



**GREEN
CLIMATE
FUND**

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11 December 2016

Competitive process for the selection of the Permanent Trustee

Summary

This document provides recommendations for the selection of the permanent trustee.

I. Introduction

1. In its decision 1/CP.16 paragraphs 104 – 107, the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) decided that the Green Climate Fund (GCF) will have a trustee with relevant competence to manage the financial assets of GCF and invited the World Bank to serve as the Interim Trustee (IT) of GCF. Subsequently, the World Bank has been serving as the IT to date.
2. In its decision 3/CP.17 paragraph 16, the COP invited the Board of the GCF to select a Trustee through an open, transparent and competitive process.
3. In its decision B.08/22, the Board agreed that the process to appoint the permanent Trustee should be concluded no later than the end of 2017 so that the permanent Trustee can start its contractual agreement with GCF no later than April 2018. In the same decision, the Board requested the Secretariat to consider the following actions:
 - (a) Drafting the terms of reference for the review of the IT, following paragraph 26 of the Governing Instrument for the GCF;
 - (b) Examining the option for the GCF to provide its own permanent Trustee services;
 - (c) Developing a list of institutions/organizations which could potentially serve as permanent Trustee; and
 - (d) Developing a methodology for an open, transparent and competitive bidding process to select the permanent Trustee.
4. In the Board document GCF/B.12/18, it informed (i) options for the GCF to provide its own permanent trustee service, (ii) institutions/organizations with relevant financial trustee experience, and (iii) the methodology for the selection of the permanent trustee; as the result of this Board document, in its decision B.12/38, the Board requested the Secretariat to commission an independent third party to implement the review of the IT, in consultation with and oversight of the Risk Management Committee.
5. At B.14, Dalberg, the independent third party selected through an open, competitive procurement process pursuant to decision B.12/38, conducted an evaluation of the IT in accordance with agreed terms of reference, and the result of the review was presented. As a part of the above review, Dalberg also submitted the attached report “Review of the Interim Trustee of the Green Climate Fund: Considerations for the Process to Identify a Permanent Trustee” (the Report) (Annex II) which provides recommendations for the selection process.
6. Based on the above decisions and the Report, this document provides an option for the selection of the permanent trustee in accordance with COP decisions, the Governing Instrument and decisions by the Board.

II. Possible actions by the Board

7. Regarding the selection of the Permanent Trustee, the Board may wish to adopt the draft decision presented in the annex to this document.

III. Recommendations

8. Based on the decision 3/CP.17 of the COP, consideration of the Report’s analysis and in line with decision B.08/22, the process for selecting the permanent trustee could be implemented through an open, transparent and competitive bidding process. It should be noted

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.15/15 titled “Competitive process for the selection of the Permanent Trustee”:

- (a) Requests the Secretariat to submit to the Board by B.16 for its approval a detailed TOR for the permanent Trustee in accordance with Decision 1/CP.16, paragraphs 104-107, the Governing Instrument and Board decisions, and a detailed plan for the competitive procurement procedure for the selection of the permanent Trustee; and
- (b) Requests the Co-Chairs to submit to the Board by B.16 for its approval a decision making procedure for the selection process.



REVIEW OF THE INTERIM TRUSTEE OF THE GREEN CLIMATE FUND

FINAL REPORT: CONSIDERATIONS FOR THE PROCESS TO IDENTIFY A PERMANENT TRUSTEE

SEPTEMBER 23, 2016

1. INTRODUCTION

The review of the Interim Trustee revealed that, overall, stakeholders are happy with its performance across all of its four key roles: management of investments, contribution management, cash transfers, and financial reporting to the Board and the Secretariat.

However, the findings also revealed that GCF has some emerging needs, and that in certain areas GCF may benefit from exploring options that will change the needs for trustee services. GCF has the option of leveraging on its internal capabilities and gradually assuming more responsibilities over time, if and when it chooses to do so. The Secretariat is already fulfilling parts of roles that a trustee typically provides by, for example, disbursing Readiness grants, conducting due diligence on fund recipients (through its accreditation process), and overseeing liquidity management. It should be noted, however, that the exact pace and scope of further internalization is dependent on many factors, such as the capacity of the Secretariat and the level of comfort of the Board, and therefore difficult to predict.

