

**Ninth meeting of the Standing Committee on Finance  
Bonn, Germany, 10–11 March 2015**

**Background paper on possible future institutional linkages and relations between  
the Adaptation Fund and other institutions under the Convention**

**Proposed action by the SCF under this agenda item**

The SCF, at its ninth meeting, may wish to agree on possible approaches to addressing the request made by the Conference of the Parties (COP), at its twentieth session, with regard to possible future institutional linkages and relations between the Adaptation Fund (AF) and other institutions under the Convention.

**I. Background**

1. At COP 20, Parties requested the SCF to consider issues related to possible future institutional linkages and relations between the AF and other institutions under the Convention.<sup>1</sup> This request was taken note of by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its tenth session in the context of the second review of the AF.<sup>2</sup>
2. With respect to the Adaptation Fund Board (AFB), the operating entity of the AF, CMP 10 requested the AFB to consider options for developing operational linkages, as appropriate, between the AF and constituted bodies under the Convention, taking into consideration the mandates of the respective bodies.<sup>3</sup> In accordance with this mandate, the AFB will discuss this matter at its 25<sup>th</sup> meeting in April 2015.<sup>4</sup>

**II. Institutional linkages and relations between the Adaptation Fund and other institutions under the Convention**

3. In elaborating the issues referred to in paragraph 1 above, as a starting point, the SCF may wish to reach a common understanding of ‘institutional linkages and relations’ from a legal and technical perspective, as well to understand the current practices and activities of the AF with regard to existing linkages and relations. Reaching such a common understanding will be vital for the SCF to progress work on and the identification of possible future institutional linkages and relations between the AF and other institutions under the Convention as appropriate.
4. For example, it would be useful for the SCF to understand the type and level of interactions the AF has with institutions under the Convention be it at the technical or operational level. In this regard, ‘institutions under the Convention’ could include: the operating entities of the Financial Mechanism and the funds that they manage (Green Climate Fund (GCF), Global Environment Facility (GEF), Least Developed Countries Fund (LDCF), Special Climate Change Fund (SCCF)), as well as thematic bodies and groups of experts under the Convention such as the SCF, the Adaptation Committee (AC), the Technology Executive Committee (TEC), the Climate Change Technology Network (CTCN), the Least Developed Countries Expert Group (LEG) and Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention (CGE).
5. The table below outlines the existing linkages and relations between the AF and other institutions under the Convention.

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<sup>1</sup> Decision 6/CP.20, paragraph 22.

<sup>2</sup> Decision 2/CMP.10, paragraph 7.

<sup>3</sup> Decision 2/CMP.10, paragraph 6.

<sup>4</sup> AFB document AFB/B.25/1.

**Table**

Existing linkages and relations between the AF and other institutions under the Convention

