



**GREEN
CLIMATE
FUND**

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Annual update on complementarity and coherence

Summary

At its seventeenth meeting, the Board requested the Secretariat to present a report on the progress made and outputs from the operational framework on complementarity and coherence. The Board requested that this report be presented for its consideration in 2018, and that the Secretariat provide an annual update on its status thereafter. This document presents the requested update for 2018.

The document provides input for a Board discussion on fund-to-fund arrangements with other climate funds, considering progress and limitations in implementing the operational framework across the climate finance landscape and taking into account a detailed analysis of the experience on support for adaptation across different funds as well as areas where further arrangements are possible.

This document also provides an update on 2017-2018 activities with regard to enhancing complementarity at the activity level, promotion of coherence at the national programming level, and actions regarding complementarity at the level of delivery of climate finance through an established dialogue. This 2017-2018 update may also serve as input to the United Nations Framework Convention on Climate Change Standing Committee on Finance. The document also outlines next steps.

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I. Introduction

1. The Governing Instrument for the GCF, in paragraph 33, states, “The Fund shall operate in the context of appropriate arrangements between itself and other existing funds under the Convention, and between itself and other funds, entities, and channels of climate change financing outside the Fund.” The Governing Instrument also calls on the Board, in paragraph 34, to develop “methods to enhance complementarity between the activities of the Fund and the activities of other relevant bilateral, regional and global funding mechanisms and institutions, to better mobilize the full range of financial and technical capacities”. In United Nations Framework Convention on Climate Change (UNFCCC) decision 7/CP.21, paragraph 26, the Conference of the Parties (COP) encouraged the Board to improve complementarity and coherence with other institutions in accordance with the Governing Instrument.

2. In decision B.13/12, the Board decided to prepare, with the support of the Secretariat, an operational framework on complementarity and coherence (hereafter “operational framework”). The resulting operational framework was duly adopted in decision B.17/04. This operational framework, which seeks to strengthen complementarity and enhance coherence with regard to operations and processes across climate finance institutions, has four pillars:

- (a) Pillar I: board-level discussions on fund-to-fund arrangements;
- (b) Pillar II: enhanced complementarity at the activity level;
- (c) Pillar III: promotion of coherence at the national programming level; and
- (d) Pillar IV: complementarity at the level of delivery of climate finance through an established dialogue.

3. At its seventeenth meeting (B.17), the Board requested the Secretariat to present a report on the progress made and outputs from the operational framework for consideration by the Board in 2018, and to provide an annual update thereafter. As envisioned at B.17, the implementation of the Operational Framework so far has focused on collaboration with Global Environment Facility (GEF), including the Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF), Climate Investment Funds (CIFs), and Adaptation Fund (AF). Collaboration has also started with the Nationally Appropriate Mitigation Action Facility (NAMA Facility).

II. Input to discussions on pillar I: fund-to-fund arrangements

4. At B.17¹ the Secretariat advised the Board that an initial update regarding the implementation of pillars II, III and IV could benefit Board engagement in substantive discussions regarding pillar I, fund-to-fund arrangements. The arrangement options depend on the intended outcome and can be informed by the comparative advantage of each institution. The arrangements can also include memoranda of understanding, accreditation, co-financing, and joint activities, among others.

5. The resulting update in this section is informed by the experience gained, progress made and limitations identified in the implementation of the Operational Framework, and it aims to provide insight for discussion on what is needed to establish fund-to-fund arrangements.

Progress and limitations across the climate finance landscape

6. Efforts to build consistency and complementarity among the various climate finance delivery channels available have advanced in all areas of the Operational Framework, and the

¹ See document GCF/B.17/08 titled “Operational Framework on complementarity and coherence”.

response of all other climate finance delivery channels has been positive with commitments made to further cooperation, including by working collaboratively, jointly, in sequence or in parallel. Beyond better understanding the comparative advantage of each institution, the climate funds engaged with GCF have proactively worked to advance complementarity with the shared understanding that complementarity and coherence benefit countries and enhance the efficiency of climate finance delivery channels. Many of the options for such cooperation can be explored without the need for additional arrangements among the funds, but they are dependent on whether countries wish to see the funds cooperate in these ways.

7. As explained in detail in section III of this document, significant progress has been made since B.17. Nevertheless, important work remains to meet the outcomes sought for 2019 and beyond, including with regard to:

- (a) **Programming.** Early efforts demonstrate potential for exploring joint programming options that enhance efficiencies, thereby freeing up resources for funds to spend more on projects and less on preparatory work. Parallel financing represents an area with significant potential and it can strengthen the programmatic efforts across the climate finance landscape;
- (b) **Simplification in procedures.** There are many areas where simplifying procedures would yield benefits. For instance, the concept of fast tracking projects in the same way funds have fast tracked accredited entities (AEs) should be further explored to understand the potential of as well as the barriers to such efforts. A better understanding is also required of the sequencing of activities where the scope and modalities for funds can be better aligned. Additionally, some funds have stronger experience in local engagement or pioneering activities, which can inform the programmatic approach of other funds, and vice versa. For example, programming inputs developed by one fund can be used by others (for example, GEF country programming documents and CIFs investment plans informing GCF country programmes), and assist in identifying linkages for scaling up and supporting country ownership;
- (c) **Knowledge management.** Knowledge management and learning initiatives across the landscape can be enhanced, including via joint seminars and other learning exercises, and inputs can be communicated to countries to clarify roles and areas where complementarity among the funds can benefit them;
- (d) **Capacity-building.** All of the funds provide different forms of support for upstream capacity-building and/or readiness, each with their respective workshops and trainings as well as project preparation support, and there is potential for enhancing complementarity and coherence in these areas. A key complementarity and coherence consideration in this context is the division and coordination of labour among the funds;
- (e) **Thematic synergies.** Thematic synergies can be pursued where there is currently some overlap in the operations of the different funds, such as technology, national adaptation plans (NAPs) and forest and landscapes; and exploring different approaches and lessons learned in engaging private sector and non-state actors; and
- (f) **Feedback and information-sharing.** Engagement in inputs to the work of the other funds, such as programming documents and other material, has commenced and constitutes a useful process to better understand the operations of each institution and proactively foster complementarity.

