



**GREEN  
CLIMATE  
FUND**

**Meeting of the Board**  
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Provisional agenda item 8(a)

**GCF/B.22/09**

**24 February 2018**

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# Report on the activities of the Co-Chairs

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## **Summary**

This document contains the report on the activities of the Co-Chairs from October 2018 to January 2019. The report is in two parts:

- (a) Report of the 2018 Co-Chairs (October to December 2018); and
- (b) Report of the 2019 Co-Chairs (January to mid-February 2019).

## **PART A: REPORT OF THE 2018 CO-CHAIRS**

### **I. Process for the first formal replenishment**

1. Following decision B.21/18, the Co-Chairs communicated the names of the five representatives from developing countries, and three representatives from developed countries to constitute the Board representative group for the replenishment process. The initial organisational meeting for the first formal replenishment (“IOM”) to consider planning matters for the replenishment meetings was held on 22 – 23 November 2018 in Bonn, Germany. The Co-Chairs collaborated with the Secretariat to prepare for the IOM in line with the Board decision. Without setting precedence, the Co-Chairs were selected to chair the meeting. The outcomes of the IOM were transmitted to meeting participants on 10 December 2018 and to the Board on 21 January 2019.
2. Co-chairs also initiated consultations on key documents for the replenishment in line with decision B.21/18. These were transmitted by email and uploaded on the PleaseReview platform on 15 December and 31 December 2019 inviting comments from the Board.

### **II. Preparations for the twenty-second meeting of the Board**

#### **2.1 Provisional agenda for the twenty-second meeting of the Board**

3. To start preparations for the twenty-second meeting of the Board (B.22), the Co-Chairs on 7 November 2018 transmitted a draft agenda to the Board for a 7-day consultation period, later extended by 2 days on request of by a Board member to extend the consultation period. Given the impending transition period, the Co-Chairs accommodated requests by Board members for items to be included in the agenda if these were on previous Board agendas or if they were listed under B.22 in the workplan for 2019. On the other hand, they did not accommodate any request for items to be removed from the agenda at that time. Instead, any decisions on further prioritization of items, if deemed necessary, were left to the incoming Co-Chairs. However, the Co-chairs accommodated requests by several Board members to move policy items higher up on the agenda, given that none of the policy issues were opened at all at B.21 due to time constraints and several of them have been deferred several Board meetings. The Board members stated that addressing the policies were important in light of the upcoming replenishment. The document GCF/B.22/01/Drf.01 was transmitted to the Board and published on the website on 23 November 2018.

#### **2.2 Consultations ahead of the twenty-second meeting of the Board**

4. Following the consultation procedures established prior to B.21, the Co-Chairs on 15 November 2018 also transmitted B.22 consultation guidelines outlining the preparations, including the modalities and timelines for consultations, intended to take place prior to B.22. The consultation process proposed by the Co-Chairs aimed to be transparent, efficient and effective, in line with the guiding principle of GCF as set out in its Governing Instrument. The process also adhered to the 21-day document publication deadline specified in paragraph 21 of the Rules of Procedure of the Board.
5. As part of the B.22 consultation process, documents were both uploaded on the PleaseReview platform and transmitted to the Board via email for a three-week commenting

period, and the Board was invited to submit comments either through the platform or through email. Excluded from the consultations process were:

- (a) Documents developed in consultation with the committees, panels and group established by the Board;
  - (b) Documents connected to procedural items (e.g. report on the activities of the Secretariat; reports from committees, panels and groups established by the Board);
  - (c) Regular information documents (such as the Readiness and Outlook Report; Status of the Initial Resource Mobilization Process, including the GCF Trust Fund financial report);
  - (d) Other information documents that the Co-Chairs determined to not require consultations in advance of B.22; and
  - (e) Funding proposals and related documents, for which a question and answer session is carried out post-publication; and
  - (f) Accreditation proposals and related documents, for which the post-publication consultation process outlined in decision B.10/06, paragraph (p), will continue to apply
  - (g) The B.21 report, in line with established practice, will be transmitted to the Board for a two-week review period, with a view to present it for adoption at B.22.
6. The list of expected B.22 documents for Board consultation was shared with the Board on 15 December 2018.

## 2.3 Engagement with the Secretariat

7. The Co-Chairs' teams held weekly conference calls with the Secretariat to conclude the outcomes of B.21 as captured in the B.21 compendium of decisions; to coordinate on preparations for B.22; and regarding preparations for the first formal replenishment as decided in decision B.21/18. The Co-Chairs also met with the Secretariat in the margins of the replenishment IOM.

8. The collaboration resulted in: the issuance of the draft of the provisional agenda for B.22; decisions proposed for approval by the Board between meetings; the initiation of the process for Board consultations on B.22 documents for decisions; and the execution of the replenishment IOM.

## 2.4 Decisions proposed between meetings

9. In coordination with the Secretariat, the Co-Chairs approved decisions proposed for approval by the Board between meetings up to 31 December 2018. Reference is hereby made to document GCF/B.22/Inf.08 titled "Board decisions proposed between the twenty-first and twenty-second meetings of the Board" which captured the decisions proposed, including an overview of comments and objections received, as well as decisions approved.

