



ADAPTATION FUND

AFB/B.28/6
7 September 2016

Adaptation Fund Board
Twenty-eighth Meeting
Bonn, Germany, 6-7 October 2016

Agenda item 11 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*. This document was 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 (MOU) 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. Document B.26/5 focused on the first option of an establishment of an operational linkage with the GCF, through either accreditation or an ad hoc agreement or memorandum of understanding because the first option's implication is similar to that of the second option of an institutional integration between the two funds. Any operational linkage between the Fund and the GCF will need to avoid duplication and inconsistency of policies and procedures, reporting requirements, tracking of funds, and funding decisions in order to be effective and efficient.

3. Document B.26/5 considered the two options previously discussed by the Board: (i) accreditation of the Fund as intermediary of the GCF (albeit without assessing whether or not the Fund meets the GCF accreditation requirements, which is beyond the scope of the document); and (ii) 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 as at the twenty-sixth meeting of the Board. The second option of a legal agreement or MOU between the two funds might to allow more flexibility to tailor a linkage to the specific situations, features and types of projects typically funded by the Adaptation Fund. The trustee noted that because the World Bank provided trustee service to both funds on an interim basis, it should be fairly straightforward to address the implications of linkages between the Fund and the GCF.

4. 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 of the GCF, the GCF was required to make appropriate arrangements with other funds under the UNFCCC.
5. Since the twenty-seventh meeting, the secretariat have continued interacting with the GCF secretariat in the areas identified by the Board to foster complementarity, namely accreditation, readiness support, results-based management and project pipeline.
6. The Conference of the Parties had encouraged the GCF Board to improve its complementarity and coherence with other institutions, per paragraphs 33 and 34 of the governing instrument of the GCF, including by engaging with relevant bodies of the Convention, such as the Standing Committee on Finance in decision 7/CP.21.
7. Following discussion of document AFB/B.27/6, the Board decided to request:
- a) *The Chair and Vice-Chair to continue consultations with the Co-Chairs of the Green Climate Fund (GCF) on potential linkages between the Adaptation fund and the GCF; and*
 - b) *Update document B.27/6 with the outcome of those discussions for consideration at the twenty-eight meeting of the Board.*

(Decision B.27/37)

8. Following the mandate by the Board, the Board's Chair met with one of the GCF Co-Chairs in the margins of the forty-fourth sessions of the subsidiary bodies. They exchanged views on complementarity between the funds and the added value of the Fund for the work of the GCF.
9. The secretariat attended the thirteenth meeting of the GCF Board. At this meeting, two decisions were made by the GCF Board related to the Adaptation Fund. First, the GCF Board decided to request its Co-Chairs to initiate an annual dialogue with climate finance delivery channels, commencing at, and in conjunction with, its fifteenth meeting, and thereafter annually and in conjunction with a Board of the GCF meeting to be held at the GCF headquarters in Songdo, Republic of Korea, and with other funds in order to enhance complementarity at the activity level (GCF decision B.13/12). Second, the GCF Board decided to request the Co-Chairs to consult with the [GCF] Board, with a view to presenting for consideration by the [GCF] Board at its fourteenth session a proposal related to identifying opportunities for the GCF to add value by co-financing projects and programmes together with the Global Environment Facility, the Adaptation Fund or Multilateral Development Banks (GCF Board Decision B.13/5).
10. The secretariat met with two representatives of the GCF, the General Counsel and the Acting Director of Private Sector Facility, on 25 August 2016 at the headquarters of the Adaptation Fund Board secretariat in Washington DC. The secretariat and the representatives of the GCF exchanged views on how to implement a mutually beneficial complementarity and coherence among the funds. The secretariat shared with the representatives of the GCF its ideas on possible

joint activities in the areas of complementarity and coherence identified by the Board in decision AFB/B.25/26. The representatives of the GCF secretariat indicated that the GCF secretariat is working on how to implement the two decisions mentioned above and would share information once a concrete work plan for the decisions take shape.