

Green Climate Fund

Business Model Framework: Structure and Organization

GCF/B.04/08

10 June 2013

Meeting of the Board

26-28 June 2013

Songdo, Republic of Korea

Agenda item 4 (f)

Recommended action by the Board

It is recommended that the Board:

- a) Takes note of the information presented in document GCF/B.04/08 *Business Model Framework: Structure and Organization*;
- b) Provides guidance on the policy matters and options regarding the structure and organization of the Fund; and
- c) Adopts the draft decision presented in Annex I to this document.

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Business Model Framework: Structure and Organization

I. Introduction

1. At its March 2013 meeting in Berlin, Germany, the Board requested the Interim Secretariat to undertake work on a number of documents on the Fund's business model framework with the assistance of consultants (decision B.01-13/06). One of the documents to be prepared for consideration at the June 2013 Board meeting addresses the structure and organization of the Fund, including an *"assessment of the structure and organization of other multilateral funds."*

2. The purpose of this document is to present to the Board an assessment of options for the structure and organization that the Fund could adopt to attain its objectives. This document should be read in conjunction with the other five documents on the business model framework.¹

3. The Governing Instrument for the Fund provides specific guidance on several key features of the structure and organization of the Fund:

Paragraph 4: *"The Fund will be designated as an operating entity of the financial mechanism under Article 11 of the Convention and will be accountable to and function under the guidance of the Conference of the Parties (COP)."*

Paragraph 5: *"The Fund will be governed and supervised by a Board that will have full responsibility for funding decisions."*

Paragraph 18 (g): *"The Board of the Fund will...[e]stablish subcommittees and panels and define their terms of reference, as appropriate."*

Paragraph 19: *"The Fund will establish a secretariat, which will be fully independent. The secretariat will service and be accountable to the Board. It will have effective management capabilities to execute the day-to-day operations of the Fund."*

Paragraph 20: *"The secretariat will be headed by an Executive Director with the necessary experiences and skills, who will be appointed by and be accountable to the Board."*

Paragraph 24: *"The Fund will have a trustee with administrative competence to manage the financial assets of the Fund."*

Paragraph 37: *"The Fund will have thematic funding windows. Initially, the Fund will have windows for adaptation and mitigation."*

Paragraph 41: *"The Fund will have a private sector facility that enables it to directly and indirectly finance private sector mitigation and adaptation activities at the national, regional and international levels."*

Paragraph 49: *"The Board will develop, manage and oversee an accreditation process for all implementing entities based on specific accreditation criteria that reflect the Fund's fiduciary principles and standards and environmental and social safeguards."*

Paragraph 60: *"To this end, the Board will establish an operationally independent evaluation unit as part of the core structure of the Fund. The head of the unit will be selected by, and will report to, the Board."*

¹ GCF/B.04/03 to 07.

Paragraph 68. *“The Board will establish an independent integrity unit, to work with the secretariat and report to the Board, to investigate allegations of fraud and corruption in coordination with relevant counterpart authorities.”*

Paragraph 69. *“The Board will establish an independent redress mechanism that will report to the Board.”*

Paragraph 70. *“In carrying out its functions the Board will develop mechanisms to draw on appropriate expert and technical advice, including from the relevant thematic bodies established under the Convention, as appropriate.”*

Paragraph 71. *“The Board will develop mechanisms to promote the input and participation of stakeholders, including private-sector actors, civil society organizations, vulnerable groups, women and indigenous peoples, in the design, development and implementation of the strategies and activities to be financed by the Fund.”*

4. Initial discussions on the Fund’s structure and organization by the Board have highlighted three fundamental considerations. First, the Fund needs to be made operational quickly. Second, it should have the flexibility to evolve over time as it grows in response to country-driven demand. Third, the Fund’s structure and organization should be cost-effective and therefore simple and streamlined.

5. The guidance and principles from the Governing Instrument, as well as the considerations put forward by the Board, will be fully reflected in the options for the Fund’s structure and organization presented in Chapters III and IV of this document.

II. Assessment of the structure and organization of other multilateral organizations

6. An assessment of the structure and organizations of other multilateral organizations can usefully inform the consideration of possible options for the Fund’s structure and organization. These other multilateral organizations and funds are: Global Environment Facility (GEF), Climate Investment Funds (CIFs), Adaptation Fund, World Bank, Asian Development Bank (ADB), the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund), and the GAVI Alliance. Annex III provides an overview of the structure and organization of these organizations. This section highlights the main observations and conclusions based on the information in Annex III.

7. These multilateral organizations vary greatly not only in terms of their legal structure and purposes but also in terms of their size and scope and in their modes of operation. Table 1 presents summary data about the size of each organization as at 2011. This data should be interpreted with caution because the organizations have very different modes of operation, especially in terms of the degree to which the organization is directly engaged in the identification, preparation, appraisal, and implementation of the activities for which it provides financing and also the degree to which it provides other, non-financial services. In particular, it should be noted that the Adaptation Fund and CIFs each have a very small central staff because they essentially provide co-financing for projects and programmes that are prepared, appraised, and implemented by other, larger organizations. The GEF operates in a similar mode but across a wider range of activities. The World Bank and ADB provide not only financing globally/regionally and across all sectors but also policy analysis, advice and technical assistance.

Table 1: Summary data indicating the size of other multilateral organizations and funds in 2011

Organization	Net disbursements (US\$ million)	Administrative expenses ^{a/} (US\$ million)	Approximate number of personnel employed
Global Fund	2,741	228	612
GAVI Alliance	1,240	37	125
GEF	739	47	94 ^{b/}
Adaptation Fund	40 ^{c/}	5.4	6 ^{d/}
CIFs	1,082	24	8 ^{e/}
World Bank	15,775	2,005	9,000
ADB	3,558	484	3,045

Notes:

a/ This does not include fees paid to implementing entities or local agents.

b/ Central staff are supported by the World Bank for administrative functions.

c/ Estimates based on grant approvals and cumulative disbursement data.

d/ Six staff in the Secretariat are supported by an Accreditation Panel, a Trustee, the World Bank and the GEF for administrative functions;

e/ Eight staff in the administrative unit are supported by the World Bank for administrative functions. The CIFs are governed by sub-committees consisting of representatives of both funders and recipients.

8. These differences in size strongly influence the structure and organization of these organizations and, in particular, the extent to which theme, financial instrument and geography affect their structure and organization. Annex III, Table 2, describes the ways in which the structure and organization of these multilateral organizations are influenced by themes, financial instruments, and geography. There is no dominant model. Nevertheless, it is possible to make some general observations that might be relevant when considering the structure and organization of the Fund:

- (a) The smaller the organization/fund, the less internal structure. The small implementation units for the Adaptation Fund and the CIFs – each of which involves less than ten operational staff – have no internal sub-units, although each organization uses themes to provide summary data about their activities, as indicated in Annex III, Table 2.
- (b) As a somewhat larger organization, the GEF secretariat has two theme-based units – the Climate Change and Chemicals Unit and the Natural Resources Unit – through which climate adaptation and mitigation activities are supported together with other environmental activities of the GEF. There are no sub-units based on financial instruments or geography. However, within the External Affairs Unit, there are “country relations officers” assigned to specific regions, and some staff within the Natural Resources Unit are specialized by region. Also, the GEF hosts the Least Developed Countries (LDCs) Fund that is available only to LDCs, and the responsibility for that Fund (together with the Special Climate Change Fund) is assigned to a small group of staff within the Climate Change and Chemicals Unit.
- (c) Because both the Global Fund and the GAVI Alliance have a narrow focus of activities and only one financial instrument (grants), neither has units based on theme or financial instrument. The Global Fund – which is by far the larger of the two organizations – has operational units based on geography, while GAVI Alliance’s units operate globally.
- (d) Only the largest organizations – World Bank and ADB – have complex “matrix” structures in which higher-level units are defined by geographic region, and, within each regional department, there are theme-based units. With respect to financial instruments, grants, concessional loans, and non-concessional loans to the public sector are all handled within the same units of the regional departments, while financing for the private sector is handled by an affiliated but separate organization. For example, within the World Bank, programmes for countries that are eligible for International

Development Association (IDA) funding and those that are not are handled within the same operational units.

III. Options for the structure and organization of the Fund

9. As described in the Governing Instrument, the Secretariat, headed by an Executive Director, will be responsible for the day-to-day operations of the Fund in all respects. In addition to its duties for administration, financial management, and reporting to the Board, it will liaise with members, implementing entities, and cooperating bilateral and multilateral institutions and agencies in order to direct the resources of the Fund to the most effective use. Furthermore, it is expected to establish and run knowledge management practices. With these responsibilities in mind, it is useful to separate the functions of the Secretariat between “core operational units” that would liaise directly with countries and implementing entities in all categories and the “other, supporting units” of the Secretariat. It is with respect to the structure and organization of the core operational units that the Fund has the greatest range of options.