## III. Participation in COP 24

10. The Co-Chairs participated in the twenty-fourth session of the Conference of Parties to the United Nations Framework Convention on Climate Change (COP 24) held in Katowice, Poland, from 3 December to 14 December 2018. The Co-Chairs engaged in the events below.

### 3.1 Annual Meeting between the GCF and the UNFCCC constituted bodies

11. In line with paragraph 70 of the Governing Instrument and decision B.13/11, annual meetings are held in conjunction session of the COP with the aim to enhance cooperation and coherence of engagement between the GCF and the UNFCCC constituted bodies. The meeting was held on Wednesday, 12 December 2018.

12. As decided by the Board, the meeting was chaired by the Co-Chairs of the GCF Board. The meeting included the chairs of the various constituted bodies, and the chairs of the subsidiary bodies, the COP presidency, and was open to all members of the GCF Board and the constituted bodies. The Co-Chairs, with the support of the Secretariat proposed the agenda for the meeting.

13. The meeting discussed how the constituted bodies and GCF can work together, according to their respective roles and mandates, to support developing countries to enhance pre- and post-2020 ambition and accelerate the formulation and implementation of the Nationally Determined Contributions (NDCs) and national adaptation plans (NAPs). This topic was chosen to mirror discussions under the COP and its mandated events, such as the Talanoa Dialogue, and the global stocktake on pre- and post-2020 implementation and ambition, and in this context to focus on how the relationship between GCF and constituted bodies can be supportive of countries.

14. After rich discussions, the meeting participants agreed to continue to explore concrete ways in which the GCF and constituted bodies can collaborate to provide support to countries.

### 3.2 Annual Dialogue with Climate Finance Delivery Channels

15. In accordance with its Operational Framework on Complementarity and Coherence (OFCC) adopted at B.17, the GCF hosted the second Annual Dialogue with Climate Finance Delivery Channels on Thursday, 13 December 2018. The Dialogue provided a space for high-level consultation and dialogue between climate finance delivery channels.

16. The objective of the event was to discuss how to further maximize opportunities for complementarity and coherence in the climate finance architecture, in the context of decision B.17/04. It provided the opportunity for participants to take stock of progress over the course of 2018 and to discuss new or expanded complementarity and coherence at all levels: activity, programming, and fund-to-fund arrangements.

### 3.3 Engagement with the Adaptation Fund

17. By decision B.20/05, paragraph (f), the Board requested the Co-Chairs, with the support of the Secretariat, to engage with the Chair and Vice-Chair of the Adaptation Fund Board to better understand options for collaboration with the Adaptation Fund. As requested in the decision, the Co-Chairs reported back to the Board at its twenty-first meeting on their engagement with the chairs of the Adaptation Fund where a range of possible options for collaboration, including scenarios involving a financial transfer from GCF resources to the Adaptation Fund ("AF), as well as options for collaboration not involving a financial transfer were discussed. The Co-Chairs at B.21 communicated the intention as agreed with the Adaptation Fund, to continue conversations.

18. Following further work carried out by the secretariats of the GCF and the AF, the Co-Chairs on Wednesday, 12 December at the COP 24 in Katowice met with the Chair and Vice

Chair of the AF to discuss possible fund-to-fund arrangements. The meeting was open to members of the Board of both the GCF and the AF.

19. The meeting was informed by a note, developed by GCF Secretariat with inputs from AF secretariat, that summarized four options for future collaboration:

- (a) AF providing GCF readiness-type assistance;
- (b) AF management of a GCF funding envelope;
- (c) Accreditation of the AF to the GCF; and
- (d) Formalization and expansion of current cooperation between the secretariats.

20. The paper outlining the four options for collaboration between the GCF and the Adaptation Fund discussed in the engagement of the Board Chairs of the two Funds is presented in annex I.

21. Critical to understanding these four options, the discussion centered on two overarching considerations that would impact any potential arrangement options:

- (a) The degree to which the AF is prepared to accept liability for programming GCF funding; and
- (b) If and how the AF Board will apply GCF policies for projects and programmes approved using GCF funds.

22. The discussion was robust and included inputs from AF and GCF chairs as well as AF and GCF board members or alternate members in attendance. AF board members were generally supportive of an approach that pursued multiple options simultaneously. GCF members expressed more reserved support to pursue arrangements, noting that there were many ways the two funds can collaborate to meet countries' needs. Furthermore, concerns were expressed that liability issues with regards to AF programming of GCF resources would have to be more fully assessed to better inform this important discussion.

23. The members of the respective boards agreed on the need for such a legal assessment to continue discussions in early 2019.

### 3.4 High-level GCF side event: the GCF and the implementation of the Paris Agreement

24. This high-level GCF side event, held on Wednesday, 12 December 2018 discussed the challenges and opportunities towards implementation for mitigation and adaptation action, including towards the implementation of the Paris Agreement. The Fund convened relevant speakers to discuss strategic efforts at multiple levels to promote the paradigm shift towards low-emission and climate-resilient development pathways. Accredited entities and selected Ministers with project proposals approved for implementation in their respective countries were invited to present on their projects and how these support their country's pathways to low emission climate resilient development.