8. The Secretariat, as part of its work on guidance on the approach and scope for providing support to adaptation activities requested pursuant to decision B.17/10, paragraph (c)(ii) has conducted detailed analysis comparing portfolios and procedures across the different climate funds, with specific emphasis on adaptation (see box 1). This work has provided useful insights

for discussion on complementarity and coherence, consistent with the experience in the implementation of the Operational Framework since B.17, providing insights into the discussion of the comparative advantages of the different funds.

Box 1: Support for adaptation across different climate funds

Climate finance delivery channels have institutional mandates to provide targeted funding for climate adaptation and are thus vital to supporting adaptation efforts in developing countries. The Adaptation Fund (AF) focuses on concrete adaptation interventions (up to USD 10 million per country and up to USD 14 million per regional project/programme). The Least Developed Countries Fund (LDCF) focuses on national adaptation programmes of action, related activities, and national adaptation plans (up to USD 40 million per country). The Special Climate Change Fund (SCCF) adaptation window complements LDCF and is open to all vulnerable developing countries. The Climate Investment Funds' Pilot Program on Climate Resilience (CIFs PPCR) focuses on integrating climate into development planning with investment component, ranging from small pilot scale to large scale adaptation investments, to put these plans into action and pilot innovative public and private sector solutions. GCF, meanwhile, has the flexibility to support a range of approaches.

Adaptation investments funded by GCF and other climate funds include a range of interventions to reduce vulnerabilities to climate change. Innovation arises from the transfer, dissemination and scaling of these technologies in places and for populations that previously lacked access to them, and from combining hard technologies (such as drip irrigation systems and drought-resistant seeds) with soft technologies (such as institutional capacity-building, strengthening women's cooperatives, and farmer field schools). Similar to other climate funds, GCF has the highest project concentrations in agriculture, climate information services, disaster risk reduction and fresh water supply. All GCF projects and nearly 98 per cent of AF, LDCF and PPCR projects contain activities in one or more of the following cross-cutting focus areas: project preparation and planning, governance, capacity-building, or knowledge management. This is consistent with demand from countries and recognition among climate funds that such activities are important for adaptation.

Figure 1 highlights the composition of the GCF portfolio and pipeline versus other climate funds. This figure is based on a review of 232 adaptation projects funded by AF (2010-2017), PPCR (2011-2017), and LDCF (2011-2014), as well as 95 adaptation and cross-cutting proposals in the GCF portfolio and pipeline (as of 30 April 2018). Projects were tagged for all sector-specific areas that were relevant to their main activities, and energy is included when it has been marked as cross-cutting in the GCF pipeline and portfolio. The comparison reflects the numbers of projects containing activities that fall under a given area and not the volumes of financing.

The GCF portfolio and pipeline is similar to those of other funds in terms of the sectors and activities supported. Most support provided by the funds include activities in more than one sector-specific focus area, demonstrating the multi-sectoral nature of adaptation interventions. For most of the areas the range of difference is within +/- 10 per cent; exceptions include areas GCF has tagged as cross-cutting concepts and projects with an important mitigation dimension, particularly in energy. Such trends underscore the importance of assessing for possible duplications and inefficiencies (e.g. countries have to apply different approaches and procedures when dealing with similar sectors) as well as opportunities to pursue synergies to enhance impact in high demand areas, such as ecosystems and watersheds, among others.

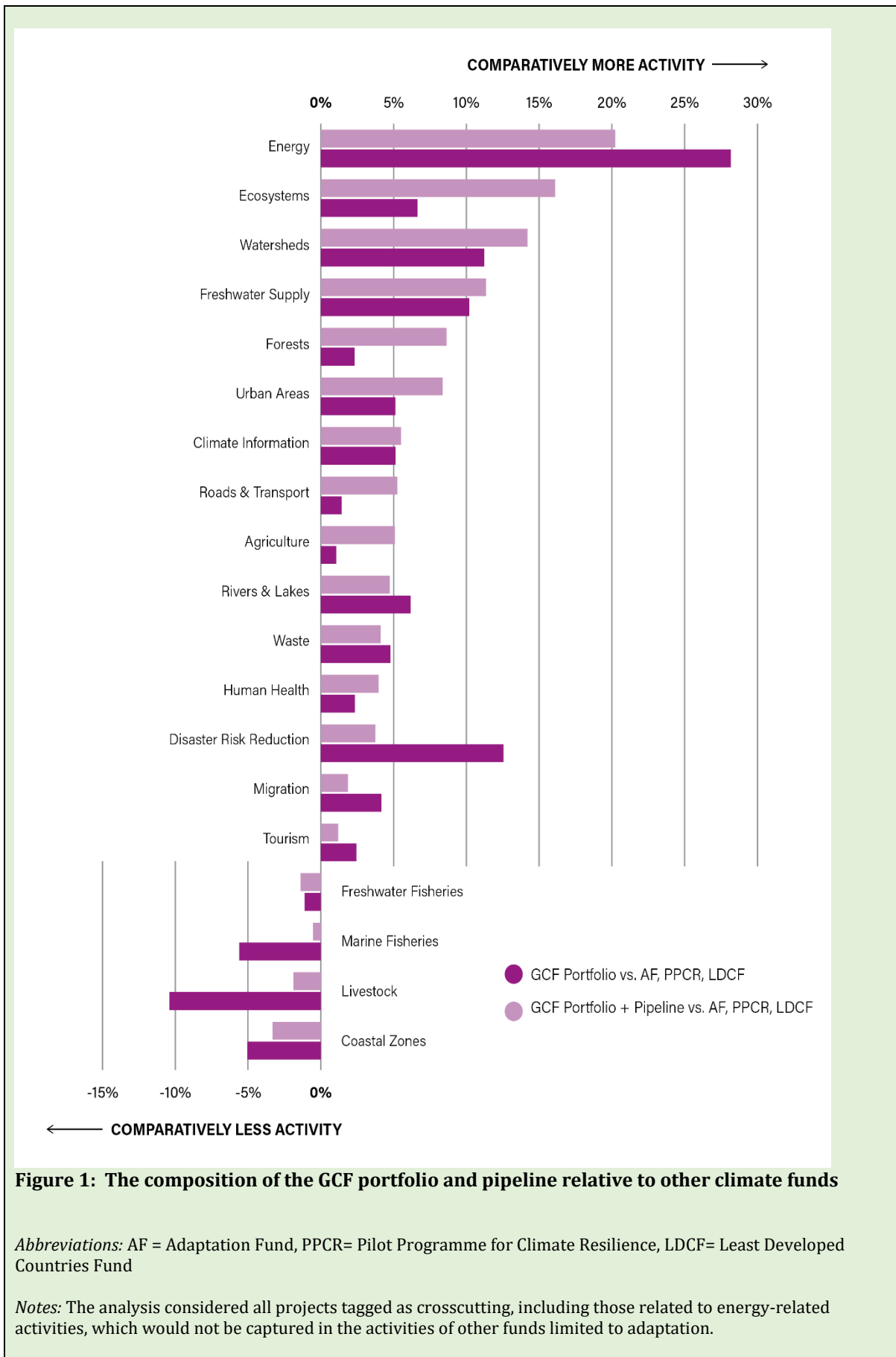


Figure 1: The composition of the GCF portfolio and pipeline relative to other climate funds