3.1 Options for the core operational units of the Secretariat

10. Taking into consideration the guidance and principles of the Fund’s Governing Instrument and reflecting on the examples of other multilateral organizations, it is possible to identify four options for the structure and organization of those units within the Fund’s Secretariat that would have day-to-day responsibility for funding operations. The following paragraphs provide explanations of these four options and commentary on the major differences among the four options, on their common features, and finally on pros and cons of these four options. Organizational charts representing only the most basic components of the four options are shown in Annex IV (in these charts, the relative size of the main units is very roughly reflected by the size of the corresponding box). These options are also briefly described in Table 2.

11. **Private Sector Facility (PSF).** In all four options, consistent with document GCF/B.04/07, the PSF is established as a separate unit. The rationale for a separate unit is outlined in that document.

12. **Option 1. Thematic structure with a project focus.** The core staff in Option 1 are divided thematically into Adaptation and Mitigation Units, as shown in Annex IV, Figure 1. The basic logic of such a structure is that:

- (a) In most cases, activities for adaptation are sufficiently distinct from those for mitigation and therefore require in many cases different types of technical experts; and
- (b) Experts working on similar areas should be grouped into units in order to facilitate close communication and shared learning.

13. Under this Option, most technical staff would have global responsibility for projects and programmes involving their specialized expertise. A relatively small number of staff would be assigned to monitor the Fund-financed activities on a country basis for those countries in which there are numerous activities (country programme advisers). These staff would work with nationally designated authorities (NDAs) or other country stakeholders to facilitate coordination and synergy among projects and programmes and identify and resolve common issues.

14. However, the number of such country-focused staff would be small, and they would not have the capacity for sustained engagement with countries that would be necessary to work on strategies or to move beyond the current patterns of climate finance that are primarily project-focused.

15. Taking into consideration the diversity of potential activities within the two broad themes of adaptation and mitigation, it seems likely that the work within each Unit would need to be organized according to more narrowly defined themes and, once the staffing becomes large enough, responsibility for these sub-themes could be assigned to corresponding sub-units. At this stage in the consideration of the Fund's structure and organization, it is not necessary to identify such sub-units.

16. **Option 2. Thematic structure with a stronger country and programmatic focus.** Option 1 and Option 2 differ in terms of the extent to which the Fund would be able to work with countries on their broad strategies for climate-resilient development, on programmatic approaches to support such strategies, and on expanding direct access. Specifically, as shown in Annex IV, Figure 2, under Option 2, there would be a separate Unit established for Country Strategy and Programme Support (CSPS), involving a larger number of staff than envisioned as country programme advisers under Option 1. Staff within this Unit would work closely with countries on a sustained basis on strengthening country strategies and programmes for low emission, climate-resilient development and improving the readiness of potential national implementing entities (NIEs) so that they could become accredited vehicles for direct access.

17. Whereas staff in the Adaptation and Mitigation Units would have expertise in the more technical aspects of projects and programmes, the staff required for this CSPS Unit would need a broad overview of low-emission, climate resilient development pathways, broad experience with implementation issues relating to programmatic approaches to funding, and, ideally, working experience in the region to which they would be assigned. Of course, staff within the CSPS Unit would need to collaborate with their colleagues in the Adaptation and Mitigation Units. But placing these staff within a separate CSPS Unit would facilitate more mutual learning about strategy formulation, programmatic approaches, and readiness support than would be likely under Option 1.

18. **Option 3. A geographic focus.** This Option presumes that the Fund is sufficiently large that its core operational staff should be disaggregated geographically. Within each geographically-based department, there would be an Adaptation Unit and a Mitigation Unit with technical experts, and staff focused on country strategy and programmes would be within the "front office" of each department, meaning they would be responsible for both adaptation and mitigation. This would facilitate even stronger orientation towards country strategy and programmes than envisioned under Option 2. Of course, there are many possibilities for such geographic disaggregation. Among the many possible variations of this Option, four are mentioned below:

- (a) **Option 3a. A geographic focus with a separate LDCs and SIDS Unit.** Figure 3 in Annex IV presents one possibility based on the premise that, at least initially, four geographically-based departments would be sufficient to ensure adequate coverage for all countries that are eligible for Fund financing: while the PSF staff would operate globally, the non-PSF Secretariat staff would be divided into departments for Africa, Asia, and Latin America and Other Countries, and, in order to ensure appropriate attention to their unique needs, a separate unit for LDCs and small island developing States (SIDS);
- (b) **Option 3b. A geographic focus without a separate LDCs and SIDS Unit.** If it were considered necessary, at least initially, to limit the number of geographically-based departments, LDCs and SIDS could be assigned to their respective geographical regions within the four geographically-based departments, and specific staff within those regional departments would be assigned to provide support to them;
- (c) **Option 3c. A geographic focus with a Low-Income Countries unit.** In addition to the four geographically-based departments, all low-income countries from Africa, Asia and Latin America, together with LDCs and SIDS, might be assigned to a single unit, given the challenges that would be common among them;

- (d) **Option 3d. A geographic focus with disaggregation of the PSF.** In addition to the four geographically-based departments, depending on the volume of its business, the PSF might also be disaggregated into two or more regions. Finally, it should be noted that the extent of geographical disaggregation – for example, disaggregating East and South Asia, or creating a separate department for Eastern Europe – could increase over time as the Fund grows.
19. **Option 4. A financial instrument focus.** This fourth Option – shown in Annex IV, Figure 4 – presumes that all of the core operational units of the Secretariat would be specialized in terms of financial instrument. The specialization of the PSF would be, of course, on the private sector, to which it could offer a range of financial instruments, as discussed in document GCF/B.04/07. The key question about this Option is which categories of activities would fall under which unit. Two Options merit mention. However, the implications of either Sub-option in terms of the likely volume of funding for each unit requires further research:
- (a) **Option 4a. An income-level-based financial instrument focus.** For this Option, the distinction might be based on the income level of the recipient country. In that case, for example, all adaptation and mitigation activities in low-income countries would be handled through the Grants Unit, and all adaptation and mitigation activities in middle-income countries would be handled through the Concessional Loan Unit;
- (b) **Option 4b. An activity-based financial instrument focus.** For this Option, the distinction might be based on the nature of the activity. For example, the Concessional Loan Unit might handle only mitigation investments that were expected to become financially self-sufficient in the medium-term on the grounds that they could be expected to pay back the principal given appropriate repayment schedules.

Table 2: Summary of options for the structure and organization of core operational units

Option	Comment	Pros	Cons
Option 1: Adaptation Unit Mitigation Unit PSF	Consistent with the “funder of funds” approach in which the Fund relies fully on accredited multilateral implementing entities (MIEs) and NIEs.	Simplest and least costly. Emphasizes role of technical staff.	No capacity to contribute to country strategy and programme formulation.
Option 2: Country Strategy and Programme Support Unit Adaptation Unit Mitigation Unit PSF	Consistent with the intention to expand the Fund’s strategic role, programmatic approaches, and direct access.	Still relatively small and cost effective. Capacity to contribute to country strategy, programmes, and use of direct access. Facilitates readiness support.	Extent of dialogue with countries might be still be too small to be relevant.
Option 3: Africa Department Asia Department Latin America Caribbean (LAC) and Other Countries Department LDC/Small Island Developing States (SIDS) Department PSF	Consistent with the vision of a comprehensive Fund that becomes major player in climate finance; each department has adaptation and mitigation units.	Increases capacity for sustained contribution to country strategy, programmes, and direct access.	Most complex and costly. Might inhibit highly specialized technical staff from working globally.
Option 4: PSF Concessional Loan Unit Grants Unit	Consistent with the vision of a substantial role for concessional loans for certain types of mitigation activities.	A larger role for concessional loans would increase reflows to Fund over time.	Would require <i>a priori</i> specification of substantial activities that are only appropriate for concessional loans.

20. **Pros and cons of Options 1-4 for the core operational units**, and the relationship to the broader vision of the Fund. The choice among possible structure and organization options for the Fund's operational units depends on a strategic vision of what the Fund will do in terms of objectives, access modalities, financial instruments, priority themes, and relationships with other sources of climate finance. Form must follow function. For this reason, discussion of the pros and cons of each of these four options should be linked to the discussion of the approach towards a short-term vision for the Fund as presented in document GCF/B.04/03. The correspondence between the alternative visions presented in that document and the options presented above is as follows:

- (a) The "Initial full comprehensive approach" (Section 2.2 in document GCF/B.04/03), would be most consistent with Option 3, a geographic focus, in which the Fund would soon be able to staff regional departments with a full complement of technical staff and country specialists as well as the PSF;
- (b) The "Strategic focus on climate change mitigation and adaptation" (Option 1, Section 2.2 in document GCF/B.04/03) as an approach towards a short-term vision for the Fund would be consistent with either Option 1, thematic structure with a project focus, under which the Fund would use the technical expertise of its staff to select for co-financing the best adaptation and mitigation activities presented by accredited MIEs and NIEs, or Option 2, thematic structure with a stronger country and programmatic focus, under which the Fund would engage strongly with countries on climate strategy formulation, on programmatic approaches, and on expanding NIEs;
- (c) The "Strategic focus on maximizing co-benefits through strong synergy with sustainable development" (Option 2, Section 2.2 in document GCF/B.04/03) as an approach towards a short-term vision for the Fund would be most consistent with Option 2, thematic structure with a stronger country and programmatic focus, under which the Fund would complement its technical expertise with a deep engagement with countries on integrating climate actions into their overall development programmes and on strengthening NIEs to expand their role in implementing those programmes.