## IV. Oversight of the independent units

25. On the matter of oversight of the independent units (IUs), under the TORs of the Independent Integrity Unit (IIU) and the independent Redress Mechanism (IRM), substantial work is overseen by the Ethics and Audit Committee of the Board. No such oversight mechanism has been established for the Independent Evaluation Unit (IEU), and it is directly overseen by

the Board. In relation to this matter, several Board decisions mandated involvement from the Co-Chairs:

- (a) Through decision B.12/08, the Board requested the Co-Chairs to consult with members and alternate members of the Board on the establishment of the Appointment Committee as a standing committee of the Board. By decision B.15/02, the Board extended the consultations on this mandate and requested the Co-Chairs to summarize the outcome of their consultations and propose a draft decision in a written report; and
- (b) By decision B.17/12 a mandate was given to the Co-Chairs to develop the performance criteria and evaluation procedure for the IU Heads for approval by the Board.

26. Prior to B.21, the Co-Chairs sought to advance this work by publishing a TOR seeking, through a consultancy assignment, to receive recommendation for: (i) the design of a mechanism for the oversight of the IUs; (ii) the performance review of the Heads of the IUs, including review criteria; (iii) the framework on administrative arrangements between the IUs and the Secretariat; and, (iv) a draft Board decision considering (i)–(ii). The status of this work was reported to the Board in the B.21 report on the activities of the Co-Chairs.

27. At B.21, the Board through decision B.21/13 established the Performance Oversight Committee of the Executive Director and Heads of Independent Units “to assist the Board in discharging its responsibilities regarding the performance management of the Head of the Independent Evaluation Unit, the Head of the Independent Integrity Unit, the Head of the Independent Redress Mechanism and the Executive Director of the Secretariat of the Green Climate Fund (collectively referred to as “Board-Appointed Officials”)”.

28. Nonetheless, the following matters remain outstanding:

- (a) Addressing the matter of oversight of the substantial work carried out by the IEU;
- (b) The performance criteria and evaluation procedure for the IU Heads for approval by the Board (transmitted to the Board on 30 December 2018 for approval between meetings); and
- (c) The framework on administrative arrangements between the IUs and the Secretariat.

29. The work initiated by the Co-Chairs prior to B.21 continued, taking into consideration the latest decision by the Board (decision B.21/13) and with a focus on the outstanding components.

30. The procurement process for recruitment of the consultant to carry out work was completed in early December 2018. The selected consultant visited GCF headquarters in December, where he met and conducted in-person interviews with a number of key stakeholders, including the ED a.i., the Heads of the IUs, and members of the Secretariat senior management team. The work is ongoing and the first deliverable, as per the timeline and schedule agreed between the Co-Chairs and the consultant was 27 December 2019 (i.e. the performance criteria and evaluation procedure for the IU Heads).

31. The results of this work will be shared with the 2019 Co-Chairs.

## **VI. Co-Chairs Handover**

32. On their own initiative, the Co-Chairs engaged the support of the Secretariat to develop a Co-Chairs’ handbook to capture the roles of the Co-Chairs as defined in the Governing Instrument and the Rules of Procedure of the Board. The handbook also captures examples of past and current best practice on matters that the Co-Chairs have engaged on, including the role of advisers of the Co-Chairs supporting, and acting on behalf of, the Chairs in carrying out their

functions. The 2018 Co-Chairs intend that this should be a living document for future Co-Chairs to further develop and update. Members and alternate members of the Board may request the Secretariat to share with them a copy of the 2018 Co-Chairs' handbook for their information. The 2019 Co-Chairs will consider how to take forward this work.

## **PART B: REPORT OF THE 2019 CO-CHAIRS**

### **I. Preparations for the twenty-second meeting of the Board**

33. The Co-Chairs and their advisers (Co-Chairs' Teams) visited the Secretariat from 15 to 17 January 2019 to advance preparations for B.22. The Co-Chairs' teams also held weekly conference calls with the Secretariat to continue to coordinate for B.22.
34. Following the collaboration, the second draft of the provisional agenda for B.22 was issued.

### **II. Updated Board workplan for 2019**

35. The Board by decision B.21/04, approved the workplan of the Board for 2019 and requested the Co-Chairs to update the workplan following each meeting of the Board. The Co-Chairs updated the 2019 Board workplan, presented in document GCF/B.22/09/Add.01 titled "Report on the Activities of the Co-Chairs – Addendum I: Updated workplan of the Board for 2019", for the Board to adopt.

### **III. Response to guidance from the twenty-fourth Session of the UNFCCC Conference of Parties**

36. Document GCF/B.22/09/Add.02 titled "Report on the Activities of the Co-Chairs – Addendum II: Guidance from the twenty-fourth session of the Conference of the Parties" presents guidance received from COP 24, and maps how the Board through the Board work plan will address the guidance.
37. A decision welcoming guidance from the COP and requesting the Co-Chairs, with the support of the Secretariat, to include in the report to the COP at its twenty-fifth session progress made in response to the guidance is included in the draft decision in annex I in document GCF/B.22/09/Add.01 titled "Report on the Activities of the Co-Chairs – Addendum I: Updated workplan of the Board for 2019".