<b>Institutions under the Convention</b>	<b>Details of linkages and relations between the two institutions</b>
SCF	<ul style="list-style-type: none"> <li>• A member of the AFB and a representative of its secretariat participated in the first SCF forum in 2013 as panellists. Another representative of the AFB secretariat made a contribution to the second SCF forum in 2014 as a speaker in the plenary and a facilitator of part of the discussion.</li> <li>• A former AFB Chair and the AFB secretariat respectively participated in SCF meetings as an observer.</li> </ul>
GCF	<ul style="list-style-type: none"> <li>• At the request of the secretariat of the GCF Board, the AFB secretariat continue to provide information and share its experience such as on accreditation, readiness activities, funding criteria, proposal review and result based management.</li> <li>• The AFB participated in the meetings of the GCF Board as an observer and interacted with Board members both from Annex I and non-Annex I Parties.</li> <li>• The secretariat of the GCF Board has also collaborated with the AF through remote or in-person participation in all seminars and workshops on AF's readiness programme.<sup>5</sup></li> <li>• The inputs of the AF served as inputs into the GCF Board decisions such as on the guiding framework and procedures for its fast-track accreditation in which entities accredited by other relevant funds including the AF, in full compliance with the AF's fiduciary standards, are eligible to apply under the fast-track accreditation process for the GCF's basic fiduciary standards, the specialized fiduciary standard for project management, and the environmental and social safeguards.<sup>6</sup></li> </ul>
GEF	<ul style="list-style-type: none"> <li>• In accordance with the invitation by the CMP<sup>7</sup> and the following decision on the legal arrangement for the secretariat of the AFB,<sup>8</sup> the GEF has provided secretariat services to the AFB since 2008 on an interim basis. Since 2009, most of the work for these services has been carried out by a dedicated team of officials in a functionally independent manner.</li> <li>• The GEF has provided substantial support to the AFB as its interim secretariat to establish basic administrative, institutional, policy and legal architecture in 2008, before the AF was fully operationalized.</li> <li>• The AF and the GEF made efforts and taken measures to enhance synergies and avoid duplication of projects on the ground. For example, an approved AF project in Tanzania includes arrangements for UNEP to implement the AF project with a project under the LDCF in the same area of intervention in order to reduce costs, build synergies and avoid duplication.<sup>9</sup></li> <li>• The dedicated team of officials of the AFB secretariat has been receiving cross-support by the GEF secretariat technical staff in performing tasks for technical review of project/programme proposals under the AF.<sup>10</sup> The GEF cross support to the AFB secretariat has been decreasing yearly as the dedicated staff has grown.</li> </ul>

<sup>5</sup> AFB document AFB/B.24/3, paragraphs 3 and 43.

<sup>6</sup> GCF Board decision B.08/03.

<sup>7</sup> Decision 1/CMP.3, paragraph 19.

<sup>8</sup> Decision 1/CMP.4, annex II.

<sup>9</sup> SCF/2014/TP/1, paragraph 210, and FCCC/TP/2014/7, paragraph 101. Details of the project are available at <<https://www.adaptation-fund.org/sites/default/files/ilovepdf.com-8.pdf>>.

<sup>10</sup> For example, AFB document AFB/B.24/3, paragraph 41.

Institutions under the Convention	Details of linkages and relations between the two institutions
AC	<ul style="list-style-type: none"> <li>• Efforts have been taken under the AC to increase coherence and collaboration on adaptation-related matters under the Convention including with the AF.<sup>11</sup></li> <li>• At AC 5 in March 2014, the AC took stock of existing adaptation finance, including through a presentation made by a representative of the AFB on AF's experience in supporting NAP process.<sup>12</sup> The co-chairs of the AC are tasked with ensuring a continued dialogue with the AFB, the GEF and the GCF Board, and a strategy is being elaborated.<sup>13</sup></li> <li>• At AFB 24 in October 2014, the AFB had a discussion with the co-chairs of the AC on how to enhance their collaboration. During the discussion, co-chairs of the AC indicated that rich insights the AF had garnered would be most welcome and useful in the organization of the AC's annual forum.<sup>14</sup></li> <li>• A representative of the AFB secretariat participated in AC 7 in February 2015, and made a contribution to the workshop on the means of implementation for enhanced adaptation action, which was organized by the AC and held in March 2015, through serving as a facilitator of the discussion on "Enabling environments – national institutional arrangements for effective deployment of adaptation finance".<sup>15</sup></li> </ul>
CTCN	<ul style="list-style-type: none"> <li>• The AFB secretariat had a meeting with the Director of the CTCN in September 2014 on opportunities for partnership. They identified potential synergies including the provision of additional technical assistance by the CTCN for project formulation grant under the AF.<sup>16</sup></li> <li>• Following the discussion, the CTCN sent a letter to the AFB secretariat on details of potential way of collaboration and synergies including operational modalities.<sup>17</sup> At AFB 24, Director of the CTCN made a presentation and discussed this issue with the AFB members, and the AFB encouraged its secretariat to continue discussions with the CTCN.<sup>18</sup></li> </ul>