The two areas particularly likely to benefit from more flexibility in the future are cash transfers and investment management. GCF has recently faced challenges in making its first cash transfer to one of its projects approved by the Board. When GCF requested that the Interim Trustee transfer funds to the executing entity directly, as moving the funds through the project's accredited entity posed legal and compliance complications for the accredited entity, the Interim Trustee indicated that it is not in a position to make cash transfers to any entity other than the GCF (Secretariat) and accredited entities. Investment management could benefit from additional flexibility around investment priorities (e.g., de-carbonizing GCF's investment income).

This document outlines the rationale for why GCF may benefit from having additional flexibility for these trustee functions, and how this could inform GCF's approach to selecting a trustee when the term of the Interim Trustee expires in April 2018.

More specifically, this document describes the exact scope of services that may be entrusted with the trustee and how that scope may evolve over time. Based on the projected scope, this document assesses two options for the selection of the permanent trustee: (1) extending the arrangement with the Interim Trustee and (2) competitive selection of the trustee.

2. SCOPE OF SERVICES – NOW AND IN THE FUTURE

The Interim Trustee currently provides services across four key areas, as described in our review report:

- Management of investments
- Contribution management
- Cash transfers
- Financial reporting to the Board and the Secretariat

The bulk of the Interim Trustee’s work focuses on management of investments, contribution management (including resource mobilization), and cash transfers. We have excluded financial reporting for the purpose of determining the future scope of services and considering options for the future, as this service is already largely provided internally.

The next few paragraphs summarize the current scope of services and how these may evolve in the future, as GCF increases activity.

Management of investments

Current scope

The Interim Trustee is responsible for administering all the contributions within a single trust fund, and investing and reinvesting the contributions in accordance with the Bank’s policies and procedures. All income generated through such investment activities is credited to GCF. The Interim Trustee’s scope of services in investment management, however, is relatively limited. For example, within its current terms of reference, the Interim Trustee is not responsible for assisting GCF with strategic allocation of cash. As GCF does not yet have a policy on investment of its undisbursed funds, its funds are invested according to the Interim Trustee’s default investment strategy for all Trust Funds. The Interim Trustee does not provide liquidity management services (as it does for some other trust funds in addition to investment management), as this is done internally by GCF.

How it may evolve

For most contributors, knowing that a trusted supranational institution such as the World Bank will be safeguarding their countries’ contributions through risk-controlled investment strategies is a significant factor in being able to mobilize resources for GCF. Therefore, from a resource mobilization point of view, GCF is likely to benefit from continuing to outsource this function to the Interim Trustee, or an organization with similar capabilities and reputation.

However, GCF’s investment priorities and needs are developing, and these areas may benefit from having more flexibility. For example, GCF has recently held discussions the Interim Trustee on potentially customizing its portfolio so that its investments are de-carbonized and all investment income is generated through “green” investments.¹ The Interim Trustee is currently investigating this possibility, and plans to provide an update on its feasibility by June 2017. However, this would involve a material shift in the way how the Interim Trustee currently invests, as only one of the Interim Trustee’s Model Portfolios at the moment has an allocation to equities focused on ESG (environmental, social, and governance). It is therefore unclear whether the Interim Trustee will be able to provide the customized options that GCF desires should GCF decide on specific investment strategies.

¹ Interview with the Interim Trustee

In this case, working with an external trustee such as the current Interim Trustee, but including the possibility to contract a third party to manage part of the funds, could be an option for the Board to consider.

Contribution management

Current scope

The Interim Trustee engages in contribution management by receiving and administering contributions to GCF in the form of grants, capital, loans and/or cushions. The review showed that the Interim Trustee has brought significant added value to GCF through its role in managing the financial and legal aspects of contribution agreement/arrangement process. The Interim Trustee's extensive experience interacting with contributors and managing contributions for other trust funds have been key factors that make the Interim Trustee a valuable partner. In particular, the Interim Trustee played an essential role in supporting GCF develop its contribution agreement templates, providing legal and financial advice to GCF during its negotiations with contributors, and following up with contributors after commitments had been made. As discussed in further detail in our review report, contributors' high level of trust in the World Bank (in addition to other crucial factors, such as strong support from international political leaders) also contributed to GCF's successful Initial Resource Mobilization process, raising \$9.3bn within approximately five months leading up to the November 2014 High-Level Pledging Conference.