### **IV. Decisions proposed between meetings**

38. Several decisions including the appointment of members to Board committees and the extension of deadlines for legal agreements for approved funding proposals were transmitted to the Board for approval. These are captured in document GCF/B.22/Inf.08 titled "Decisions proposed between the twenty-first and twenty-second meetings of the Board"

### **V. Status of Co-Chair Mandates**

39. The table below presents the outstanding mandates from the Board to the Co-Chairs, and their status.

| <b>MATTER</b> |  | <b>STATUS</b>   |
|---------------|--|---|
| <b>1</b>      | The first formal replenishment process<br><i>Decisions B.21/18, para. (j) and (o)</i>  | First formal replenishment process as approved by the Board at B.21 is ongoing. Matters to be brought for Board consideration as per process approved |
| <b>2</b>      | Decision-making between Board meetings<br><i>Decisions B.12/12, para. (a), B.15/02, para. (a), B.17/09, para. (m) and B.18/06, para. (c)(ii)</i>     | To be addressed at B.22   |
| <b>3</b>      | Decision-making in the absence of consensus<br><i>Decisions B.01-13/01, para. (l), B.08/14, para. (b), B.12/11, para. (a) and B.15/02, para. (a)</i> | To be addressed at B.22   |
| <b>4</b>      | Privileges and immunities<br><i>Decision B.19/02, para. (d) and B.21/04, para. (d)</i>   | To be addressed at B.24   |
| <b>5</b>      | Incremental cost calculation methodology<br><i>Decision B.17.10, para. (c)(i)</i>  | To be addressed at B.23   |
| <b>6</b>      | Level of concessionality for the public sector<br><i>Decision B.12/17, para. (b) and B.17.10, para. (c)(iv)</i>                                      | To be addressed at B.23   |
| <b>7</b>      | Co-financing matters<br><i>Decision B.13/05, para. (a), B.15/02, para. (a) and B.17.10, para. (c)(iii)</i>   | To be addressed at B.23   |
| <b>8</b>      | Guidance on the approach and scope for providing support to adaptation activities<br><i>Decision B.17.10, para. (c)(ii)</i>                          | To be taken at B.23 as part of the review of the initial investment framework   |
| <b>9</b>      | Policy guidelines for programmatic approach<br><i>Decision B.14/07, para. (k) and B.15/02, para. (a)</i>   | To be addressed at B.23   |
| <b>10</b>     | Project and programme eligibility and selection criteria<br><i>Decision B.17/10, para. (b)</i>   | To be addressed at B.23   |
| <b>11</b>     | Communication strategy<br><i>Decision B.04/14, para. (c), B.13/25, para. (c), and B.17/01, para. (b)(ii)</i>   | Proposed to be taken up by the Secretariat, with the proviso to bring any recommendations requiring Board attention back to the Board                 |
| <b>12</b>     | Travel policy for the GCF<br><i>B.12/13, para. (a) and B.15/02, para. (a)</i>  | Proposed to be taken up by the Secretariat, with the proviso to bring any recommendations requiring Board attention back to the Board                 |
| <b>13</b>     | Updating the 2019 Board Work Plan<br><i>Decision B.21/04, para. (b)</i>  | Presented to the Board at B.22  |
| <b>14</b>     | Performance criteria and evaluation procedure of the Heads of the independent units<br><i>Decision B.13/16, para. (c); and B.17/12, para. (b)</i>    | To be considered at B.22  |

## **Annex I: Updated Options for arrangements and collaboration between Green Climate Fund and Adaptation Fund – Input paper by GCF Secretariat, in consultation with Adaptation Fund Board Secretariat**

### **I. Background**

1. The Adaptation Fund Board (AFB) has engaged for some time in discussions on the topic of the potential linkages between the Adaptation Fund (AF) and the Green Climate Fund (GCF). These discussions have been taking place at two levels: through dialogue between the AFB Chair and Vice-Chair with the Co-Chairs of the GCF Board both exclusively and in the context of the annual dialogue among a larger group of climate funds, and through ongoing discussions between the secretariats of the AF and the GCF on concrete activities in the area of complementarity and coherence.

2. Considering the existing duplication of work as well as the possible advantages and challenges of having such linkages with AF, the GCF Board may wish to have a more targeted discussion with AFB to explore options for cooperation in the interest of creating a more coherent climate finance landscape to serve vulnerable countries. Additional work by the Secretariat could assist the Board in understanding options for linkages with AFB in a manner that increases efficiency, reduces costs, and maximizes impact, while also considering the benefits that having multiple options in the climate finance landscape may afford countries.