21. **Pros and cons: Other considerations.** Other points that could be taken into account in considering the proposed alternative structure and organization for the core operational units of the Secretariat, as noted briefly in Table 2 above, are:

- (a) Option 1, thematic structure with a project focus, envisions a smaller institution than either Option 2, thematic structure with a stronger country and programmatic focus, or Option 3, a geographic focus, and this is most consistent with an orientation toward co-financing projects with existing climate finance institutions. Under this approach, the Fund would presumably add value based on the quality of the technical expertise of its staff as well as its incremental funding. However, it would not support active engagement by the Fund in the dialogue with countries about climate strategy and programmatic approaches;
- (b) Option 2, thematic structure with a stronger country and programmatic focus, is most consistent with the goal that climate actions should become embedded into the overall programmes of governments. Such "mainstreaming" of climate adaptation and mitigation into the core planning and budget processes of governments and their key ministries would be an important step toward the Fund's goal of transformative change. Option 2 is also most consistent with the mandate in the Governing Instrument to "promote coherence in programming at the national level" (paragraph 34) and to "provide resources for readiness and preparatory activities and technical assistance," especially in strengthening strategies and plans (paragraph 40);
- (c) The geographic orientation of Option 3 would make it easier for staff to work more closely than otherwise with a limited number of countries, ensuring that they develop

sufficient knowledge of the countries' needs and institutions and also effective working relationships with national counterparts. This regionally-based organization would make such intensive contact with countries less costly in terms of travel budget and less burdensome in terms of staff's personal lives. Furthermore, relative to Options 1 or 2, this Option would likely facilitate consideration of proposals that involve a combination of adaptation and mitigation actions. However, this Option would involve some risk that highly specialized technical staff would be under-utilized if they were limited to working within a single region. To avoid that problem, it would likely be useful under this Option to also establish a small support unit of the most highly specialized technical staff who would be available to work globally;

- (d) Option 4, a financial instrument focus, could involve *a priori* decisions about which categories of activities would be deemed appropriate for concessional loans only. For example, a decision that adaptation activities in middle-income countries should be eligible only for concessional loans, not grants, could be contentious. However, if the available volume of concessional loans would be sufficiently large, it may be justifiable to have a separate unit for this purpose.

3.2 Further considerations relevant to the core operational units of the Secretariat

22. In deliberating on, refining and choosing among these options, the following key questions seem most important:

- (a) Could the Fund achieve its mandate for scaling-up climate finance only by focusing on the implementation of project-sized activities? Option 1 envisions an effort to improve primarily project-based climate finance more or less along the lines on which it has been developed in recent years. In this case, its potential for promoting transformative change seems limited;
- (b) How quickly could the Fund "break the mold" of existing, project-focused climate finance and scale-up by increasing the share of funding for larger, public sector programmes based on climate strategies as envisioned in Options 2 and 3? Although there has been a broad support in principle for shifting from project to programme approaches for climate finance, this has been quite limited to date by the capacities – and perhaps the willingness – of governments to develop and put forward strategy-based, well-designed programmes that could be well implemented with adequate fiduciary standards and safeguards. Is this likely to change soon? Could the Fund help to bring about that change by working with at least a selected set of countries to generate solid programmes to which it could provide funding? A related question is whether or not a strong programme orientation would focus the Fund's resources excessively on those governments with the greatest capacities to design and implement programmes to the neglect of those that need more assistance to do so? To avoid such an imbalance under Options 2 and 3, the Fund would need to assure sufficient readiness support and provide selected project funding in priority countries that are not yet ready for programme finding.

23. In deliberating about these options, it should also be recognized that the performance of the Fund will depend not only on its formal structure and organization but also on its organizational "culture" and its internal procedures. Whatever the chosen structure and organization, the Board and Fund managers will need to give careful attention to nurturing an internal culture – a set of norms and expectations – and formal internal procedures that support its mission. In particular, the culture and procedures should seek to ensure that staff within the institution will work effectively across units. That would make the Fund more effective and efficient. Furthermore, it is the culture and internal procedures that are most important for

promoting good professional judgments and behaviour that seek the right balance among potentially competing values – urgency versus quality; respect for country ownership versus insistence on Fund-defined standards; and willingness to take risk versus the need to maintain the reputation of the Fund. These balances cannot be achieved by choice of structure and organization.

3.3 Options for other, supporting units of the Secretariat

24. The discussion in the Section above has focused only on the core operational units of the Secretariat. However, there are other functions and responsibilities of the Secretariat for which the Executive Director would need dedicated support and that should also be considered part of the Fund's structure and organization. Taking into account the likely staff needs for each function, Table 3 summarizes possible elements of an initial structure of the non-operational support to the Executive Director within the Secretariat.

Table 3: Possible initial structure of non-operational support to the Executive Director

Need for non-operational support	Options
Human resources	Option 1. Human Resources Unit. Small, separate unit.
External relations	Option 2. External Relations and Partnerships Unit. Small, separate unit.
Handling internal finance processes	Option 3. Finance Unit. Small, separate unit.
Legal capacity	Option 4. Joint legal, resource mobilization, and strategy, policy and procedures functions. Initially handled by senior staff member(s) in close collaboration with the Executive Director. Possible phasing into separate units in the future, as appropriate.
Resource mobilization for the Fund	
Strategy, policy and procedures support	
Accreditation capacity	Option 5. Accreditation Unit. Small unit with core staff to guarantee the Fund's institutional capacity and ensure that it will have a process and criteria for accreditation.
Appropriate expert and technical advice	Option 6. Technical advisory group(s). One or more technical advisory group(s) of outside technical experts established as relevant to assist with the operations of the Fund.

25. An examination on the Secretariat structures of other multilateral organizations/funds (excluding the MDBs, which have large and elaborate support units corresponding to the size of the institutions) is helpful in creating a list of possible functions for which the Secretariat might need dedicated support. Based on Table 1 in Annex III, that list of possible functions is: human resources, legal, finance, strategy development, policies and procedures, resource mobilization, external relations, and internal audit. However, because of their diverse circumstances, none of the other multilateral organizations/funds provides a good model that the Fund might emulate. In particular, the GEF and CIFs are embedded within the World Bank Group and can rely on the Bank for some functions such as human resources and legal services.

26. Taking account of the likely staff needs for each function, a possible initial structure of the non-operational support to the Executive Director within the Secretariat is presented in Annex IV, Figure 5. This structure reflects the following considerations:

- (a) Small separate units could be established for Human Resources, External Relations, and Finance.
 - (i) **Option 1. Human Resources Unit.** Will need a sufficient complement of staff from the very beginning because it will be critically important for the Fund to be

able to find and attract high-quality staff with the right set of skills from around the world.

- (ii) **Option 2. External Relations and Partnerships Unit.** Will likely need several high-level staff to ensure that the Fund establishes from the beginning an excellent reputation for openness and communication, especially with civil society, and collaboration with other organizations. This Unit would have particular responsibility for fulfilling the mandate from paragraph 71 of the Governing Instrument which requires the Fund to develop mechanisms to promote the input and participation of stakeholders, including private-sector actors, civil society organizations, vulnerable groups, women and indigenous groups, in the design, development and implementation of the strategies and activities to be financed by the Fund.
- (iii) **Option 3. Finance Unit.** Even taking into account that the financial assets of the Fund will at least initially be held and invested by the Trustee, handling the internal financial processes of the Fund, including commitments and disbursements for projects and programmes, will initially require several higher-level staff in a separate Finance Unit. The size of the Finance Unit would need to be increased to the extent that the Fund receives resources other than grants and provides concessional loans and other financial instruments that are more complicated to manage than grants. In particular, as the sources and uses of the Fund's financial resources become more diverse, it will be essential that this Finance Unit has the capacity for financial risk management.
- (b) **Option 4. Joint legal, resource mobilization, and strategy, policy and procedures functions.** The Executive Director will also need support in three key areas: legal; resource mobilization; and strategy, policy and procedures. At least initially, it is possible that these areas could be handled by a senior staff member or two, working in collaboration with other senior staff in the Secretariat, and that these functions would not involve a sufficiently large number of staff in the early period of the Fund to justify designation as a separate unit. While the development of strategy, policy and procedures will be critically important for all of the operations of the Fund and will merit considerable attention in the early period, this work should be undertaken with the full engagement of the Executive Director and the senior staff of all of the operational units of the Fund, not by some group of staff who are not also directly and deeply engaged in operational relationships with clients. Over time, as the Fund grows, it may be necessary to form separate units for each of these functions.
27. In addition to these support units and senior staff that are needed in any organization, there are two other units that would be necessary for the particular purposes of the Fund, and these are also shown in Annex IV, Figure 5:
- (a) **Option 5. Accreditation Unit.** As stated in the Governing Instrument and discussed in document GCF/B.04/05, under all four options, access to the Fund will be through national, regional and international implementing entities accredited by the Board. To this end, the Fund will need to establish an institutional capacity, a process and criteria for accreditation that reflect the Fund's fiduciary standards and environmental and social safeguards. These critically important functions should be assigned to an Accreditation Unit with core staff, who, under the guidance of the Board and with input from other units of the Secretariat, would establish accreditation criteria for all categories of implementing and funding entities, revise those criteria from time to time based on experience, and, if so decided by the Board, organize the membership and work of an outside Accreditation Panel in order to make judgments about applications for accreditation.