Abbreviations: AF = Adaptation Fund, PPCR= Pilot Programme for Climate Resilience, LDCF= Least Developed Countries Fund

Notes: The analysis considered all projects tagged as crosscutting, including those related to energy-related activities, which would not be captured in the activities of other funds limited to adaptation.

9. As highlighted in box 1, overlaps and concentrations around certain areas highlight opportunities to promote the simplification of processes that are ultimately informing similar implementation activities. These overlaps also provide the opportunity to ensure resources are allocated strategically (e.g. given different funds support food security activities, the climate funds could seek to ensure enabling activities, such as vulnerability assessments, prioritization, cost-benefits analysis, etc., for one fund can be useful for another). Furthermore, areas of overlap between the climate funds should be considered for more targeted synergies (e.g. areas, such as micro-scale adaptation projects, where countries could go to different funds for the same result yet are faced with different procedures).
10. The secretariats of the different funds have limited authority for strategic allocation given the need to involve their respective governing bodies for approval or authorization to act on areas of cooperation or mutual interest. Thus, in addition to sharing collaboration experiences with the other climate funds, there could be additional value in fund-to-fund arrangements as follows:
- (a) Given the similarities in the portfolios, there are opportunities to streamline policy processes and due diligence to ensure approval, monitoring and evaluation for efficiency, effectiveness and simplicity; and
 - (b) Given the inherent limitations of each fund, and since there is not perfect synchronicity among the funds, enhanced alignment of portfolios could help program limited resources and avoid overlap through transparency on how investments from the different funds are allocated to the same areas or activities.
11. As detailed in section III of this paper, there are many areas where progress has been made without the need for further arrangements. Nevertheless, guidance from the Board could expedite progress to improve efficiency, effectiveness and simplicity and to enhance alignment of portfolios with regard to other climate funds. Some of the areas where further arrangements are possible are discussed below.

Areas where further arrangements are possible

12. The funds have differing business models and operations, and there is no need for a standardized vehicle to advance fund-to-fund arrangements. Instead, arrangements should be tailored to advance specific objectives or address specific challenges. However, as noted in the previous section, there is overlap in the work of the funds that requires further discussion. Additional efforts for enhancing programming and defining comparative advantages are needed to provide clarity to governments and entities. In contrast, with regard to support for forests and land use-related activities, the experience over the last year in the implementation of the operational framework has demonstrated that there is little overlap between the ongoing work of GCF with regard to upcoming results-based payments and the other forest activities of the CIFs Forest Investment Program (FIP), particularly early stages of REDD-plus and other enabling activities.
13. Addressing such overlaps and defining cooperative advantages, however, requires decisions at the governance level of the climate funds, including in setting strategic priorities. Some of the decisions to define strategic priorities could be part of the GCF policy process in 2018. Meanwhile, other collaboration to better understand the role of each institution has already started, such as collaboration between LDCF and GCF adaptation planning support, with LDCF acting as a channel piloting ideas and early implementation of NAPA and NAP related activities, and GCF adaptation planning supporting the capacity to enhance scaling up of adaptation action. However, some matters, such as those in paragraphs 6-11 above, may require setting fund-to-fund arrangements as envisioned under pillar I of the Operational Framework. The question of formal linkages has been discussed, specifically with a view to ensure positive impacts for operations and the implementation of projects. Such governance matters require a

detailed exploration of the benefits and drawbacks of specific arrangements and engagement with respective boards and councils.

14. In the case of GEF, there appears to be no need for additional arrangements, based on the current experience. To provide additional structure to the cooperation, an exchange of letters between the GEF Chief Executive Officer and GCF Executive Director could be a useful modality. In the future, once GCF has established a policy with regard to co-financing, a memorandum of understanding could be a modality for any arrangements required for co-financing. However, such arrangements are not necessary now as operations would need to be considered separately in accordance with the due diligence of each organization.

15. In the case of AF, both secretariats are actively discussing and seeking to identify ways in which direct access entities (DAEs) to both funds can be better supported. The efforts seek to further align operations and reduce duplication of work and inefficiency in the climate finance architecture. Despite this effort, AF and GCF continue to overlap in their support for adaptation funding projects (generally in the GCF micro category/risk B-C).

16. Additionally, the AF Board at its thirtieth meeting mandated its secretariat to initiate the process for accreditation to GCF while also encouraging it to continue to advance complementarity and coherence. To this end, the Chair and Vice-chair of AF took the initiative to meet with the Co-chairs of the Board to discuss and explore options for collaboration, as disclosed in the report on the activities of the Co-chairs.

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

18. In the case of the CIFs, current collaboration is diverse, including learning from lessons on their programmatic approaches and a joint learning initiative. Within this cooperation, the matter of unfunded investment plans has been discussed, and there have been efforts to address this issue through existing programming venues at GCF. Discussion has also evolved around the openness of GCF to consider proposals in a country-owned manner that are consistent with policies of the Fund. Efforts have included outreach to both common entities and countries.

19. Despite these efforts, multiple factors have constrained progress. National designated authorities (NDAs) and AEs feel uncertain on the openness of GCF to consider climate-related work developed by other climate funds, including the CIFs, and whether the same criteria apply to such inputs. The establishment of clear steps to consider inputs developed by climate funds could assist in identifying options to address unfunded investment plans in a clear, country-driven manner, such as engagement in country programming discussions, participation and engagement in relevant activities of other climate funds, identification of inputs from climate funds in funding proposals templates, etc. Such efforts would not require additional arrangements, but rather signal the invitation to NDAs and AEs wishing to see work developed under the CIFs and other processes be used in the GCF. Additionally, as part of these steps, the Secretariat can further identify if there are any criteria or procedures that could be streamlined when considering such inputs from other climate funds as an area where further arrangements are possible for consideration by the Board.