3. Through an Act of Parliament, the German Government conferred legal capacity to the Adaptation Fund Board. This followed a memorandum of understanding between the Adaptation Fund Board and the German Government signed during the Cancun Climate Change Conference in December 2010. The act enables the AFB to enter into contracts with recipients, particularly in the case of direct access to the Fund by developing countries.

4. Inputs and initial assessment, along with potential options for arrangements identified as a priority should be further developed and assessed, ahead of the meeting between the co-chairs of the GCF Board and the Chair and Vice-chair of the AFB at COP 24.

### **II. Inputs and initial assessment**

5. At this moment, the initial assessment points to the need to provide political clarity around the following key issues, which will then inform the development of the options suitable to the boards of the respective funds.

#### **2.1 The degree to which the AF is prepared to accept liability for programming GCF funding as per the options outlined below**

6. Depending on the type of option(s) pursued, the acceptance of GCF funding by the AFB would carry with it a number of legal, fiduciary and administrative obligations, and related liabilities, considering the necessary requirements for each option and the unique structure of the AF. Further clarity may also be necessary as to whom liability attaches given that only the AFB has legal capacity (but not legal personality).

## 2.2 If and how the AF Board will apply GCF policies for projects and programmes approved using GCF funds

7. The GCF and AF boards have developed a number of policies related to the development and implementation of funded activities, including fiduciary standards and environment, social and gender safeguards. Both Funds also have processes for assessing organizations that receive funding from them, and requirements for Fund policies and standards to be applied through and passed down to executing entities by such organizations in their management and administration of funds. Ultimately, both Funds are evolving and each Fund may be in the process of or has a plan to develop or update core policies. It will be important to consider how these policies are imperative for or at least relevant to enabling the existing and future cooperation between the two Funds. Reaching an agreement between the boards as to how instances of policy non-alignment (or lack of relevant policies) will be handled, and where responsibility lies for the application of each policy, will facilitate the envisaged cooperation.

8. In addition to the above considerations, the preferred operational structure of a fund-to-fund arrangement would have to take into account contribution arrangements of each fund. In particular, with regards to potential management of a funding envelope by the AFB, both funds' prohibition against earmarking would need to be considered. Moreover, the fiduciary oversight by the AFB of GCF funding could require the establishment of a separate trust fund of the AF to receive GCF resource to avoid co-mingling of GCF and non-GCF contributions. This issue could be clarified by (i) a review of the contribution agreements to the GCF to determine any applicable restrictions or requirements, including with respect to commingling of funds, fiduciary obligations and/or restrictions on the use of non-grant contributions to the GCF, and (ii) a similar review on the AF side.

9. Once provided with the opinion of the AFB to the above issues, the GCF Board would then need to make a determination of how the AFB prefers to handle these issues may affect the AFB view of the following potential options, and vice versa. Informal consultations of the boards will be an important input to better understanding the implications of these issues and potential pathways for reaching a mutually agreeable solution.

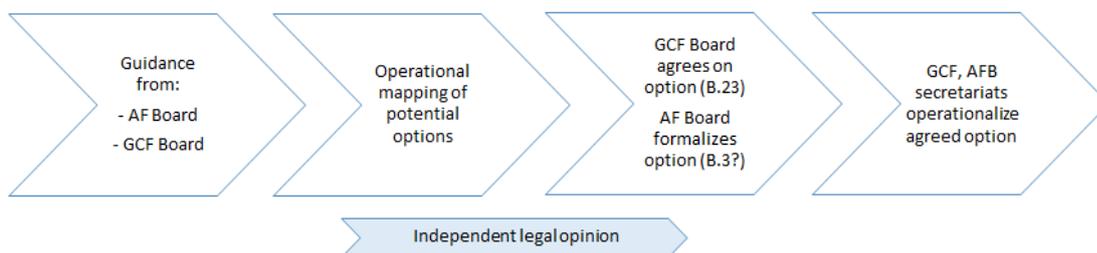
## 2.3 Clarification of legal capacity, personality and structure of the AF (AFB, AFB Secretariat and AF trust fund)

10. An independent legal opinion from a third-party organization could provide clarity to legal capacity, personality and structure of the AF (AFB, AFB Secretariat and AF trust fund). Due to the differences between legal capacity and legal personality, and the complex structure of the AF, such an opinion would provide guidance as to how to develop agreements between the two funds. This opinion could be complemented by a mapping of decision-making and project cycle processes of the entity (AFB, AFB Secretariat, or other) that would be seeking to receive resources from GCF, noting that it requires legal personality. This mapping should include information on the processes as well as who within the entity is responsible for undertaking various actions within the process. An organizational chart to describe the hierarchical structure of the organization, its administrative structure, e.g. finance, administration, support services, procurement and other services within the organization; employee code of conduct and conflict of interest policy; record addressing fiduciary standard and actions undertaken thereafter.

11. Presently, the GCF enters into two types of financial transfer agreements with external organizations (Accreditation Master Agreement (AMA) with Accredited Entities and Readiness agreements with Readiness Delivery Partners). These agreements codify roles, responsibilities,

and liabilities of managing GCF resources. While these may serve as useful references to understand what any agreement between the GCF and AF boards may eventually look like, they do not foreclose the possibility or preference that a different kind of document can be developed and agreed by the boards of the two Funds, in accordance with the provisions envisioned in paragraphs 34-35 of the Governing Instrument for the GCF and the AF operational policies and guidance and relevant policies.