6. In addition to the above mentioned issues, the SCF may also wish to consider a technical paper prepared by the secretariat on the second review of the AF, which also explored the issue of institutional linkages and relations between the AF and other institutions as per the mandate of the CMP.<sup>19</sup> Furthermore, the SCF, when it considered the fifth review of the Financial Mechanism, also examined the consistency and complementarity between the funds under the Convention (GCF and GEF and its related funds) and the activities funded by other multilateral climate funds including the AF.
7. The COP, in the context of the fifth review of the Financial Mechanism, noted the challenge of overlaps between the activities that the GCF will finance and those of other multilateral climate funds.<sup>20</sup> In this regard, there is increasing desire from Parties to deliberate future climate finance architecture, which will maximize synergy to support adaptation finance and ensure coherence and coordination among different thematic bodies and financial institutions, taking into account predictability and sustainability of the funding from the AF.
8. Furthermore, when considering this agenda item, the SCF may wish to note that, from a legal point of view, the AF is established under the Kyoto Protocol, which implies that the establishment of any institutional arrangements between the AF and other institutions under the Convention which have legal implications would require decisions both by the COP and the CMP.

<sup>11</sup> For example, see AC document AC/2014/10 on financing for national adaptation plans.

<sup>12</sup> Presentation material is available at

<[http://unfccc.int/files/adaptation/cancun\\_adaptation\\_framework/adaptation\\_committee/application/pdf/af\\_adaptation\\_planning.pdf](http://unfccc.int/files/adaptation/cancun_adaptation_framework/adaptation_committee/application/pdf/af_adaptation_planning.pdf)>.

<sup>13</sup> FCCC/TP/2014/7, paragraph 106.

<sup>14</sup> AFB document AFB/B.24/7, paragraphs 134–140.

<sup>15</sup> <[http://unfccc.int/adaptation/groups\\_committees/adaptation\\_committee/items/8860.php](http://unfccc.int/adaptation/groups_committees/adaptation_committee/items/8860.php)>.

<sup>16</sup> AFB document AFB/B.24/3, paragraph 3.

<sup>17</sup> AFB document AFB/B.24/3, annex II.

<sup>18</sup> AFB document AFB/B.24/7, paragraph 21.

<sup>19</sup> FCCC/TP/2014/7, section III C.

<sup>20</sup> SCF/TP/2014/1, paragraph 212.

9. Bearing in mind those elements mentioned above, the SCF is invited to consider the issues from a technical perspective, and identify what institutional linkages and relations would be possible or appropriate and how they can be achieved.

### **III. Relevant on-going work with regard to the issue of institutional linkages and relations between the AF and other institutions under the Convention**

10. When considering this issue, the SCF may also wish to take into consideration the discussions held by the AFB relevant to this agenda item. At its 18<sup>th</sup> meeting in June 2012, the AFB initiated a strategic discussion of the further steps that could be undertaken to consolidate the AF, in conjunction with other emerging institutional processes under the UNFCCC including the SCF and the GCF.<sup>21</sup>
11. In accordance with the decision at AFB 18,<sup>22</sup> the AFB secretariat prepared a document on strategic prospects for the AF, which included potential scenarios regarding linkages with the GCF. The scenarios had been narrowed down through the discussions among the Board members to three options, namely: (i) status quo (both funds are functionally independent from one another); (ii) operational linkages with the GCF; and (iii) institutional integration.<sup>23</sup> At its 24<sup>th</sup> meeting in October 2014, the AFB requested its secretariat to prepare a document containing elements on potential linkages with the GCF for consideration by the Board during the intersessional period.<sup>24</sup>
12. In response to this request, and taking into consideration recent developments and several decisions made by the GCF Board including on its accreditation process, the AFB secretariat prepared the document on potential linkages between the AF and the GCF including a recommendation on future steps,<sup>25</sup> providing a more in-depth analysis of scenarios (ii) and (iii) mentioned in paragraph 11 above. In particular, the document identified two possible ways in which the scenario (ii) could be implemented as follows:
  - a. The AF, having a governing body with legal capacity, could be accredited as intermediary of the GCF;
  - b. The GCF and the AFB could enter into some form of MOU or legal agreement under which the AF could receive GCF funds and serve as a delivery partner for specific activities where the AF holds a comparative advantage.
13. The AFB approved this document inter-sessionally and further requested its secretariat to assess: (i) the potential for the AF to apply as a financial intermediary of the GCF; (ii) the feasibility of entering into some form of memorandum of understanding or legal agreement under which the Fund could programme GCF funds, and to present its conclusions to AFB 25.<sup>26</sup>
14. Furthermore, issues regarding the future role of the AF have been also raised during the negotiations under the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP) as part of the discussion on how to anchor climate finance related institutions under a new agreement.<sup>27</sup> At ADP 2-8 in February 2015, Parties agreed on a negotiating text,<sup>28</sup> which includes several references to the AF.