III. Update on 2017 – 2018 activities

20. The implementation of Operational Framework pillars II and III has been comprehensive, requiring involvement across all divisions of the Secretariat. As such, an output on complementarity and coherence was included in the 2018 work programme of the Secretariat (key performance indicator 1.9), which sets out the number of countries engaged in promoting coherence among climate finance delivery channels at the national programming level, the number of concept notes and funding proposals considering complementarity with climate finance, and the number of country-driven readiness and other preparatory support requests considering complementarity with other climate finance delivery channels.

21. The Secretariat, building on discussions held during the first dialogue of climate finance delivery channels held in the sidelines of COP 23 in Bonn in 2017 (see paragraph 53 for more information), organized a technical working mission to Washington, D.C. in February 2018 to work out operational details with the different climate finance delivery channels jointly and bilaterally. This mission helped define specific steps to advance work under pillar II as well as explore potential approaches to advance work related to pillar III. In addition to the details on activities contained in this document, table 1 below provides an overview of ongoing areas of collaboration with the climate funds.

Table 1: Brief overview of collaboration with climate funds			
	Global Environment Facility	Adaptation Fund	Climate Investment Funds
<i>Coordination of support</i>	Exchange of information on capacity-building support, project preparation and thematic areas (NAPs, etc.)	Collaboration on synergies for capacity-building support for DAEs	Collaboration on analysis of interactions in funding proposals to apply lessons to programming
<i>Programming and accreditation</i>	Enhance understanding of interactions in funding proposals to apply lessons to programming	Enhance understanding of interactions in funding proposals to apply lessons to programming	Discussion and facilitation for countries and entities wishing to transfer work developed under CIFs to GCF
	Pilot initiative to foster synergies between GEF-7 and GCF programming	Ongoing collaboration on accreditation, including fast tracking	
<i>M&E</i>	Collaboration on streamlining and harmonizing M&E approaches and methodologies	Information sharing on M&E approaches and methodologies	Information sharing on M&E approaches and methodologies
<i>Policies and procedures</i>	Provision of information requested in the development of GCF policies and procedures, including for benchmarking	Provision of information requested in the development of GCF policies and procedures, including for benchmarking	Provision of information requested in the development of GCF policies and procedures, including for benchmarking
<i>Learning and</i>	Joint outreach event at COP 24 on experience and challenges in advancing synergies in the climate finance landscape		

		Engagement in Adaptation Futures 2018 conference	Engagement in evaluation and learning activities of the CIFs, including through the GCF IEU
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Abbreviations: NAPs = national adaptation plans, DAEs= direct access entities, CIFs = Climate Investment Funds, GEF-7 = The Seventh Replenishment of the Global Environment Facility Trust Fund, M&E = monitoring and evaluation, IEU = Independent Evaluation Unit

Enhancing complementarity at the activity level

22. **Readiness/capacity-building.** The Secretariat has cooperated with other climate funds to systematically exchange information about their support efforts and project pipelines for specific areas, such as adaptation and forests and land use. This information exchange consists of a virtual meeting every three months where the climate funds provide updates on programming developments, funding proposals, and policies with a view to enhance mutual understanding of current operations across the climate finance landscape and pursue opportunities for collaboration. Such exchanges have led to the identification of early synergies as well as a better understanding of procedures.

23. The Secretariat has also started to review its readiness, concept note, and funding proposal templates to better understand how the support it provides relates to that provided by climate funds. Specifically, the Secretariat is reviewing how GCF-funded activities can build on lessons learned from other funds and scale up successful experiences in readiness, adaptation planning support, and funding proposals, including the simplified approval process. Insights from this exercise will be collected for the next iteration of all GCF templates.

24. Additionally, the Secretariat together with the AFB secretariat have started a review of the continuum of support provided to DAEs they both support to understand where synergies can be pursued and to address any inefficiencies in capacity-building support. This review was followed by a joint effort to reach out to all common DAEs as part of direct access workshop and further engagement with pilot entities to understand their perspectives on how the climate funds can collaborate to support them. GCF and AF held a joint session with all entities they both support during the GCF direct access workshop to gain a better understanding on immediate and long-term options for enhancing complementarity at the activity level.

25. **Nationally determined contributions, NAPs, national communications, and technology.** Important collaboration has started around trying to understand the ongoing work by the different funds, as discussed in the readiness and capacity-building section above. Additionally, the Secretariat has engaged with GEF to learn from its experiences in supporting climate technology incubators and accelerators. This exchange has been very informative as the Secretariat is currently developing terms of reference for a request for proposal to support climate technology incubators and accelerators as requested by the Board at its eighteenth meeting (B.18/03). The Secretariat has also shared its experience and best practices for supporting adaptation planning processes with AF, LDCF and the CIFs PPCR.

26. **Project preparatory support.** The Secretariat has engaged with the other climate funds, bilaterally and as part of its regular coordination calls, on issues related to support for the preparation of projects and programmes. Alignment on requirements for preparatory support are an important coherence issue in this respect. Further work on the appropriate entry points for preparatory support mechanisms by the funds can spur further alignment. This track has included discussions with GEF on project preparation grants and similar initiatives with AF and the CIFs.

27. The Secretariat has also undertaken preliminary discussions with the NAMA Facility,² another potential actor for inclusion under the complementarity and coherence framework. The NAMA Facility has received many submissions from its five calls for projects, of which many have yet to receive funding. The Secretariat is in consultations with the NAMA Facility to explore synergies in their portfolio with GCF mandates and then conduct outreach to NDAs interested in bringing NAMAs to GCF.

28. **Funding proposals.** Elements of complementarity and coherence have existed in GCF funding proposals since the first approvals were issued by the Board. Fast-track accreditation of entities already delivering support through AF and GEF allowed these entities to bring funding proposals that scaled up, expanded, or built on previous activities financed by other funds. The Secretariat is taking steps to ensure complementarity and coherence among funded activities, including by identifying where parallel financing provided by other funds can enhance the impact of similarly aligned GCF investments. Table 2 contains an early assessment of projects and programme in the GCF portfolio where there have been interactions between the different climate finance delivery channels. The examples contained in table 2 help identify an early typology of the interactions. As part of the work discussed under knowledge management (paragraph 42), the Secretariat is currently collaborating with other climate funds in a study to understand the practical experiences gained in efforts to maximize synergy and complementarity among the climate finance delivery channels better.

