cost, often on a voluntary basis and counting on in-kind support, while others will be conditioned on the availability of project funding.

The studies referenced above may include 1) mapping the needs and recommendations of current climate finance observers to improve their effectiveness in their role, 2) conducting a comparative assessment of the climate fund's stakeholder engagement practices, 3) benchmarking innovative accountability mechanisms from other sectors, such as the fields of public finance, infrastructure, open government, 4) exploring the specificities and needs of certain stakeholder groups, such as indigenous peoples and other vulnerable groups, 5) examining the interests and incentives for the private sector to play a more active role in climate finance transparency and accountability, among other potential topics. These knowledge activities will be carried out by expert external consultants, under SAN supervision.

The production and publication of the SAN knowledge pieces will be matched with activities to engage observer members and other stakeholders including climate funds, to position and raise the public profile of the SAN, and to drive attention to and advance the issues reported in these studies. For example, mapping current practices and capacity gaps is an opportunity to engage observers in an ongoing peer-learning dialogue. Shaping the stakeholder engagement standard for climate finance should be a key goal of the upcoming SAN Annual Meeting. Thus, the different roles of the SAN as network, think tank and standard-setter mutually reinforce each other and shape other roles such as training and technical assistance.

Implementation Timeline

	2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Install and onboard SAN Coordinating Committee												
Recruit & appoint Executive Coordinator												
Formalize hosting relationship												
Complete legal nonprofit incorporation												
Secure startup funding grant with CIF												
Create Member-led peer exchange groups												
Launch SAN knowledge events												
Consolidate SAN online presence												
Commission core knowledge products												
Develop/pilot observer onboarding training												
Develop/pilot observer training modules												
Develop/pilot constituency outreach tools												
Develop/pilot climate fund products & services												
Launch SAN stakeholder engagement standard												
Organize & deliver SAN SE Forum & Assembly												

9. Financial Needs of the SAN: The Budget

As an initiative incubated with the support of the CIF, the SAN has had its core financial needs during its initial scoping phase fully supported by this fund. The SAN is expected to continue to rely on this support in the year of 2021 but it will incrementally expand its funding base in the following years. The imperatives of impact and autonomy require building a broader support base and scaling the funding for the SAN, leveraging the CIF's initial investment, as well as securing the effective buy-in from other multilateral climate funds and their respective observer networks.

The SAN's financial needs for the following 36 months are presented below, in "low" and "high" implementation scenarios. At scale, for the following 3-5 years, the SAN expects to operate and achieve impact with an annual budget of approximately USD 1.5 million, obtained from multiple sources. The effect of the SAN over a portfolio of billions of dollars in climate finance should demonstrate that the initiative is not only designed to operate at a reasonable cost, but is also a strong value-for-money proposition. As noted in this strategy, SAN will seek partners to invest in the implementation of the SAN as a whole, or to sponsor individual products or activities.

Proposed SAN Budget – 2021-2023

	2021		2022		2023	
	Low	High	Low	High	Low	High
TOTAL	181000	544000	356000	867000	466000	1119000
Salaries	100000	220000	190000	320000	240000	400000
Executive Coordinator	100000	180000	100000	180000	100000	180000
Staff Member 1		40000	40000	60000	40000	60000
Staff Member 2			50000	80000	50000	80000
Staff Member 3					50000	80000
Consultants/Experts	50000	150000	60000	200000	100000	250000
Travel	10000	50000	50000	70000	50000	80000
Staff/Consultants	10000	20000	20000	30000	20000	30000
Coordinating Committee		20000	20000	20000	20000	30000
Other		10000	10000	20000	10000	20000
SAN Assembly	4000	84000	4000	184000	7000	258000
Travel		50000		100000		150000
Accommodation		20000		50000		70000
Venue/Catering		10000		20000		20000
Materials	1000	1000	1000	5000	2000	8000
Translation	2000	2000	2000	6000	3000	6000
Other	1000	1000	1000	3000	2000	4000
Publications	2000	6000	10000	19000	13000	29000
Design/editing	2000	2000	4000	6000	5000	10000
Translation		3000	5000	10000	6000	15000
Printing		1000	1000	3000	2000	4000
Professional Services	8000	17000	9000	20000	9000	20000
Legal	2000	5000	2000	5000	2000	5000
Accounting	5000	10000	5000	10000	5000	10000
Other	1000	2000	2000	5000	2000	5000
Office Running Costs	7000	17000	33000	54000	47000	82000
Rent			20000	30000	30000	50000
Hardware and Software	1000	2000	2000	3000	3000	4000
Communications		1000	1000	2000	2000	3000
Furniture & supplies	1000	4000	2000	4000	2000	5000
Contingency/Unforeseen	5000	10000	8000	15000	10000	20000

Notes:

Figures are in US Dollars

Low budget estimates assume Assemblies are held virtually

Office running costs in 2021 assume remote/home based work

Cost estimates include professional services that may be obtained on a pro bono basis

Future staff members roles are not specified at this point and will be recruited as required

Consultants/experts are to be hired ad hoc for specific projects, activities or products

Coordinating Committee travel costs assume one annual in person meeting

ⁱ Stakeholder Advisory Network on Climate Finance (SAN) Strategy 2018-2019, June 2018.

ⁱⁱ *Concept Note for the Implementation of the Stakeholder Advisory Network on Climate Finance*, June, 2019, revised in February, 2020.

ⁱⁱⁱ This formulation of the mission and vision of the SAN is in line with the wording proposed in 2018, though it has been significantly edited for concision. The previous mission and vision was defined as:

Vision: A dynamic partnership that fosters inclusiveness, interdependence, equity and cooperation among key actors at all levels of climate finance and investment to ensure the equitable, efficient, and effective use of resources 1) to meet the needs of those most vulnerable to climate change and 2) to advance achievement in a sustainable manner of low-carbon, resilient development, including Nationally Determined Contributions, in countries receiving climate finance.

Mission: To strengthen the partnership and amplify the work of non-state actors and civil society networks with global climate finance funds. The SAN seeks to assist local and national stakeholders through collaboration, research, advocacy, networking and partnerships to better access and engage with global and bi-lateral climate funds, in particular those funds which have an objective to advance low-carbon development and climate resilient sustainable development. This may include the implementation and strengthening of countries' Nationally Determined Contributions.

^{iv} A Memorandum of Understanding ("MOU") was signed between the SAN and RESOLVE, a US-based 501(c)(3) non-profit, on September 15, 2020.