How it may evolve

Technically, GCF could internalize this function and manage the funding directly, however there are three very important challenges that are unlikely to change before the selection of the trustee in 2018. First is that some contributors (e.g., Japan) have legal restrictions in place that prevent their country from contributing funds to an institution that is not an International Finance Institution (IFI). Second, even if GCF were to become an IFI, GCF would not enjoy universal privileges and immunities, as it was not established through a treaty. This means, among other things, that GCF's financial assets are not protected in most countries and GCF could lose access to its assets under certain circumstances, which is a significant strategic and operational risk.² Third, the Secretariat is undergoing leadership changes in this transitional phase, and internal stakeholders have shared their concern regarding the Secretariat assuming too many responsibilities, too fast. Many internal stakeholders believe that the Secretariat should be given the time to build the experience, policies, procedures, and capacity to deliver on this role. There are other important factors that may negatively impact the feasibility of this scenario, such as the high level of investment required, the desire for GCF to have different partners and mechanisms, and the likelihood of contributors to entrust their funds with an entity other than the Interim Trustee (or an organization with similar capabilities and reputation).

Therefore, GCF is likely to benefit from continuing to entrust the role of contribution management to the Interim Trustee, or an IFI with similar capabilities and reputation. This would ensure that GCF continues to receive funding from contributors, including those who may not have any legal restrictions (as in the case of Japan), but prefer to contribute their funds to an institution that they trust. While there are some ongoing discussions on the services GCF may require from a trustee in the future (e.g., foreign exchange hedging, receiving private sector contributions) that the Interim Trustee is unlikely to provide³, it is also worth noting that both contributors and the Secretariat view the current Interim Trustee as an extremely valuable partner in contribution management and resource mobilization. Should the Board decide that GCF needs these services that the Interim Trustee does not provide, it could consider the option of working with a third party (alongside the

² Source: Interview with the Secretariat

³ Source: Interview with the Interim Trustee

primary trustee) to manage a small proportion of its contributions. The Global Fund, for example, has chosen this path, and its rationale and details on current arrangement are discussed in further detail in the next section.

Cash transfers

Current scope

The Interim Trustee is also responsible for transferring cash to cover GCF's administrative costs and providing funds to recipients for Board approved projects and programs, following written instructions from GCF. The Interim Trustee does not carry any fiduciary responsibility once funds are transferred, and GCF is responsible for conducting due diligence on fund recipients through its independent accreditation process (that requires Board approval). As of mid-September 2016, the Interim Trustee had made cash transfers to the Secretariat for Readiness grants (totalling approximately \$1m), which were disbursed by the Secretariat to grantees, for GCF's administrative costs, and to an accredited entity for one project.

This first planned cash transfer to an approved project in mid-September 2016 exposed a potential issue in the current arrangement with the Interim Trustee. When GCF requested that the Interim Trustee transfer funds to the executing entity directly, as moving the funds through the project's accredited entity posed legal and compliance complications for the accredited entity, the Interim Trustee indicated that it is not in a position to make cash transfers to any entity other than the GCF (Secretariat) and accredited entities. The rationale for this position remains unclear and the Secretariat had meant to rely on the Interim Trustee to make the disbursement under the terms of the agreement.

A number of funding proposals in GCF's pipeline provides for a similar structure with the need make disbursements directly to the relevant executing entities. The current contract between the Interim Trustee and GCF does not specify different procedures for different recipient entities (e.g., accredited entities, executing entities).

How it may evolve

The volume and complexity of cash transfers are likely going to increase significantly. For the moment, there are only a few funding proposals in the pipeline that may pose this challenge, for reasons outlined above. However, given the range of partners and financial mechanisms that GCF seeks to deploy to fulfil its mission, this number could be expected to increase. In addition, while the volume and size of transactions under the Readiness program is still limited, this could grow significantly, according to the Secretariat.

Given these developments, this trustee function is one that GCF may have the greatest need to explore options beyond its existing arrangement with the Interim Trustee. GCF has three broad options to increase flexibility on cash transfers: (1) agreement with a trustee to cover the full range of partners and financial mechanisms, possibly by putting in place procedures to mitigate risks of dealing with entities that have not been accredited, (2) internalizing the cash transfer function through working with a commercial bank, as it is already doing for Readiness grants, or (3) agreeing with Accredited Entities on a project/program's structure which does not involve transfers to non-accredited entities.

It is paramount that the option ensures a high standard of risk control and management that provides contributors with the confidence that contributions will be safeguarded and well

accounted for. This level of confidence is assured under the first option, if the trustee has the level of experience and expertise that the Interim Trustee has. It is unclear if and under what conditions the Interim Trustee would be willing to make cash transfers to entities that have not gone through the accreditation process. Should GCF choose, or be forced to choose if the first option is not feasible, to internalize (part of) the cash transfer function, it could achieve the same level of confidence with time. GCF already has some capacity and experience, as it currently makes direct disbursements for the Readiness program.