- (b) **Option 6. Technical advisory groups.** Consistent with the mandate from the Governing Instrument to develop mechanisms to draw on appropriate expert and technical advice, in all four options, there would be one or more technical advisory groups of outside technical experts who would assist Fund staff in assessing the quality of proposals and in fulfilling the mandate from the Governing Instrument that the Fund should be a continuously learning institution. It may be appropriate to have one technical advisory group for adaptation and another for mitigation. Each group should include experts covering the full range of Fund activities, with particular emphasis on including within the groups the expertise not available among the Fund's core staff at that time. As the Fund grows and the pattern of demand for its support becomes clearer, more specialized advisory groups could be considered. These experts could meet on a regular basis with Fund staff for the sake of mutual learning and could also be called on individually from time to time to provide specific, short-term assistance to Fund staff when assessing particularly innovative proposals. To the extent that the Fund is confident that it could rely on such technical advisory groups, it would need less specialization among its core staff. This would favour recruiting core staff with broader, less technically specific skills and organizing them into units with geographical specialization. However, in establishing and managing such groups, the Fund would need to take care that they provide cost-effective services that facilitate the Fund's decision-making processes.

3.4 Options for the Fund's governance structure

28. This Section considers the matters relating to the structure and organization of the overall governance structure of the Fund – that is, components that report to the Board in addition to the Secretariat itself. One approach would be that Board committees would parallel the organizational principle of the core operational units of the Secretariat, in addition to committees covering functional responsibilities such as finance, operational policies, etc. Table 4 below provides an overview of such options for committees for the Fund.

Table 4: Summary of possible governance options for the Fund

Core operational units (Section 3.1)	Options for alignment of Board committees to core operational units (paragraph 27)
Option 1. Adaptation Unit; Mitigation Unit ; PSF.	Option 1. Three committees of the Board focus on the PSF, mitigation and adaptation.
Option 2. Country Strategy and Programme Support Unit; Adaptation Unit; Mitigation Unit; PSF.	Option 2. Three committees as in Option 1 and an additional committee on country strategies and programmes.
Option 3. Africa Department; Asia Department; Latin America Caribbean (LAC) and Other Countries Department; LDC/SIDS Department; PSF.	Option 3. Committees of the Board focus on the same geographic specializations as departments within the Secretariat.
Option 4. PSF; Concessional Loans Unit; Grants Unit.	Option 4. Committees of the Board focus on the PSF, concessional loans, and grants.

29. The Governing Instrument states that the Fund will have a Trustee to manage the financial assets of the Fund and that that the Trustee will report to the Board and work with the Secretariat to support the Board.

30. Also, the Governing Instrument mandates two components of the Fund's structure and organization: an Independent Evaluation Unit and an Independent Integrity Unit. However, it is not obvious that these Units would need to be fully staffed from the beginning of operations of the Fund. Instead, a senior person might be sufficient until the Fund's operations begin to

expand. In the initial years of the Fund, before the Independent Evaluation Unit has any completed activities to evaluate, that Unit might focus largely on assisting the core operational units to set up good monitoring and evaluation systems. Finally, the Governing Instrument mandates that the Board should establish an independent redress mechanism, and, for the sake of this document, it is assumed that such a mechanism would be established and operated within the Independent Integrity Unit. Taking into account these provisions, Annex IV, Figure 6 presents the governance structure and organization of these mandated units of the Fund.

31. **Options for Board committees.** Although not mandated by the Governing Instrument, Board discussions to date have indicated that the Board may consider establishing committees that could assist with the Board's roles and functions as detailed in the Governing Instrument (paragraph 18). There are two broad options in terms of the nature of the Board's committees:

- (a) **Option BC₁. Delegated decision-making authority.** Some committees could be delegated decision-making authority with respect to specific responsibilities of the Board. For example, a committee might be given decision-making authority with respect to all aspects of the accreditation process, or for oversight of the Independent Evaluation Unit. The advantage of this Option is that these committees might be able to devote greater attention to the matters under consideration than might be possible by the Board as a whole and to reduce the number of decisions that must be taken up by the Board as a whole;
- (b) **Option BC₂. Pre-review and recommendations.** The committees would be assigned only to pre-review matters that would then need to be taken up by the entire Board for decision. For example, separate committees could be established to review all funding proposals for adaptation and mitigation and to make recommendations to the Board. The advantage of this Option is that, while detailed review could be done in committees, the Board as a whole would nonetheless retain a comprehensive overview of, and responsibility for, the Fund's work.

32. In deliberating about these options, it may be helpful to review the specific role and functions of the Board as specified in the Governing Instrument (paragraph 18). The Board needs to decide which of these functions should be retained within the purview of the full Board and which, if any, might be delegated to various committees in order to facilitate the effective performance of all Board functions.

33. **Possible alignment of Board committees to the structure and organization of the Secretariat.** Under either of the two options with respect to the decision-making authority of committees, the choice of committees might be aligned with the organizational principles used for the structure and organization of the Secretariat. For example, in line with Option 1 for the core operational units of the Secretariat, the Board might wish to create three committees to focus on the PSF, adaptation and mitigation, respectively. Under Option 2, the Board might add a committee on country strategies and programme support. If the Secretariat is organized as indicated under Option 3, the Board might wish to create committees that have the same geographic specialization as the departments within the Secretariat, or, under Option 4, committees for the PSF, concessional loans, and grants. The advantage of such alignment of the Board committees with the operational structure of the Secretariat would be that the sub-set of Board members on each committee could become fully familiar with a well-defined part of the Fund's operations. Such an organization of Board committees might also facilitate selection of observers, as mandated by the Governing Instrument (paragraph 16). However, the disadvantage would be that, assuming some limitation on the total number of Board committees, the creation of three, four or even five committees in alignment with the core operational units of the Secretariat might preclude creation of a sufficient number of other committees to cover all of the Board's cross-cutting responsibilities, such as for overall operational policies and guidelines, financial management, accreditation, evaluation, etc. This in

turn could also become a time-intensive process for Board members who are part of several committees.

3.5 An overview of the entire structure and organization

34. The Sections above considered separately the options for the core operational units of the Secretariat, the other, supporting units of the Secretariat, and other components of the Fund's overall governance structure. These are presented separately in Annex IV, Figures 1-6. For the sake of representing the entire structure and organization of the Fund, Annex IV, Figure 7 combines the Secretariat with the other units reporting to the Board, using Option 1 as the simplest of the options for the core operational units merely as an illustration. The entire structure could easily be presented using Options 2, 3, or 4 for the core operational units of the Secretariat as only these core operational units and not the other, supporting units of the Secretariat or the other components of the Fund's governance structure would change. This Figure does not present any options for Board committees.

3.6 Possible implications for phasing

3.6.2 Comments on phasing and evolution of the Fund's core operational units

35. Options 1, 2, and 3 could be regarded as options for the structure and organization that the Fund would establish initially and maintain for, say, the first five years of its existence. Under any one of these options, the size and expertise of the staff within the Adaptation and Mitigation Units could grow in response to the evolving pattern of demand for the Fund's assistance.

36. Alternatively, Options 1, 2 and 3 could be regarded as a logical, evolutionary sequence for the Fund's growth over time at a pace determined by its resources and the demand from countries for its support.

37. Option 1 could be a minimalist structure that would be suitable for a Fund with a small initial staff – not as small as the CIFs administrative unit, but perhaps more on the scale of the GEF staff who are focused on climate actions within the GEF's broader portfolio.

38. Once that foundation for the Fund's work is solidly in place, a Country Strategy and Programme Support Unit, as envisioned in Option 2, could be established relatively early in the Fund's evolution as the vehicle for supporting greater engagement with selected countries on climate strategy, for exploration of programmatic approaches, and for expanded readiness support to NIEs.

39. If the Fund is successful in these endeavours such that its own resources grow substantially, it could initially add staff within the structures of Option 2 and, as it reaches sufficient size, disaggregate those staff along geographic lines as envisioned under Option 3.