Table 2: Compilation of current approved GCF projects with interactions with climate funds

Project name	Description of interaction
FP003 – CSE: Increasing Resilience of Ecosystems and Communities through Restoration of the Productive Bases of Salinized Lands	The entity, fast tracked from AF, built on its experience implementing a project with AF on coastal erosion in vulnerable areas of Senegal. The entity also identified experience in running the AF-funded project to articulate its approach to project management for FP003.
FP006 – IDB: Energy Efficiency Green Bonds in Latin America and the Caribbean	In phase I of this project, a pilot transaction in Mexico titled “Capital Markets Solution for Financing Energy Efficiency in Mexico”, IDB mobilized financing from the CIFs CTF in the form of USD 19 million in second loss guarantees of IDB loans. In phase II, the project receives GCF financing and CTF may further participate with additional concessional financing for the project. The comfort provided by the partial credit guarantee from CTF (and others) is fundamental to obtaining the highest credit rating and to ensure the appetite of institutional investors.
FP007 – UNDP: Support of Vulnerable Communities in Maldives to Manage Climate Change-Induced Water Shortages	The project builds on the environmental social impact assessments conducted for the prior investment financed by UNDP and AF in the three islands. This comparable investment is fully guided by the relevant safeguards.

² Announced at COP 18, Germany and the United Kingdom jointly established the NAMA Facility to support developing countries and emerging economies that show leadership on tackling climate change and that want to implement ambitious climate protection measures (NAMAs). Denmark and the European Commission have also joined the initiative, which announced its fifth call for projects at COP 23.

Table 2: Compilation of current approved GCF projects with interactions with climate funds

<p>FP010 – UNDP: De-risking and Scaling Up Investment in Energy Efficient Building Retrofits in Armenia</p>	<p>Co-financing consisting of a UNDP Transnational Resource & Action Center grant of USD 240,000 and USD 1 million in grant funding from the UNDP-GEF “Sustainable Cities” project.</p> <p>Building on work financed by GEF, UNDP has implemented several energy efficiency projects the results of which are leveraged by FP010. These include policy de-risking tools and end-user capacity-building, as, for example, with the UNDP-GEF project “Improving Energy Efficiency in Buildings”.</p>
<p>FP018 – UNDP: Scaling-up of Glacial Lake Outburst Flood Risk Reduction in Northern Pakistan</p>	<p>Building on work financed by AF, the project makes use of the lessons learned from the recently completed UNDP/AF-supported project “Reducing Risks and Vulnerabilities from Glacier Lake Outburst Floods in Northern Pakistan”.</p>
<p>FP019 – UNDP: Priming Financial and Land-Use Planning Instruments to Reduce Emissions from Deforestation</p>	<p>FP019 includes funding from a GEF project (approximately USD 2 million) and is implemented by UNDP, UNEP, and FAO based off the national REDD-plus action plan as well as funds committed by the government.</p> <p>This project has parallel financing from the CIFs Forest Investment Program, which supports Ecuador’s REDD-plus efforts by providing upfront bridge financing for readiness reforms and public and private investments to address underlying drivers of deforestation and forest degradation.</p>
<p>FP020 – IDB: Sustainable Energy Facility for the Eastern Caribbean</p>	<p>The project applied CIFs CTF contingent grants, approved in October 2015, to the project for drilling exploration and production drilling in Saint Vincent and Grenadines and Grenada. The project also mobilized resources from GEF, IDB, JICA, the Department for International Development, and CDB.</p>
<p>FP040 – EBRD: Scaling Up Hydropower Sector Climate Resistance</p>	<p>FP040 represents the scaled-up second phase of the CIFs PPCR. Its indicative total financing package is expected to amount to USD 208 million, of which USD 75 million has already been committed by the CIFs PPCR, EBRD, and the EBRD trust fund for phase I. FP040 further builds on the involvement of both Tajikistan and the Kyrgyz Republic in the CIFs PPCR and will explore opportunities to serve as a strong framework for cooperation on climate resilience.</p>
<p>FP049 – WFP: Building the Climate Resilience of Food-insecure Smallholder Farmers through Integrated Management of Climate Risks (the R4 Rural Resilience Initiative)</p>	<p>Under the risk reduction component of FP049, building on work previously financed by GEF, participants build or recover assets that reduce the impacts of climate shocks and help food insecure households and communities adapt to</p>

Table 2: Compilation of current approved GCF projects with interactions with climate funds

	<p>the effects of climate change. The component benefits from the Climate Change Adaptation strategies, technologies and best practices for small farmers emerging from the field farmers' schools of the FAO in the context of the GEF-funded project "Mainstreaming ecosystem-based approaches to climate-resilient rural livelihoods in vulnerable rural areas through the Farmer Field School (FFS) methodology".</p> <p>Additionally, AF is one of several international institutions and donors that have been supporting disaster risk management and climate change adaptation efforts in Senegal. From 2011-2014, AF together with the Centre de Suivi Ecologique completed the "Combating Coastal Erosion Exacerbated by Climate Change and Rising Sea Levels in Senegal" project through a USD 8.6 million grant investment.</p>
<p>FP050 – WWF: Bhutan for Life</p>	<p>The project applies lessons learned from earlier work financed by the GEF, including recommendations of a UNDP/GEF evaluation of Bhutan's REDD+ program.</p>
<p>FP051 – UNDP: Scaling-up Investment in Low-Carbon Public Buildings</p>	<p>UNDP, with co-financing from GEF, is currently preparing a USD 2.3 million project titled "Catalyzing Environmental Finance for Low-Carbon Urban Development", which aims to leverage investment for a transformational shift towards low-carbon urban development in Bosnia-Herzegovina to promote safer, cleaner cities; and reduce greenhouse gas emissions. The project was approved by the GEF Council in June 2016 and its implementation is expected to start in 2017. The project will support environmental funds with the development of alternative programming strategies, including specifically the modalities for Energy Service Company engagement in energy efficiency and renewable energy projects in public building, which the proposed GCF project will scale up nationwide.</p>
<p>FP056- UNDP: Scaling Up Climate Resilient Water Management Practices for Vulnerable Communities in La Mojana</p>	<p>The project incorporates lessons learned and best practices from various ongoing initiatives in Colombia from an active AF project on water supply adaptation, resilient practices in agriculture production, wetland restoration, climate early warning system and municipal level development planning integrating climate risks.</p>
<p>FP065 – WB: Financial Instruments for Brazil Energy Efficient Cities (FinBRAZEEC)</p>	<p>A USD 25 million grant (USD 5 million from GCF and USD 20 million from the CIFs CTF), is being discussed and aims to act as a first loss/liquidity facility for the energy efficiency facility to reduce the risk for CAIXA Econômica Federal (the</p>