12. Based on this information, we will be able to better identify which of the options for linkages is most suitable and feasible. In addition, pursuing any of the options elaborated below would not preclude the Board(s) from pursuing multiple options in a simultaneous or sequenced manner, particularly with regards to option 4.



### III. Option 1: Provision of technical assistance, readiness-type assistance

13. *Initial assessment on the legal aspects of such arrangement will be conducted, and a dialogue will be opened between the AFB and GCF secretariats to provide clear information on the feasibility and steps to be taken for the AFB to become a delivery partner of the GCF.*

#### 3.1 Concept

14. The AFB may become a delivery partner of the GCF under the Readiness and Preparatory Support Programme, including for the option for a new modality focused on direct access entities (DAEs) to receive pre- and post-accreditation support. This would require the Fund, through the AFB Secretariat, having clarified issues above, to be prepared to provide:

- (a) Readiness support to shared DAEs (i.e., already accredited to both funds), which includes ensuring that GCF Readiness covers the needs of the DAE in terms of institutional capacity and meeting GCF standards, which may also cover AFB institutional requirements;
- (b) Readiness support for DAEs in the accreditation pipeline of one or both funds, with targeted assistance to support accreditation upgrades with the GCF, and apply for re-accreditation and comply with policies and procedures of the funds at both funds, etc.; and
- (c) Support for the development of strategic frameworks and entity work programmes to bolster the pipeline of micro- and small-sized projects/programmes in the GCF portfolio.

## 3.2 Process and requirements

15. Once the legal capacity and personality of the AFB is determined, the GCF will need to understand the capacity of AFB and/or AFB Secretariat for financial management, procurement, and project management in order to manage readiness-type support and develop arrangement accordingly. Assessing financial management capacity will require AFB to indicate, inter alia:

- (a) Accounting standards and procedures (e.g. Generally Accepted Accounting Principles (GAAP)) followed by the organization including the key staff to perform such functions, including auditing of financial statements, accounting software to support the financial management system, internal and external auditor/audits, and anti-fraud, corruption, money-laundering and the financing of terrorism policies;
- (b) Procurement procedures including selection criteria, level of endorsing/approving authority, and prohibited practices measures; and
- (c) Project management and grant award/funding allocation mechanisms, both in terms of capacity to manage GCF grants as well as past evidence of effective project/grant management, project-at-risk systems and monitoring and evaluation practices; and the establishment and operationalization of grant award criteria, selection committees, publication and disclosure of grant award information, etc.

## 3.3 Timeline

16. Based on the above assessment, the AFB becoming a delivery partner of the GCF could be discussed in 2019, working on the basis of the readiness delivery partner template agreement. Based on this, input for the Boards outlining specific details of this option for the consideration, including the assessment of legal aspects above, and the nature and target of the activities to be implemented by the AFB as a delivery partner could be defined.

## IV. Option 2: Management of a funding envelope

17. *Initial assessment on the legal and technical aspects of such arrangement will be conducted, and a dialogue will be opened between the AF and GCF secretariats to provide clear information on the feasibility and steps to be taken for the AFB to manage a funding envelope for the GCF.*

### 4.1 Concept

18. The AFB would be responsible for managing an agreed, defined sub-programme, and reporting to GCF Board, in accordance with GCF policies. The GCF Board would direct GCF entities to the AFB for activities under a defined scope to avoid duplication. AFB would take responsibility for managing GCF funds transferred to AFB and may need to enter into arrangements with the GCF, as provided by the Governing Instrument paragraph 33, to codify

expectations and obligations, like AMAs have done for entities accredited by the GCF.<sup>1</sup> It should be noted that the term “arrangements” is used here without prejudice to the formal legal agreements that may need to be put in place, which depending on the type of arrangement chosen and its technical implications, may or may not require formal legal agreements.

## 4.2 Process and requirements

19. Once the legal capacity and personality is determined, the GCF will need to understand the capacity of AFB to carry out project management, project preparation and appraisal and monitoring and evaluation in order to manage a funding envelope. This will include provision of information related to:

- (a) Key administrative and financial capacities which include the underlying principles of the Fund’s initial basic fiduciary standards for administrative and financial capacities, the general management and administrative capacities and the financial management and accounting.
- (b) Transparency and accountability taking into consideration the capacity to prevent or deal with financial mismanagement and other forms of malpractice, anti-money laundering and anti-terrorist

20. The terms and conditions applicable to donations to the AF Trustee have been agreed by the AF Board and consistent for all donors contributing to the AF trust fund. Given the scope of Option 2 as laid out here, wherein the AFB manages an envelope of GCF funding for a specific scope of projects, it follows that the AF-GCF agreement might be different given the targeted purpose for which GCF would transfer funds to AFB.