40. Under Option 4, in which the core operational units would be focused on financial instruments, the possible pathway of growth would be different than described above: conceivably, the Fund could begin with units for grants, concessional loans and the PSF and then add other specialized units if the Fund developed other financial instruments for which the volume of activity would become sufficiently large so as to merit a separate unit. Furthermore, under Option 4, a separate unit for Country Strategy and Programme Support could be added as the Fund grows.

3.6.3 Comments on phasing and evolution of other components of the Fund

41. As noted above, the other, supporting units of the Secretariat might also evolve over time. It should be mentioned that, in the first year or so, under any option for the intended structure and organization, staffing for the other, supporting units of the Secretariat would need to proceed more rapidly than staffing for the core operational units so that the administrative, legal and financial apparatus of the Fund could be set in place before operations actually begin. In other words, in its first year or so, the Secretariat would be “top-heavy,” with a disproportionately larger number of other, support staff relative to core operational staff.

42. While a strong Unit for Human Resources and for External Relations and Partnerships would probably be essential from the beginning, the other supporting functions – legal, strategy, policy and procedures, resource mobilization, and even finance – might begin with very few senior level staff and grow only as the Fund grows. Noting the Board convergence at its March 2013 meeting in Berlin, Germany, that the Fund would “*focus initially on grants and concessional lending, and employ additional financial instruments as necessary to effectively achieve the objectives of the Fund*” (decision B.01-13/06), the evolving requirements for the Finance Unit would deserve particular attention as the Fund evolves from a grant-receiving, grant-giving institution to a more complex set of sources and uses. In that event, capacity for analysing and managing the Fund’s financial risks will be essential.

43. With respect to the technical advisory groups, it would seem prudent to limit their size until it becomes clearer how such external experts can be used most effectively.

44. In addition to the Secretariat, consideration should be given to how the Independent Evaluation Unit should evolve. As mandated by the Governing Instrument, the Fund will need to be “a continuously learning institution guided by processes for monitoring and evaluation”. Given that imperative, although the Independent Evaluation Unit will report directly to the Board, it could play an important role, especially in the early years of the Fund, in helping the operational units to put in place good systems for monitoring and evaluation. Over time, the evaluative studies undertaken by the Unit should be used to guide staff toward continuous improvement in the Fund’s operations and to help direct the evolution of the structure and organization as the Fund learns and grows.

45. The role, and potentially the size, of Independent Integrity Unit will likely become important only after the Fund begins to expand its activities. However, if it is envisioned that this Unit would have responsibility for internal audits of the Fund, then it would need to have sufficient capacity for this function from the beginning.

46. Finally, with respect to Board committees, it would seem prudent to begin with a smaller number of the most essential committees and add committees, as required.

IV. Next steps and possible further work relating to the structure and organization

47. There are several areas in which further analysis relevant to the structure and organization of the Fund should be undertaken:

- (a) Given that the Fund intends to be country-driven and demand-responsive, it would be useful to understand the pattern of demands for climate finance as experienced by the GEF, CIFs, and the Adaptation Fund. Data on approved projects and programmes, as well as those in the pipeline, should be collected and aggregated to reveal thematic and regional patterns of demand as well as any change in patterns over time. This might be a useful input to the Fund’s decisions on how to define its sub-units within its Adaptation and Mitigation Units, on what technical skills it should seek among its initial core staff,

and on how staff might be assigned geographically. However, such data should be only one input into such decision-making because it will not reflect the ways in which the Fund might be able to transform the scale and direction of climate finance;

- (b) If the Fund intends to actively explore the possibilities for moving strongly towards programmatic, rather than project, funding, it would be important to understand recent global experience with programmatic approaches, including budget support and sector-wide approaches, by development assistance agencies. Relevant studies of that experience have been done by the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC), the World Bank, bilateral agencies, and some academics. Of course, climate finance is not development finance, and any lessons of experience from programmatic funding of development would need to be adapted to the needs of climate finance. This document was not able to include any estimates of the costs of different structure and organization options. Data about the costs associated with the structure and organization and operational modalities of other multilateral organizations might be helpful in preparing such estimates. A careful analysis is clearly needed in this area;
- (c) This document did not examine detailed options for the creation of Board committees. Such an examination could be usefully informed by a review of Board committees and any other structures involved in the governance of other multilateral organizations.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.04/08 *Business Model Framework: Structure and Organization*:

- (a) Decides to adopt as the core operational units of the Secretariat Option [X: description], as described in section [X] of document GCF/B.04/08;
- (b) Further decides to adopt as the supporting units of the Secretariat a Human Resources Unit, an External Relations and Partnerships Unit, a Finance Unit, an Accreditation Unit and, as relevant to the needs of the Board, technical advisory groups;
- (c) Further decides, that in the Fund's initial phase, that general service functions, such as the legal, resource mobilization and strategy, policy and procedures functions, and the functions of the Independent Evaluation Unit and Independent Integrity Unit be undertaken as part of the role of the Secretariat, with a view to forming separate units for these functions as the Fund grows over time, as required;
- (d) Further decides to adopt a mix of permanent and ad hoc committees of the Board that either have delegated decision-making authority or pre-review matters with a view to making recommendations to the Board for decisions, as required, to assist in the fulfilling the roles and functions of the Board;
- (e) Notes that the structure and organization of the Private Sector Facility is considered separately in document GCF/B.04/07 on the Fund's Private Sector Facility;
- (f) Requests the Interim Secretariat to prepare a document examining detailed options for the creation of Board committees, informed by a review of the Board committees and governance structures of other funds, to be considered by the Board at its September 2013 meeting;
- (g) Requests the Interim Secretariat to prepare a document outlining the functions and procedures for the Independent Evaluation Unit and Independent Integrity Unit to be considered by the Board at its first meeting in 2014;
- (h) Further requests the Interim Secretariat to prepare a document on the cost, procedure and process for the implementation of the structure and organization of the Fund, as agreed by the Board, including the timeframes for the commencement of the operations of each of the components of the Fund's structure, and including the reporting structure and process for the operational, policy and administrative decision-making of the Fund, to be considered by the Board at its September 2013 meeting;
- (i) Further requests the Interim Secretariat to prepare an initial Secretariat structure diagram and staffing table covering the core functions of a streamlined and efficient Secretariat and Fund structure and organization.

Annex II: List of referenced and reviewed literature and information sources

1. Academic and other literature that provides background information relating to the structure and organization of the Fund:

Abbott, Kenneth W., and David Gartner, "The Green Climate Fund and the Future of Environmental Governance," *Earth System Governance*, September 2011.

Ballesteros, Athena, et. al., "Power, Responsibility, and Accountability: Re-thinking the Legitimacy of Institutions for Climate Finance," *World Resources Institute* 2010.

Bezanson, Keith, and Paul Isenman, "Governance of New Global Partnerships: Challenges, Weaknesses, and Lessons," *CGD Policy Paper 014*, Center for Global Development, October 2012.

Bird, Neil, Jessica Brown, and Liane Schalatek, "Design challenges for the Green Climate Fund," *Climate Finance Policy Brief No. 4*, Heinrich Boll Stiftung and the Overseas Development Institute, January 2011.

Birdsall, Nancy, and Michelle de Nevers, "Adaptation Finance: How to Get Out from between a Rock and a Hard Place," *CGD Policy Paper 001*, Center for Global Development, February 2012.

Brown, Jessica, Neil Bird, and Liane Schalatek, "Direct Access to the Adaptation Fund: realizing the potential of National Implementing Entities," *Heinrich Boll Stiftung and the Overseas Development Institute*, November 2010.

Caravani, Alice, Smita Nakhooda, Charlene Watson, and Liane Schalatek, "The Global Climate Finance Architecture," *Heinrich Boll Stiftung and the Overseas Development Institute*, November 2012.

Fry, Tom, "A faulty model? What the Green Climate Funds can learn from the Climate Investment Funds, The Bretton Woods Project, June 2011.