This is an important trade-off which is likely to exist, regardless of whether GCF continues with the current Interim Trustee or chooses another organization as permanent trustee. Our initial conversations with other trustees indicate that they would also only make cash transfers to entities that have passed their due diligence.

Should GCF decide to follow the option to internalize the cash transfer function, it will require GCF's investment in the appropriate human resources, infrastructure, agreement with new partners (e.g., commercial banks) and internal policies and procedures. In the case of the Global Fund, which internalized most of this function (previously within the scope of the World Bank acting as its trustee), it took three to four years to build up the internal capacity and experience to transfer funds.⁴

⁴ Source: Interview with the Global Fund

3. OPTIONS GOING FORWARD

There are important benefits associated with working with a trustee, particularly around contributions management and resource mobilization. At the same time, the Secretariat is already fulfilling parts of roles that a trustee typically provides, and the Board could consider the Secretariat to assume responsibility for more or all services currently provided by the Trustee, effectively operating as an International Finance Institution. The exact pace and scope of further internalization is dependent on many factors, such as the capacity of the Secretariat and the level of comfort of the Board, and therefore difficult to predict. GCF could therefore benefit from exploring options that would provide the flexibility to gradually assume more responsibilities over time. In the meantime, GCF will have to continue to work with a Trustee, if only to support GCF as it assumes all responsibilities over time.

There are two main options for the selection of the permanent trustee in April 2018: (1) extending the arrangement with the Interim Trustee and (2) competitive selection of the Permanent Trustee. This chapter provides an overview of the benefits of the two options and potential obstacles each could pose to GCF.

There is one essential step to be done before considering these options: confirming that the scope of services can be provided by the potential trustees. The areas of trustee roles that could be of particular interest for GCF to include are:

- Management of investment– flexibility around the investment strategy, including the possibility to contract third parties to manage part of the funds;
- Cash transfers – cash transfers to entities that have not been accredited, but instead have passed the FMC (Financial Management Capacity) assessment

In our analysis, we assume that acceptable solutions can be found for the above. We also assume that should the Board choose to take option 1 in April 2018, it will be able to negotiate the trustee’s current scope of work to accommodate any decisions regarding growing GCF’s in-house capacity (e.g., ability to work with a third party provider to receive private sector contributions, or ability to make more cash transfers in-house). The following figure shows a summary of the two options:

Figure 1. Overview of the options

	Option 1: Extending the arrangement with the Interim Trustee	Option 2: Competitive selection of the Trustee
Benefits	<ul style="list-style-type: none"> • Contributors regard the Interim Trustee as an organization that will safeguard its contributions carefully. This will enable GCF to continue having a smooth resource mobilization process • Extending the arrangement with the Interim Trustee will minimize resources required in finding another provider • The Interim Trustee is familiar with GCF as an institution, as it has been involved since GCF’s establishment 	<ul style="list-style-type: none"> • GCF could have the fullest set of data on other providers of trustee services (and hence, data on what the best value for money option would be) • GCF could find a permanent trustee who can undertake roles that the Interim Trustee may find difficult to undertake • GCF could avoid any issues related to perceived conflict of interest with the Interim Trustee (which is also an accredited entity)

	<ul style="list-style-type: none"> • For investment management and cash transfers, the Interim Trustee has a high degree of internal risk control measures in place which ensures that GCF's funds are exposed to a minimized level of risk • For cash transfers, the Interim Trustee makes timely transfers 	<ul style="list-style-type: none"> • For contribution management, GCF may be able to find a trustee with more experience and capacity to deal with private sector contributions (once GCF starts accepting such contributions) • For contribution management, GCF may be able to find a trustee who can provide foreign exchange hedging services (should the Board decide on this as a priority) • For investment management, GCF may be able to get higher returns with its investment, although it is unclear whether this can be achieved with an equally conservative investment strategy
<p>Potential obstacles</p>	<ul style="list-style-type: none"> • GCF is unlikely to have the fullest set of data on other providers of trustee services (and hence, data on what the best value for money option would be) • GCF could have situations with perceived conflict of interest in the future, as the Interim Trustee is also an accredited entity • For contribution management, the Interim Trustee is unlikely to provide GCF with options for foreign exchange hedging • For contribution management, the Interim Trustee has limited experience and capacity to deal with private sector contributions • For investment management, the Interim Trustee's investment returns are low (c.0.4% per year since GCF inception), although this is due to the default, low-risk investment strategy the Interim Trustee uses in the absence of formal GCF policy on investing undisbursed funds 	<ul style="list-style-type: none"> • It is unclear who will respond to the competitive selection of the Trustee • Having another trustee other than the current Interim Trustee may have a negative impact on contributors' confidence, and hence GCF's resource mobilization • Competitive process will require time and resources in finding another provider and assisting in the handing over of roles • The new trustee will not be as familiar with GCF's set-up, needs, and capacity as the Interim Trustee is • For investment management, it is unclear whether other trustees will have internal risk control measures as developed as those of the Interim Trustee