Table 2: Compilation of current approved GCF projects with interactions with climate funds

	executing entity) and any private sector investors. Details on respective disbursement arrangements and funds flow will be assessed during appraisal.
FP068- UNDP: Scaling-up Multi-Hazard Early Warning System and the Use of Climate Information in Georgia	The project scales-up pilot activities and achievements of the UNDP project “Developing Climate Resilient Flood and Flash Flood Management Practices to Protect Vulnerable Communities of Georgia” financed by AF and GEF
FP072 – UNDP: Strengthening Climate Resilience of Agricultural Livelihoods in Agro-Ecological Regions I and II in Zambia	The project builds on previous work by the CIFs PPCR and LDCF. Automatic weather stations have been provided by several projects (e.g. JICA, CIFs PPCR, LDCF Climate Information and Early Warning System), some of which are still ongoing. Innovative systems will be strengthened and scaled up.

Abbreviations: CSE = Centre de Suivi Ecologique, AF = Adaptation Fund, IDB = Inter-American Development Bank, CIFs = Climate Investment Funds, CTF = Clean Technology Fund, UNDP = United Nations Development Programme, GEF = Global Environment Facility, UNEP = United Nations Environment Programme, FAO = Food and Agriculture Organization of the United Nations, JICA = Japan International Cooperation Agency, CDB = Caribbean Development Bank, EBRD = European Bank for Reconstruction and Development, PPCR = Pilot Program for Climate Resilience, WFP = World Food Programme, WWF = World Wildlife Fund, LDCF = Least Developed Countries Fund

29. **Accreditation and work with entities.** There are opportunities to fast track accreditation of entities by leveraging the work of other funds. Per decision B.08/03, paragraphs (e)–(g), and related decisions,³ entities that are accredited by GEF, AF and the Directorate-General for International Development and Cooperation of the European Commission (DG DEVCO), are in full compliance with those institutions’ requirements, and have been approved by the Board to be included in the list of fast track eligible entities may seek to apply under the fast-track accreditation process. In doing so, entities are not required to complete, nor is the GCF required to review, the fast-tracked sections of the accreditation application since the application review from the other institutions is used as a proxy. Out of the 59 entities accredited as at 30 April 2018, 38 entities have undergone the fast-track accreditation process.

30. The Board has requested to identify potential additional fast-track accreditation options, including the following, which are under development and will be presented to the Board for its consideration at an upcoming meeting of the Board:

- (a) Per decision B.14/08, paragraph (e)(iii), the Accreditation Panel (AP), with the support of the Secretariat and under the guidance of the Accreditation Committee, was requested to elaborate the following elements for decision by the Board: an assessment, including a gap analysis, of the AF environmental and social policy (ESP) (approved in November 2013 and amended in March 2016) and gender policy (approved in March 2016) in line with the GCF interim environmental and social safeguards (ESS) and GCF Gender Policy with recommendations on their potential accreditation or fast tracking; and
- (b) In decision B.17/06, paragraph (e), the Board requested the Secretariat, in accordance with decision B.09/07, paragraph (h), and recognizing decision B.08/03, to provide recommendations for modalities to fast track the accreditation of private sector entities by the nineteenth meeting of the Board.

³ Decisions B.10/06, B.12/30, B.14/09, B.15/09, B.17/21, B.18/05 and B.19/14.

31. **Application of lessons learned and best practices across the accreditation process.** By decision B.18/04, paragraph (a), the Board decided to commence the review of the accreditation framework. The Board, having considered document GCF/B.19/28 titled “Further development of the accreditation framework”, requested the Secretariat, by decision B.19/13, to further develop the project-specific assessment approach contained in annex II of said document, taking into account the views of Board members and the outcomes of the full review of the accreditation framework, for the Board’s consideration. As a part of the full review of the accreditation framework, consultations with other institutions, such as GEF, AF and DG DEVCO to further learn from their accreditation processes, are being undertaken. The full review of the accreditation framework, including lessons learned and best practices, will be presented to the Board for its consideration at its twentieth meeting.
32. **Collaboration with entities, including information sharing, with regard to other elements of the Operational Framework, such as on programming and capacity-building, among others.** Drawing upon the work between GCF and GEF, AF and the CIFs, the Secretariat has also begun working with the other institutions to identify entities that GCF and these institutions share.⁴ Such entities will be the ones that will be a part of operationalizing complementarity and coherence approaches at the programming and capacity-building levels.
33. AF experts joined the GCF Empowering Direct Access Week from 29 May to 1 June 2018 to explore the potential of cooperation between both funds. The GCF Deputy Executive Director and senior members of the Adaptation Fund Board secretariat engaged with common direct access entities and NDAs to discuss opportunities for collaboration on programming and capacity-building, followed by a technical session and bilateral meetings. The effort was received very positively by direct access entities, and the GCF Secretariat and Adaptation Fund Board Secretariat are currently discussing next steps.
34. In collaboration with AF, the Secretariat is exploring opportunities to, in particular, strengthen capacities of DAEs with the objective of facilitating further institutional development and the building of their climate change project/programme pipeline (see paragraph 24).
35. GCF is similarly beginning discussions with entities shared with GEF and the CIFs regarding opportunities to, for example, scale up existing projects/programmes financed by the other institutions and build on capacity-building provided in existing activities, including on readiness and delivery of support for NAPs and adaptation planning processes.
36. The Secretariat, in collaboration with the CIFs Administrative Unit (AU), reached out to entities that the two institutions share on the sidelines of the nineteenth meeting of the Board to identify opportunities for projects/programmes that are aligned with climate priorities and needs and from NDAs that could be considered by GCF. The secretariats have also engaged via video conference and in person with common entities to understand the status of initiatives under the different CIFs programs that countries and entities may be interested to see under GCF programming. In response to an invitation from the CIFs AU, the Secretariat also engaged in the working Pilot Countries Meeting of the PPCR (Manila, May 2018), which also served as a venue to engage with countries interested in seeing synergies between their PPCR work and GCF.
37. **Private sector engagement.** All four climate funds have, to some degree, mandates to work with the private sector. The exchange of information so far has focused on how to best position the climate funds so that private sector actors can easily engage with one or multiple funds. For example, AF is eager to learn from the experience GEF has had with non-grant instruments.
38. Moving forward, key areas of work in this area will include catalysing private sector investment in adaptation, with a specific focus on the types of instruments and mechanisms that