2. Information sources about the structure and organization (usually including the organizational chart) as well as the operations of other multilateral organizations/funds:

GEF: http://www.thegef.org/gef/gef_structure

CIFs: <https://www.climateinvestmentfunds.org/cif/aboutus>

Adaptation Fund: <https://www.adaptation-fund.org/about>

Global Fund: <http://www.theglobalfund.org/en/about/>

GAVI Alliance: <http://www.gavialliance.org/about/>

ADB: <http://www.adb.org/about/main>

World Bank:

<http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,pagePK:50004410~piPK:36602~theSitePK:29708,00.html>

Annex III: Overview of the structure and organization of other multilateral organizations/funds

Table 1: Listing of non-operational units within the secretariats (with the number of staff, when known)

GEF	CIFs	Global Fund	Adaptation Fund	GAVI Alliance
Front Office (7) with staff for human resources liaison	Administrative Unit (6) (Programme Director and Deputy and 4 staff dedicated to each of the Funds)	Office of Executive Director	Secretariat Services provided by GEF on interim basis (6)	Executive Office
Operation and Business Strategy (16) with staff for finance and resource management		Human Resources		Internal Audit Including Director for Transparency and Accountability
External Affairs (16) with staff for country and NGO relations		Legal and Compliance		Strategic Initiatives
Evaluation Office (14)		Risk Management		Policy and Performance
		Communications		Finance and Operations
		External Relations		Innovative Finance
		Strategy, Investment and Impact		Legal and Governance
		Finance (several sub-units)		Human Resources
				Resource Mobilization
				Directors for Advocacy and Public Policy, and Media and Communications

Table 2: Criteria for organization of other multilateral organizations/funds

	Extent to which the organization is influenced by:		
	Thematic group	Financial instrument	Geography
GEF	The GEF staff who work directly on projects and programmes are organized into two thematic units that report directly to the CEO: the Climate Change and Chemicals Unit (CC), which covers all mitigation-related programmes except REDD+ and adaptation programmes not funded by the Adaptation Fund, and the Natural Resources Unit (NR), which covers REDD+ and other land-use change programmes. A small separate Adaptation Fund unit deals only with programmes financed by that UNFCCC funding instrument.	The GEF provides funding only as grants but requires co-financing from partners and the recipient. ¹ The minimum co-financing is differentiated by project type and grant size to provide operational flexibility. Co-financing from the World Bank and RDBs is often in the form of loans and credits.	None of the GEF's units are organized by geography. Within the thematic units, there is no formal assignment of responsibilities among technical specialists for specific regions. Within the External Affairs office, there are four country relations officers, each of whom is presumably assigned to a specific set of countries, but this is not reflected in the position title.
Adaptation Fund	The Adaptation Fund uses six categories for its projects and programmes: agriculture, rural development, food security, water management, coastal management, disaster and disaster relief (DDR), and multi-sector.	The Adaptation Fund provides only grants.	The small unit of the Adaptation Fund within the GEF does not have any formal geographic specialization.

¹ See <http://www.thegef.org/gef/sites/thegef.org/files/documents/C.20.6.pdf>

<p>CIFs</p>	<p>The CIFs provide additional financing for projects and programmes that are approved and managed by the MDBs and therefore does not have its own staff who are directly involved in reviewing and approving these projects and programmes. Its permanent staff consists only of a small Administrative Unit supported by Trustee Committees. The Trustee Committees include both geographically structured committees and thematic committees corresponding to the four funds—Clean Technology Fund (CTF), Forest Investment Programme, Pilot Programme for Climate Resilience, and Scaling Up Renewable Energy Programme. The last three of these are grouped within the overarching Strategic Climate Fund (SCF) for the sake of fund mobilization.</p>	<p>Funds from the CIFs funds are disbursed to finance MDB projects and programmes as grants, highly concessional loans, and/or risk mitigation instruments such as guarantees and equity.² CTF financing provides a grant element tailored to cover the identifiable additional costs of the investment necessary to make the project viable.³ SCF financing is provided on the same terms of the associated MDB financing, which typically depends on the per capita income of the recipient country. For both the CTF and the SCF, the MDB is responsible for returning to the Trustee any reflow of funds (e.g., repayment of concessional loans) received by it on any financing instrument provided with CTF or SCF resources.⁴</p>	<p>Neither the small Administrative Unit nor the Trustee Committee for the several funds has any geographic orientation.</p>
<p>The Global Fund</p>	<p>Given its specific focus, the Global Fund is not organized according to thematic units but according to geography.</p>	<p>The Global Fund provides only grants and does not have specific requirements with respect to co-financing.</p>	<p>The Global Fund’s Grant Management Unit has five sub-units that are geographically focused: “High Impact Africa 1,” “High Impact Africa 2,” “Africa and Middle East,” “High Impact Asia”, and “Asia, Europe, Latin America and the Caribbean.”</p>
<p>GAVI Alliance</p>	<p>Given its specific focus, the GAVI Alliance is not organized according to thematic units but according to functions. Within the Country Programmes Department, there is thematically-oriented Director for Vaccine Implementation.</p>	<p>The GAVI Alliance provides funds as grants to support approved programmes. However, only the poorest countries with per capita income below US\$ 1,550 per year are eligible to receive support and, to enhance country ownership of vaccine financing and set a path to financial sustainability, GAVI requires countries to contribute towards the cost of the vaccines they receive. Co-financing levels are determined by each country's ability to pay.</p>	<p>The GAVI Alliance’s organization reflects no geographic specialization.</p>

² See <https://www.climateinvestmentfunds.org/cif/funding-basics>.

³ See Governance Framework for the Clean Technology Fund, paragraph 11.

⁴ See Governance Framework for the Clear Technology Fund, paragraph 52, and Governance Framework for the Strategic Climate Fund, paragraph 54.

<p>World Bank</p>	<p>The World Bank’s organization for lending (including grants) operations has a complex matrix structure: the Regional Offices cover six geographic regions and are divided into thematic units as well as units focused on a specific set of countries; and the non-Regional Offices cover four broad thematic areas (sustainable development, poverty reduction and economic management, human development, and financial and private sector development) and provide support to the corresponding thematic units within the Regional Offices. Projects and programmes relating to adaptation and mitigation are handled primarily through the Sustainable Development and Poverty Reduction and Economic Management units within each Regional Office. CIFs funds can be used to help finance suitable projects and programmes in any unit within the World Bank.</p>	<p>The World Bank provides grants, concessional loans, and non-concessional loans to governments. In the lending to governments, none of them are organized according to financial instrument. Eligibility for grants, concessional loans, or non-concessional loans is determined on a country basis based on per capita income. Any particular operational unit within the bank, for example, the Human Resources Division in Latin America and the Caribbean of the World Bank, might manage the operational aspects of both grant funding to Haiti and non-concessional loans to Mexico. The management of financial flows to and from the country is handled by a financial support unit. For financing of the private sector, the World Bank Group has a separate institution, the International Finance Corporation.</p>	<p>The World Bank’s six Regional Offices cover: East Asia and the Pacific (EAP) (which includes Southeast Asia); South Asia (SAR); Europe and Central Asia (ECA); Middle East and North Africa (MENA); Africa (AFR), which excludes North Africa); and Latin America and the Caribbean (LAC). See box under Thematic group for additional information about the World Bank’s matrix structure.</p>
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<p>ADB</p>	<p>The ADB's organization for lending (including grants) operations has five departments that cover separate geographic areas, and each department has up to six thematic divisions (Public Management, Financial Sector, and Trade; Energy; Transport and Communications; Urban Development and Water Division; Environment, Natural Resources, and Agriculture; Human and Social Development). Within each department, there are resident missions in each major recipient country as well as divisions handling portfolio oversight and regional cooperation. These operational departments are supported by units within a separate Vice-Presidency for Knowledge Management and Sustainable Development, which has thematic divisions that are different from those within the operational departments and which includes a separate Climate Change Programme Coordination Unit.</p>	<p>Essentially the same as the World Bank.</p>	<p>The ADB's two operational Vice-Presidencies are sub-divided into five regional departments: Operations 1 into South Asia, and Central and West Asia; and Operations 2 into East Asia, Southeast Asia, and Pacific. See box under Thematic group for additional information about the ADB's matrix structure.</p>
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Annex IV: Organizational charts

Figure 1: Option 1 for core operational units of the Secretariat:
a thematic structure with a project focus

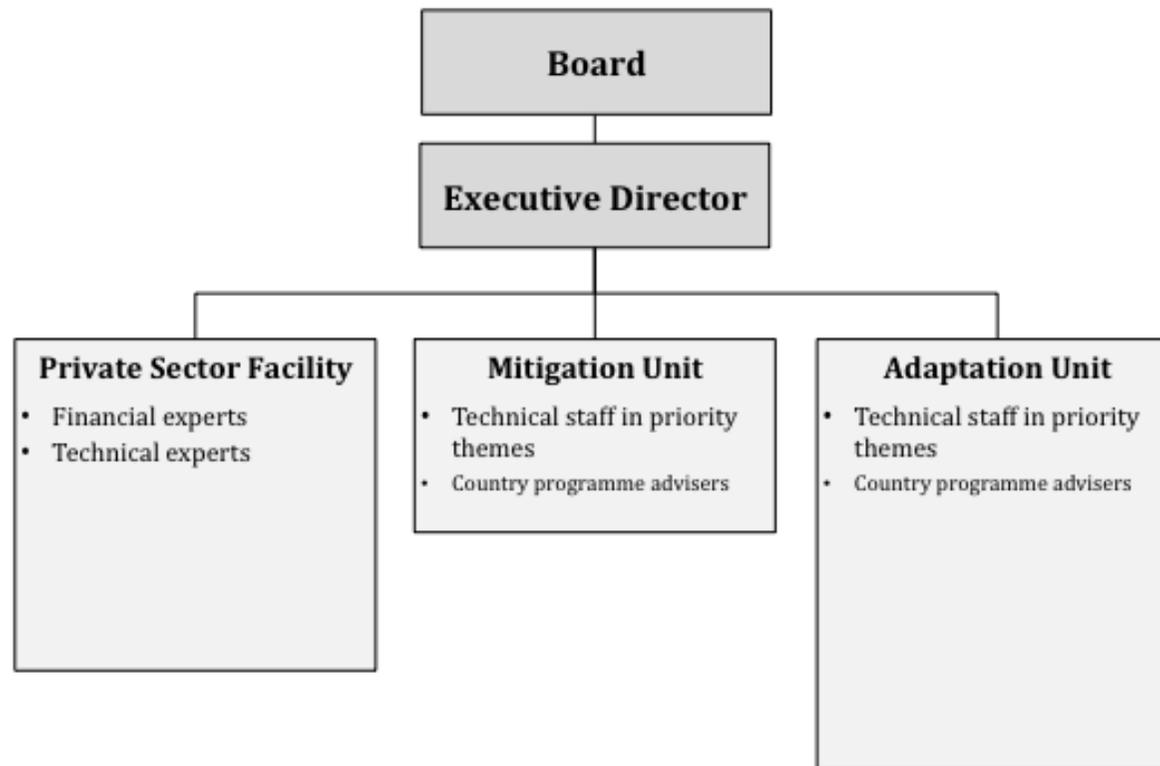


Figure 2: Option 2 for core operational units of the Secretariat:
a thematic structure with stronger country strategy and programme focus