(1) Extending the arrangement with the Interim Trustee

Benefits

There are three benefits to extending the arrangement with the Interim Trustee across all of the trustee functions. One important benefit is contributors' perception of the Interim Trustee as a valuable partner to manage GCF's contributions, and the implications this has on GCF's ongoing resource mobilization process and future replenishment processes. As discussed above, most contributors believe that the Interim Trustee will competently execute GCF's contribution agreements, and that the received contributions will then be safeguarded through carefully managed investment strategies. This belief is based on contributors' historical experience working with the Interim Trustee and the resulting institutional familiarity, as well as the Interim Trustee's extensive experience managing other trust funds. For most contributors, having this level of institutional trust and familiarity is a significant factor in being able to mobilize resources for GCF. While there may be providers who can provide the same services with a better value for money, this benefit may be small compared to the value that the Interim Trustee brings to GCF in its resource mobilization. Second, the Interim Trustee has an extensive knowledge of GCF as an institution, as it has been involved as an observer in the processes leading up to the establishment of GCF at COP16, and has been supporting GCF's Interim Secretariat and the current Secretariat as a trustee. This implies that by continuing to collaborate with the Interim Trustee, GCF will benefit from working with a trustee that is already familiar with the set-up of the institution, its capacity, and its needs. Third, by extending the arrangement with the Interim Trustee, GCF will minimize the resources required in finding another provider through a competitive process, and the efforts required in assisting or overseeing the handover process from the current Interim Trustee to another provider.

Option 1 also has benefits specific to individual trustee roles. For example, for investment management and cash transfers, the Interim Trustee has a high standard of internal risk control measures in place. These measures ensure that GCF's funds are exposed to a minimized level of risk, and protects all parties (GCF, the Interim Trustee, and the contributors) who are involved. It is also worth noting that for cash transfers, the Interim Trustee has made timely transfers to date, with a standard turnaround time of 3-4 working days from a transfer request submission, which has been sufficiently fast for GCF.

Potential obstacles

One key obstacle GCF would face in choosing option 1 is that it may not obtain the fullest set of data on other providers of trustee services, and therefore not be able to make an informed decision on the best value for money option. However, GCF could conduct an initial market assessment to better understand what services other trustees provide, and how their prices compare to that of the current trustee. Although direct comparisons are difficult to find, our initial benchmarking research shows that the current Interim Trustee is providing its services for a reasonable value for money. One organization we spoke to that provides trustee services, for example, charges 1% of contributions as its fee, which implies that GCF would have had to pay close to \$25m in trustee fees for the past year. Once again, this figure is not directly comparable to what the Interim Trustee charges, as this organization also provides other trustee services (e.g., fund design) and works on a fixed-fee pricing model, unlike the Interim Trustee, which uses a time-based model with the aim of recovering costs. However, this comparison does illustrate how diverse the pricing models for different trustees can be, and hence how useful it may be for GCF to understand its options through launching a competitive process and/or conducting prior market assessment.

While one other potential obstacle could be the potential conflict of interest arising from the Interim Trustee's role as an accredited entity, it is worth noting that the Interim Trustee has

established measures in place to prevent this from happening. One key measure the Interim Trustee has taken is to ensure that its role is clearly defined in the agreements with GCF and contributors, and that this is understood by all parties. Furthermore, within the World Bank, the Interim Trustee role is managed by a central unit (the Development Finance Vice-Presidency), whereas the executing entity role is handled by its operational units. This arrangement is consistent with other trust funds for which the Bank is both trustee and executing entity, including the Global Environment Facility and the Climate Investment Funds.