## 4.3 Timeline

21. For the GCF Board, it will consider the full set of options as part of options on arrangements at B.23 and provide guidance on next steps towards formalizing options. If the Board agrees to this Option 2, the target and criteria for funding under the envelope will need to be defined among the secretariats and subsequently approved by their respective Boards. For example, the target support could be limited to NIEs through micro and small-scale direct access and enhanced direct access projects and programmes.

# V. Option 3: AF Accreditation to the GCF

## 5.1 Concept

22. The AFB would initiate the accreditation process with the GCF following core responsibilities of the GCF Accredited Entities (AEs) on an operational and administrative level, including fiduciary and legal matters. In this line, it is imperative to analyze the Basic Fiduciary

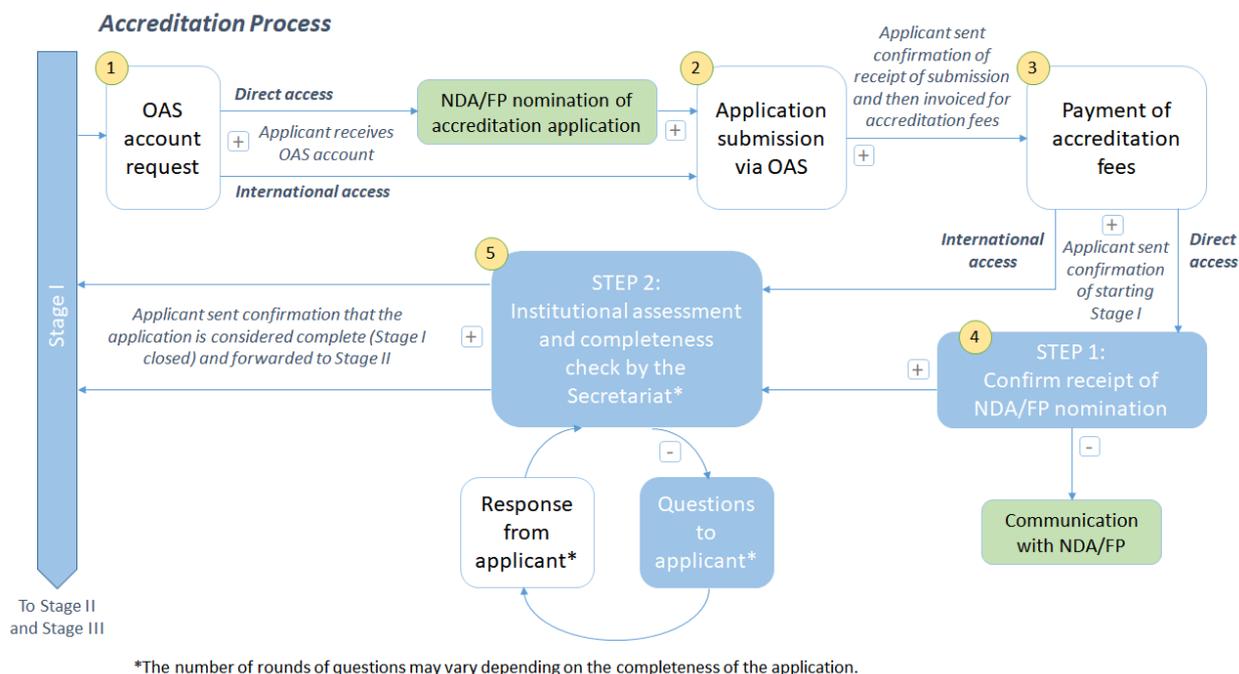
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<sup>1</sup> Although most resources provided to countries by the GCF have been provided through national, regional and international implementing entities accredited by the Board, in accordance with paragraph 45 of the Governing Instrument, this is not the only modality that has been used to provide resources to countries. In particular, pursuant to paragraph 40 of the Governing Instrument, resources have been provided to countries, either directly or through delivery partners in the context of the readiness and preparatory support programme. In this context, while the specifics of paragraph 33 and 34 have not been previously discussed by the GCF Board, there is nothing express in these paragraphs which precludes the provision of resources thereunder. The GCF Board will therefore need to further consider how best to elaborate on and implement these paragraphs in the context of the option for the AFB to manage a funding envelope.

Standards, the Specialized Fiduciary Standards for Project Management and the Specialized Fiduciary Standards for Grant Award and/or Funding Allocation Mechanisms.

## 5.2 Process and Requirements

23. Once the legal capacity and personality is determined, the GCF will need to understand the capacity of AFB to comply with the fiduciary standards (decision B.07/02, annex II), the environment and social safeguards (decision B.07/02, annex III) and gender (decision B.09/11). In the event that the AFB wishes to pursue accreditation it would be needed to consider any challenges or potential conflicts that might arise as a result of pursuing accreditation and maintaining our activities under the complementarity and coherence framework in parallel. Thereby, it is of interest to understand to what extent those agreed areas of collaboration under the complementarity and coherence framework intersect or are inconsistent with the responsibilities of the AEs in order to determine if those activities remain appropriate in light of the relationship the GCF expects to maintain with its AEs and accreditation applicants. By undertaking some of these options in parallel, as with provision of direct access accreditation support and accreditation of the AF, AF/AFB may be involved in different sides of the same activity where a potential or perceived conflict of interest (COI) may arise. Further assessment of the options presented in this paper in parallel would need to be conducted in order to determine if there is a potential or perceived COI.