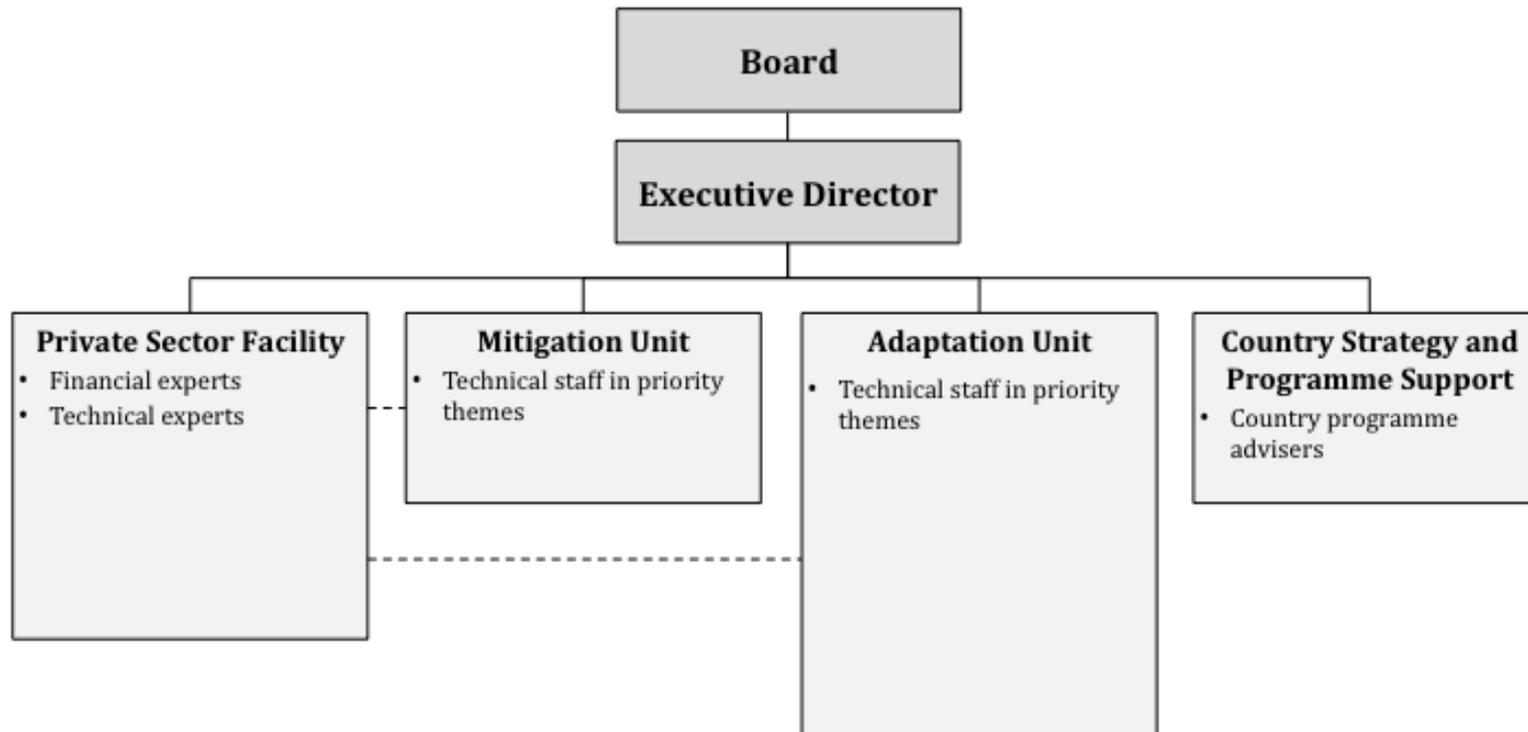


Figure 3: Option 3 for core operational units of the Secretariat:
a geographic orientation

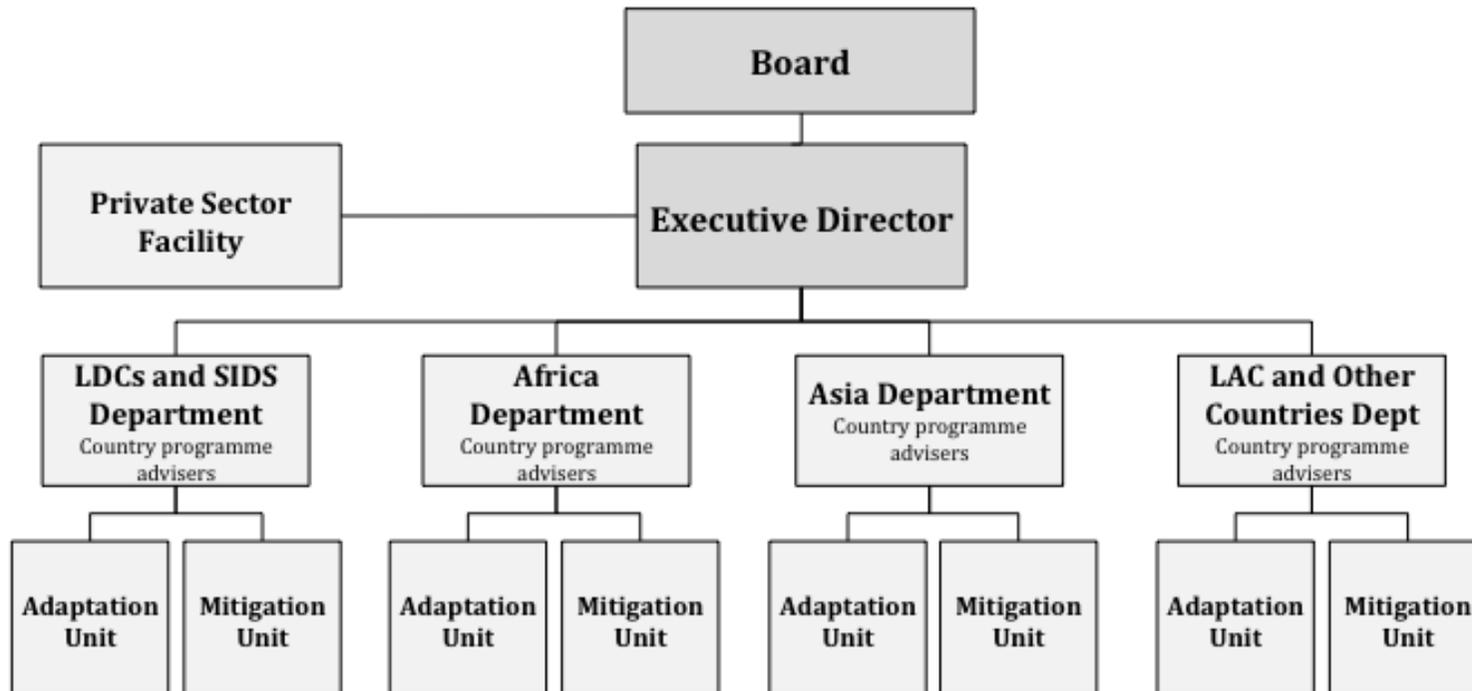


Figure 4: Option 4 for core operational units of the Secretariat:
a financial instruments focus