Option 1 also has potential obstacles GCF should consider specific to individual trustee roles. For contribution management, (i) the Interim Trustee is unlikely to be able to provide GCF with the option for foreign exchange hedging⁵, and (ii) the Interim Trustee has limited experience and capacity to deal with private sector contributions, which GCF currently does not have but may in the future. GCF's Board has recently been having a discussion on the need for foreign exchange hedging services of contributors' receivables. However, the Interim Trustee currently does not have authorization from its Board to provide this service, and it has previously been unable to meet this same request from some other trust funds it manages. Therefore, even if the Board decides to move forward with this option, the Interim Trustee is unlikely to be able to meet this demand. It should be noted that this was, among other reasons, a factor in the Global Fund's decision to internalize part of the trustee's contribution management role. Today, the Global Fund's contribution management responsibilities are shared between the World Bank and the Global Fund Secretariat (working with a commercial bank). Government contributors, who often prefer to work with an IFI that they are familiar with and trust, channel their contributions to the World Bank. Private sector contributors, on the other hand, often channel their contributions to the commercial bank that the Global Fund Secretariat works with. This arrangement works well, as it allows the Global Fund to have foreign exchange hedging for some of its contributions, while retaining the option for contributors to work with a trustee that they prefer to work with. In addition, this arrangement also allows the Global Fund to more easily receive contributions from the private sector. While the process of entering into a legal agreement with a contributor (a prerequisite for the Interim Trustee to be able to accept funds) is well established for sovereign government contributors, there are a number of complications (e.g., additional due diligence) for private sector entities. In general, these issues and the associated transaction costs have precluded the Interim Trustee's ability to accept direct contributions from the private sector. While GCF has no private sector contributions at the moment and would need to develop the relevant policies and procedures before accepting such contributions, this limitation should be considered when considering option 1.

For investment management, the Interim Trustee's returns on investment at the moment are low, around 0.4% per year since GCF's inception. However, it is unclear whether better returns can be generated with an equally conservative investment strategy. This is another area in which GCF should weigh the trade-offs between greater profitability of its investments vs. retaining an investment strategy that minimizes risk.

(2) Competitive selection of the Trustee

Benefits

One key benefit to launching a competitive process, as discussed above, is that GCF may be able to obtain the fullest set of data on other providers of trustee services, and make an informed decision on the best value for money option. Another benefit is that GCF and the Interim Trustee, which is also an accredited entity, could avoid any potential conflict of interest, although this is unlikely to present a significant challenge, as discussed above. However, the main benefit would be the

⁵ Source: Interview with Interim Trustee

potential to find a permanent trustee who can undertake roles that the Interim Trustee may find difficult to, whether due to its policies or the choices it has made about the role it plays.

Regarding benefits to launching a competitive selection specific to individual trustee roles, for contribution management, GCF may be able to find providers who could be better suited to receive private sector contributions and also provide foreign exchange hedging services for contributions. For investment management, choosing another trustee could potentially generate higher returns, although it is unclear whether this can be done with an equally conservative investment strategy.

Potential obstacles

There are three potential obstacles GCF would face in launching a competitive selection of the trustee. First, it is unclear which organizations, if any, will respond to GCF's competitive selection. As discussed above, however, GCF could potentially conduct a market assessment prior to launching the competitive process to test different organizations' appetite for participating in this process. Second is that having another trustee other than the current Interim Trustee may have negative implications on GCF's resource mobilization. As discussed above, contributors' level of institutional trust in the Interim Trustee is considered to have played a key role in GCF's resource mobilization process thus far, and is likely to continue doing so in future replenishment processes. While there may be trustees who can provide the same services with better value for money, it is unclear how this benefit will compare to the value that the Interim Trustee brings to GCF in its resource mobilization. Third, choosing a new trustee will require a substantial investment in time and resources from GCF to (i) find another provider through launching a competitive process, assessing all providers, and coming to an internal agreement on the best candidate and (ii) assisting or overseeing the handover process from the current Interim Trustee to another provider to ensure that GCF's operations can continue smoothly, particularly given that the new trustee will not be as familiar with GCF as the Interim Trustee is.

Option 2 could also pose potential obstacles to GCF specific to individual trustee functions. For example, for investment management, it is unclear whether another trustee will have a level of risk control that is as developed as the Interim Trustee's. As discussed above, while another trustee could potentially provide better returns on investment, GCF would need to carefully weigh the trade-offs between better returns and minimizing its financial and reputational risk through policies that sometimes may not be as flexible to accommodate GCF's emerging needs.