⁴ GCF shares 16 of 18 entities with GEF, 27 of 46 entities with AF, and 6 of 6 entities with the CIFs.

private sectors actors find appealing. Understanding the risk appetite for the private sector will be another topic on which the climate funds will deliberate to find more effective ways of attracting private investment. These efforts will be undertaken with the Seventh Replenishment of the Global Environment Facility Trust Fund (GEF-7) and the AF midterm strategy firmly in mind.

39. **Policies and procedures.** GCF has aimed to apply lessons from other funds since its inception, and these lessons informed the development of key GCF policy frameworks, such as the investment framework and GCF policies on gender and environmental and social safeguards, among others. To make the best use of existing experiences and lessons learned, the Secretariat has conducted extensive outreach and exchanged information with other funds when further developing GCF policies and procedures. In the set of policies under development since B.17, the Secretariat has increased efforts to consult and benchmark its policies to those applied by other climate finance delivery channels. For example, in the research related to the work on guidance on the approach and scope for providing support to adaptation, the Secretariat reviewed the work of other climate funds and convened a workshop in Songdo to understand their experiences better. Consultation and benchmarking has also taken place with regards to other policies under development, such as co-financing policies.

40. **Streamlining and harmonizing monitoring and evaluation approaches and methodologies.** The Secretariat conducted a comparative analysis of key performance indicators and methodologies for mitigation and adaptation across major climate finance mechanisms through conference calls and in-person interviews in Washington, D.C. in February 2018. Included in the analysis are the following:

- (a) A one-on-one comparison of indicators on adaptation and mitigation, including both those that are in use as well as those that are obsolete, between GCF and other climate finance mechanisms (GEF, the CIFs, AF, NAMA Facility), including those that have been newly added and excluded;
- (b) Development of a theme-based indicator matrix that endeavours to harmonize adaptation and mitigation indicators used by GCF with those of other peer organizations and that identifies common result areas addressed by different organizations; and
- (c) Key findings of the comparison and harmonization exercise along with illustrative examples of adaptation and mitigation key performance indicators and associated methodologies that could be adopted by the Board.

41. As a follow-up to the bilateral meeting in February 2018, GEF and GCF agreed to establish a platform to exchange ideas and best practices in the areas of results management, performance indicators, and methodologies for measuring impact, effectiveness, and operational efficiency. A proposal has since been shared, however, details are yet to be finalized. A comparative study of methodologies used at the project/thematic level has not been undertaken. Complementarity and coherence among climate finance delivery mechanisms with respect to this key result area and the uniformity of estimates would lead to greater consistency and comparability of emissions estimates. The Secretariat proposes to engage representatives of other climate delivery mechanisms to harmonize and develop methodological approaches for estimating carbon emissions and removals by thematic areas

42. **Knowledge management and sharing.** The Secretariat has been included in the reference group for the CIFs evaluation of programmatic approaches. The aim of this evaluation is to determine which lessons can be applied to different programming efforts, including the development of policies. The outcomes of the CIFs evaluation will be presented to GCF technical and senior staff for discussion.

43. The Secretariat is currently collaborating with other climate funds in a study to understand the practical experiences gained in efforts to maximize synergy and

complementarity among the climate finance delivery channels. The study seeks to better understand the key drivers to successfully blending different sources of climate finance for projects as well as any opportunities that are missed from the perspective of the countries, implementing entities, and funds involved. The study results will be highlighted at a joint side event at COP 24.

44. The Secretariat has also been collaborating with AF in organizing a joint session for the 2018 Adaptation Futures Conference (to be held in Cape Town, South Africa in June 2018) on scaling up country-owned adaptation measures, highlighting early lessons from AF and GCF on accreditation and direct access. The event will feature the work of DAEs and include them as panellists to provide insights on their experience working with the funds.

45. At COP 23, GCF collaborated with GEF and co-hosted a side event titled “Strengthening Collaboration to Support Countries in Implementing the Paris Agreement”, which sought to explore views from ministers and other experts on key emerging needs and priorities in countries to address resilience and risk while promoting transformation. Other topics explored at the event included how international public financing institutions like GEF and GCF can contribute effectively and in an impactful way; how partnership opportunities can facilitate identification of innovative solutions and scaling up investments towards low-carbon, resilient development; and how the private sector can be leveraged to achieve systemic change.

46. **Work of the Independent Evaluation Unit (IEU).** Complementarity and coherence are a fundamental part of the IEU evaluation criteria. Thus, lessons learned from the experiences of other climate finance entities are regularly incorporated into IEU evaluation activities through benchmarking exercises and peer reviews.

47. IEU is also collaborating with the CIFs Evaluation & Learning Initiative to explore and strengthen the understanding of transformational change. This partnership has two elements. First, the CIFs and IEU have jointly commissioned a systematic review of multi-sectoral evidence of the contributors to and determinants of transformational change. Second, IEU is also a member of the CIF Transformational Change Learning Partnership, which serves as a learning community to co-develop and test definitions and theories of change for transformational change.

Promotion of coherence at the national programming level

48. The operational framework under pillar III, promotion of coherence at the national programming level, seeks to advance country programmes and engagement, policy frameworks and country-driven coordination. There are important challenges for complementarity and coherence at the national programming level, particularly as in some countries the focal points to the funds are different and national coordination remains a challenge. Nevertheless, there are successful examples of countries organizing themselves to better navigate the climate finance landscape. Clarity on the strategic direction of the funds can help countries ensure they are able to advance their priorities in a country-driven manner. Such clarity is also helpful for the funds to ensure they actively address any emerging gaps

49. The Secretariat is also collaborating with GEF on an initiative to invite countries interested in exploring options for programming with the two funds over the next year, including as part of GEF-7. This initiative would use resources available at GEF and GCF while keeping in mind synergies, sequencing, and other factors in a manner that ultimately maximizes the benefit and impact of those resources. The initiative will be further explored at the GEF Assembly in Vietnam.