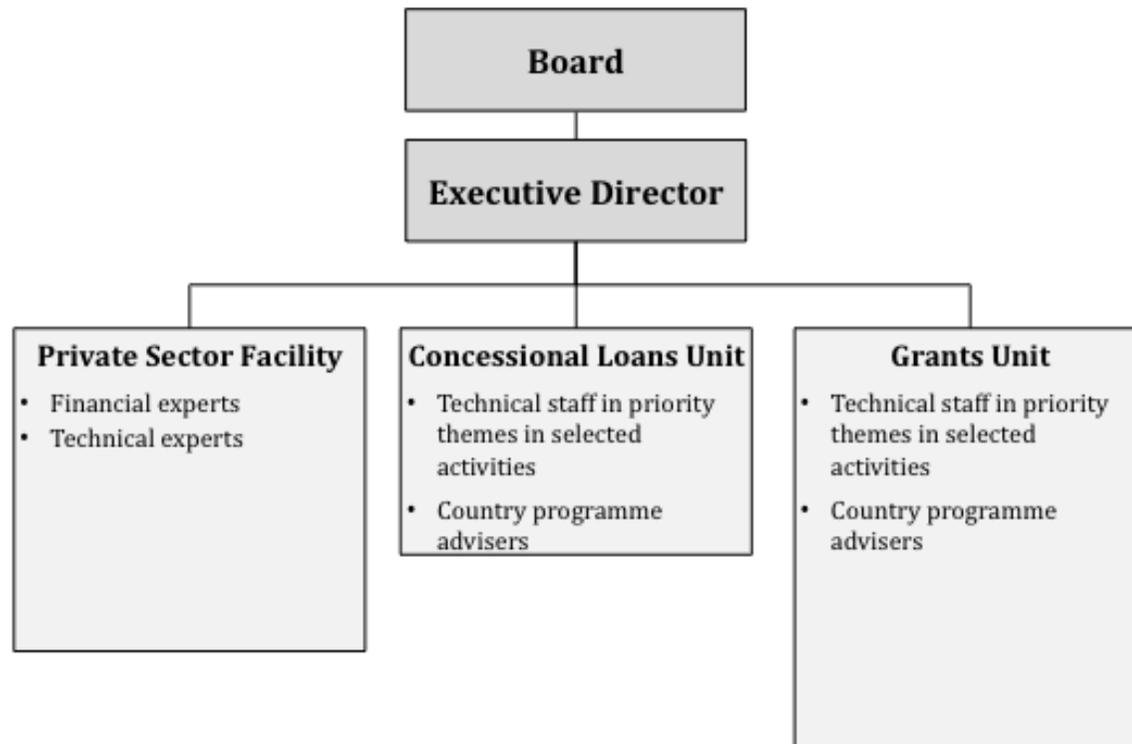


Figure 5: A possible elaboration of the structure and organization for the full Secretariat using Option 1 for illustration of the core operational units

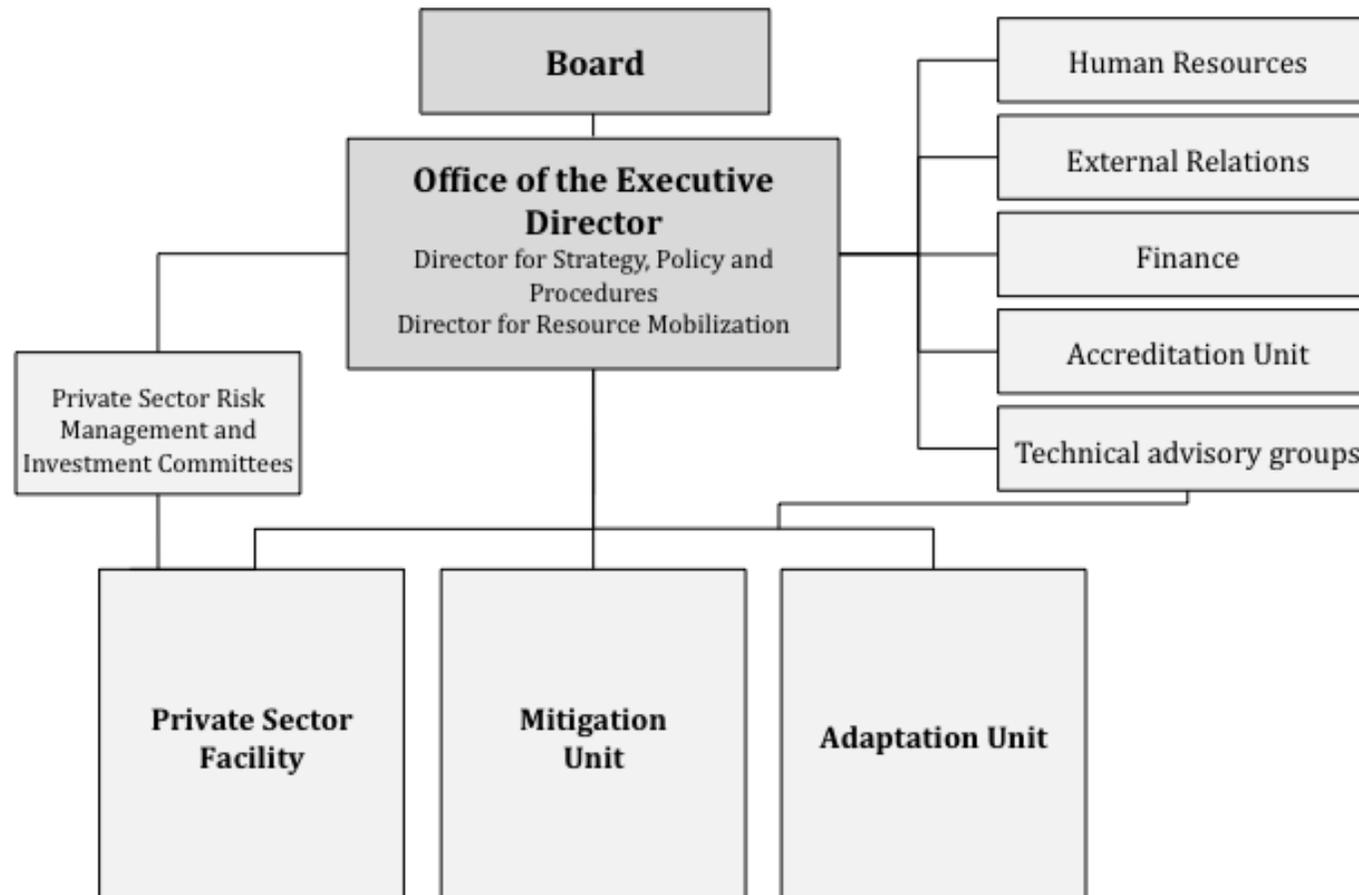


Figure 6: Structural components of governance specified by the Governing Instrument

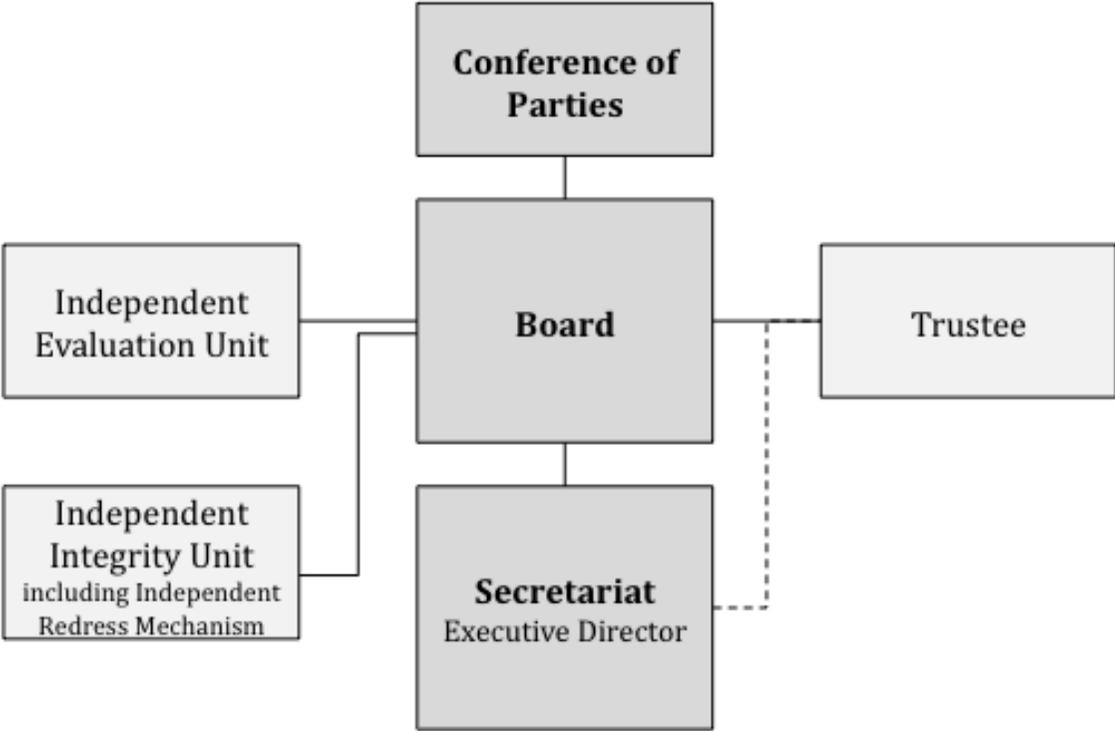


Figure 7: Overall structure and organization for the Fund using Option 1 for illustration of the core operational units

