



ADAPTATION FUND

AFB/B.27/6
25 February 2016

Adaptation Fund Board
Twenty-seventh Meeting
Bonn, Germany, 17-18 March 2016

Agenda item 12 a)

**STRATEGIC DISCUSSION ON OBJECTIVES AND FURTHER
STEPS OF THE FUND: POTENTIAL LINKAGES BETWEEN
THE FUND AND THE GREEN CLIMATE FUND**

Background

1. At its twenty-fourth meeting the Adaptation Fund Board (the Board) requested the secretariat to prepare a document containing elements on potential linkages of the Adaptation Fund (the Fund) with the Green Climate Fund (GCF), for consideration during the intersessional period between its twenty-fourth and twenty-fifth meetings. The secretariat produced document AFB/B.24-25/1, Potential linkages between the Adaptation Fund and the Green Climate Fund, which built upon the options outlined in document AFB/B.20/5, Strategic prospects for the Adaptation Fund, discussed at the twentieth Board meeting in March 2013. Document AFB/B.24-25/1 analyzed in particular two scenarios: (a) establishment of an operational linkage with the GCF, through either accreditation or an ad hoc agreement or memorandum of understanding; and (b) institutional integration between the two funds. By decision B.24-25/9 the Board decided to request the secretariat to further assess: (i) the potential for the Fund to apply as a financial intermediary of the GCF; and (ii) the feasibility of entering into some form of memorandum of understanding or legal agreement under which the Fund could programme GCF funds; and present its conclusions to the twenty fifth meeting of the Board.

2. Following the presentation by the secretariat at its twenty-fifth meeting, the Board decided to request the secretariat, in consultation with the trustee, as appropriate, to prepare a document for consideration by the Board at its twenty-sixth meeting containing further legal, operational, and financial analysis on the implications of various linkages with the GCF, and to report back at its twenty-sixth meeting. This document considered the two options previously discussed by the Board: accreditation of the Fund by the GCF (albeit without assessing whether or not the Fund met the GCF accreditation requirements, which was beyond of the scope of the document), and a legal agreement or memorandum of understanding (MOU) with the GCF. Accreditation of the Fund under GCF would make sense if it allowed the Fund to act as an intermediary to channel funds to programmes, i.e., if the Fund could submit a broad programme to the GCF Board for approval under GCF rules and then approve individual projects under Adaptation Fund rules. Even though the criteria for adaptation projects under the GCF appeared to be in line with those of the Fund, it was still too early to fully assess how linkages between the two funds could be operationalized, as the GCF had not yet finalized a master agreement or approved any projects. The second option of a legal agreement or MOU between the two funds might allow more flexibility to tailor a linkage to the specific situations, features and types of projects typically funded by the Adaptation Fund. In the ensuing discussion, it was generally felt that it was premature to seek accreditation under the GCF. Although some Board members saw accreditation as a means of ensuring the Fund's sustainability, others disagreed, and furthermore, stressed the need to separate the issues of linkages with the GCF and financial sustainability. It was pointed out that under paragraphs 33 and 34 of its Governing Instrument, the GCF was required to make appropriate arrangements with other funds under the UNFCCC.

3. Following discussion of document AFB/B.26/7, the Board decided to:

- a) *Request the Chair and Vice-Chair of the Board and the secretariat, in consultation with the trustee, as appropriate, to continue the discussion with the Standing Committee on Finance (SCF) and the Green Climate Fund (GCF) Board Co-*

Chairs and secretariat as outlined in Board Decision B.25/26, and to report back to the Board at its 27th meeting;

- b) Invite the 11th session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP11) to:

 - (i) Provide guidance on the mandate of the Board to take decision on linkages between the GCF and the Adaptation Fund;*
 - (ii) Invite the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21), in its guidance to the GCF, to request the GCF board to consider potential linkages between the GCF and the Adaptation Fund within the context of paragraphs 33-34 of the Governing Instrument of the GCF; and**
- c) Request the secretariat to update document AFB/B.26/5 based on the outcome of the COP21/CMP11 for full consideration by the Board at its 27th meeting.*

(Decision B.26/38)

4. This document refers only to the mandate to the secretariat under paragraph c) of decision B.26/38. The Chair and the secretariat will report on compliance with the mandate given to them in other paragraphs of this decision in their oral report to the Board.

Outcome of the twenty-first session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 21) and the eleventh session of the Conference of the Parties serving as meeting of the Parties to the Kyoto Protocol (CMP 11) with regard to linkages between the Fund and the GCF

5. COP 21 in decision 7/CP.21, Report of the Green Climate Fund to the Conference of the Parties and guidance to the Green Climate Fund, decides to encourage “the Board of the Green Climate Fund to improve complementarity and coherence with other institutions, per paragraphs 33 and 34 of the governing instrument of the Green Climate Fund, including by engaging with relevant bodies of the Convention, such as the Standing Committee on Finance”.

6. Following approval of decision 7/CP.21 and as of the date of issuance of this document, the GCF Board had not met. The twelfth meeting of the GCF Board (B.12) is scheduled to take place in Songdo, South Korea, from 8-10 March 2016. Document GCF/B.12/04, Guidance from the Conference of the Parties: Proposal from the Co-Chairs, contains a summary of guidance from COP 12 (table 1). With respect to the complementarity and coherence issue, the proposal by the Co-Chairs for the 2016 work plan is “initial scheduling for B.12, with a first substantive discussion at B.14.” The proposed decision for B.12 is a “[p]rocedural decision requesting new work by the Secretariat.” The secretariat will attend this meeting and report back to the Board.

7. CMP 11 in decision 1/CMP.11, report of the Adaptation Fund Board, took note of the “[o]ngoing discussion on linkages between the Adaptation Fund and the Green Climate Fund;”