50. The GCF Readiness Guidebook has been revised by the Secretariat to sharpen the description of relevant outcomes and outputs of the GCF Readiness and Preparatory Support Programme (hereafter “Readiness Programme”), with a view to guiding countries to consider

coherence at the national programming level as they prioritize needs for the programme. The improved descriptions target outcome and outputs related to development of country programmes, effectiveness of coordination mechanisms and identification of entities to support national actions and plans, among others.

51. The Secretariat is furthermore in the process of selecting consulting firms to increase its capacity to inform the development of country programmes within selected countries, ensuring they are country-driven/owned, evidence-based, and focused on countries' climate change priorities aligned with the GCF result areas. This work includes, inter alia, support to coordination at the national level for the identification of a wide range of options and measures available for the countries in the areas of adaptation and mitigation, support to the identification of the most suitable national and international partners for implementation of activities, as well guidance on the use of the best financial instrument(s) for selected prioritized projects.

52. The promotion of coherence at the national programming level can already be seen in activities proposed under countries' GCF readiness requests. Examples include the following:

- (a) Antigua and Barbuda plans to streamline operational functions of the NDA, including by conducting a baseline assessment for existing initiatives by GEF, AF as well as GCF, and strengthening the operations of a national fund for adaptation and mitigation that will consider provision of co-financing for projects and programmes supported by GEF and GCF;
- (b) In Tajikistan, GCF readiness support will build on the CIFs PPCR-supported activities that are planned to be expanded to support the country in the identification of a potential national AE for GCF;
- (c) Niger will review and appraise their adaptation options, selecting up to five priority sectors in up to three geographical areas, as specified by their NAP roadmap or through socio-economic and climate vulnerability assessments conducted with GCF readiness support. These five priority sectors will, however, not include the water sector, as this is covered by a GEF-LDCF project.

Complementarity at the level of delivery of climate finance through an established dialogue

53. On the margins of COP 23, the governing body representatives of the funds met in the first annual dialogue of climate finance delivery channels moderated by the GCF Executive Director. This marked the first opportunity for a formal yet frank discussion of some of the core issues regarding fund-to-fund interaction. Participants included the chairs of GEF, GCF and AF, as well as the manager of the CIFs; they were accompanied by secretariat staff to ensure operational details could also be discussed.

54. The event was split into two sessions: the first session focused on issues of fund governance, including the specific policies and procedures in need of alignment. The second session considered national and activity levels, where participants had the opportunity to discuss enhancing country ownership and access to finance as well as identifying efforts to move from the pilot phase to scale effectively and strategically.

55. Participants welcomed the meeting as an opportunity to proactively respond to countries' concerns and bring the funds closer together. There are areas that could see improved collaboration with little effort required, including national programming, national and regional capacity-building initiatives, and translating country priorities into projects and pipelines. Common tools, processes and systems are additional areas that are ripe for collaboration. Participants further noted there is momentum in all the funds to progress complementarity and coherence, in both the short and long term, and ensure that lessons from

across the funds are applied. Each fund is informed by their respective policies and plans, some with ongoing processes where collaboration represents a cornerstone for enhanced action

56. The dialogue also revealed efforts to collaborate at an operational level, such as the process to fast track accreditation, which could be further analysed to draw lessons for other operational areas such as funding approval processes. A stronger and better-defined climate finance landscape, including on thematic strengths, can help countries navigate the options of support with their associated comparative advantages.

57. Participants agreed on the importance of making concrete progress in 2018 on complementarity and coherence, recognizing that each institution has different strengths, ranging from risk appetite to innovation to predictability, among others.

58. At the close of the dialogue, the funds agreed to host a joint side event at COP 24 featuring progress and outcomes of the work undertaken in 2018 on complementarity and coherence. The second annual dialogue will be held in the second half of 2018, and a concept note is under development in consultation with the other funds.

IV. Next steps

59. The Operational Framework adopted at B.17 contained outcomes sought for the 2017-2018 period. Significant work remains for the rest of 2018 under the agreed elements, building on the work that has been reported in this document. Advancing work towards achieving the outcomes sought remains the goal of the Secretariat under this agenda item, with an update on progress to the Board in 2019, including exploring any options feasible for simplification of procedures along the way.

60. The Secretariat will present an updated set of outcomes for the 2019-2020 period under the Operational Framework in the 2019 Annual Update for consideration by the Board. The proposed outcomes will be revised to reflect the experience of 2017-2018 and with a view to incorporate learning, consolidate work, and prioritize actions to advance complementarity and coherence. The revision will also explore synergies with other relevant climate funds currently working in the areas of mitigation and adaptation not included in the 2017-2018 period.

61. The Secretariat is proposing to host the next annual dialogue of climate finance delivery channels on the margins of COP 24 with the overall objective of each climate fund informing on updates to their policies, programming and operations and reviewing experiences on the promotion of complementarity and coherence.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.20/05 titled “Annual update on complementarity and coherence”:

- (a) Welcomes progress on the implementation of the operational framework on complementarity and coherence;
 - (b) Requests the Secretariat to include, as appropriate, the update on 2017-2018 activities as contained in document GCF/B.20/05 in the seventh report of GCF to the Conference of the Parties to the United Nations Framework Convention on Climate Change, in line with decision B.17/04, paragraph (d);
 - (c) Invites national designated authorities to collaborate with accredited entities to bring to the country programming process any applicable work and lessons achieved with other climate funds, in line with their country priorities and in accordance with the business model of GCF;
 - (d) Requests the Secretariat to provide information to national designated authorities and accredited entities, as appropriate, related to promoting coherence at the national programming level, including with regards to paragraph (c);
 - (e) Also requests the Secretariat to develop a proposal for consideration by the Board in 2019 with an updated set of outcomes for the Operational Framework on complementarity and coherence for 2019-2020, as well as to include proposals for consideration by Board of areas where further fund-to-fund arrangements are possible to improve efficiency, effectiveness and simplicity and to enhance alignment of portfolios with regard to other climate funds; and
 - (f) Requests the Co-Chairs with the support of the Secretariat to engage with the Chair and Vice-Chair of the Adaptation Fund Board to better understand options for collaboration with the Adaptation Fund, and report back to the Board at its twenty-first meeting.
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