## 5.3 Timeline:

24. For the GCF Board, agreement on this option could occur at B.23, with the Board considering the accreditation application as early as it can following the conclusion of Stages I and II (Step 1) of the accreditation process (possible as early as end of 2019 or 2020).

## VI. Option 4: Formalizing Cooperation between Secretariats

## 6.1 Concept

25. The AFB and GCF secretariats report on their work done so far in terms of collaboration and provide a proposal on areas of collaboration that would be enhanced if the Boards were to provide specific mandates. This would be a formalization and/or strengthening of the existing work already underway for over a year under the Operational Framework. The AFB and GCF secretariats would jointly design a framework of collaboration, using existing mechanisms and funding windows of both funds, and the respective Boards would approve a workplan based on that framework, on an annual basis. Activities under that framework could include but are not limited to:

- (a) Engaging jointly on country readiness, particularly shared entities;
- (b) Building entities' capacities to access climate finance, design and implement projects, following joint assessment of their gaps and needs;
- (c) Undertaking joint country programming (through parallel funding, co-financing or sequencing with scalability as a strategic consideration, and country-drivenness as a key operating principle);
- (d) Holding joint (side) events at COPs and other fora;
- (e) Engaging in more substantial dialogue on accreditation, readiness, knowledge management, results and indicators, on a fund-to-fund basis and trilaterally with countries; and
- (f) Informing each other on upcoming workshops and other meetings to improve the opportunities of participating in those between the funds.

26. A more targeted and programmed collaboration with a workplan and clear expected outcomes, including programs designed jointly under the operational framework, though an MOU-type approach targeting DAE readiness and other activities, but does not foresee transfer of financial resources from one fund to the other. This would generally include a process for setting coordinated programming decisions, for example where one fund is to prioritize some issues over the other and vice versa, or on topics like knowledge management and other targeted areas for expanding cooperation. The table below contains a reflection of areas of collaboration at the moment that could be further developed into the options to be formally presented to the Board at B.23.

| <b>Brief overview of collaboration with the Adaptation Fund</b> |   |
|---|---|
| Coordination of support   | Collaboration on synergies for capacity-building support for DAEs   |
| Programming and accreditation                                   | Enhance understanding of interactions in funding proposals to apply lessons to programming                          |
|   | Ongoing collaboration on accreditation, including fast tracking   |
| M & E   | Information sharing on M&E approaches and methodologies   |
| Policies and procedures   | Provision of information requested in the development of GCF policies and procedures, including for benchmarking    |
| Learning and outreach   | Joint outreach event at COP 24 on experience and challenges in advancing synergies in the climate finance landscape |
|   | Engagement in Adaptation Futures 2018 conference  |

## 6.2 Process and requirements

27. As there is no transfer of funds associated with this area, the process and requirements are more flexible. The Boards would need to agree areas where it seeks the secretariats to

pursue collaboration and provide them with the mandate to enter into an MOU accordingly. This option could be pursued in parallel

### 6.3 Timeline

28. Both Boards at upcoming meetings could mandate the secretariats to develop specific areas and enter an MOU, which can be agreed shortly thereafter.

## Appendix: Summary table of key considerations and options for AF-GCF fund-to-fund arrangements

| <b>Key Considerations</b>   |   |
|---|---|
| 1. The degree to which the AF is prepared to accept liability for programming GCF funding as per the options outlined below | 2. If and how the AF Board will apply GCF policies for projects and programmes approved using GCF funds   |
| <b>Options for Fund-to-Fund Arrangements</b>  |   |
| <u>Option 1:</u> Provision of technical assistance, readiness-type assistance   | The AFB may become a delivery partner of the GCF under the Readiness Programme, including for the option for a new modality focused on direct access pre and post accreditation support.  |
| <u>Option 2:</u> Management of a funding envelope   | The AFB would be responsible for managing an agreed, defined sub-programme, and reporting to GCF Board, in accordance with GCF policies. The GCF Board would direct GCF entities to the AFB for activities under a defined scope to avoid duplication. AFB would take responsibility for managing GCF funds transferred to AFB and may need to enter into arrangements, as provided by the GCF GI.                  |
| <u>Option 3:</u> AF Accreditation to the GCF  | The AFB would initiate the accreditation process with the GCF following core responsibilities of GCF Accredited Entities (AEs) on an operational and administrative level, including fiduciary and legal matters in line with the established GCF accreditation standards and mechanisms.   |
| <u>Option 4:</u> Formalizing Cooperation between Secretariats   | The AFB and GCF secretariats report on their work done so far in terms of collaboration and provide a proposal on areas of collaboration would be enhanced if the Boards were to provide specific mandates. The AFB and GCF secretariats will jointly design a framework of collaboration, using existing mechanisms and funding windows of both funds, with an annual work plan approved by the respective Boards. |