### **IV. Possible ways forward**

15. The SCF may wish to request the secretariat to prepare a working paper for further consideration at SCF 10, which will reflect the deliberations and conclusions made at SCF 9 and map out possible future institutional linkages and relations between the AF and other institutions under the Convention. The paper may also explore the technical and legal aspects of the linkages. If the SCF agrees on this approach, it may wish to agree on the terms of reference of the working paper.
16. In addition, the SCF may also wish to call for inputs/submissions from SCF members and/or external stakeholders on this issue for further consideration at SCF 10 and/or inter-sessionally and for making them available on the SCF web page.

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<sup>21</sup> AFB document AFB/B.18/6, paragraphs 116–121.

<sup>22</sup> AFB decision B.18/43.

<sup>23</sup> AFB documents AFB/B.19/5 and AFB/B.20/5.

<sup>24</sup> AFB decision B.24/29.

<sup>25</sup> AFB document AFB/B.24-25/1.

<sup>26</sup> AFB decision B.24-25/9.

<sup>27</sup> Elements related to the AF are contained in decision 1/CP.20, annex.

<sup>28</sup> <[http://unfccc.int/meetings/geneva\\_feb\\_2015/session/8619.php](http://unfccc.int/meetings/geneva_feb_2015/session/8619.php)>.

17. In identifying possible outcome of this mandate from the COP, the SCF may further wish to consider to:
  - a. Submit a working paper to COP 21 as technical input for deliberation by Parties on this issue which may include the following: (i) only map out, from a technical perspective, existing linkages and relations, both of the AF, as well as of other institutions to provide an overview of the possible landscape of linkages and relations; or (ii) also include an analysis with regard to gap and future-oriented scenarios for an indication of possible future institutional linkages and relations between the AF and other institutions under the Convention;
  - b. Provide recommendations regarding the specific identification of possible future institutional linkages and relations between the AF and other institutions under the Convention.
18. While the possible timeline for consideration of this agenda item depends on approaches taken by the SCF, annex outlines an overall schedule of possible meetings and activities relevant to the SCF and AFB, which the SCF may wish to take into account in determining its work plan on this agenda item.

## Annex: Overall schedule of possible meetings and activities relevant to the SCF and AFB

Activity	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov/ COP 21
SCF meetings	SCF 9			SCF 10 (P)			SCF 11 (P)		
AFB meetings		AFB 25						AFB 26	
Working paper prepared by the secretariat		X	X	Presented at SCF 10					
Call for inputs/submissions from SCF members and/or external stakeholders		X	X	SCF 10 to take into account?					
SCF recommendations to COP 21							X	X	X
AFB recommendations to CMP 11 <sup>29</sup>							X	X	X
SB 42				X					
COP 21/ CMP 11 / SB 43									X
ADP				X		X		X	X

<sup>29</sup> Since annual report by the AFB to CMP 11 will include all the activities related to the AFB only from 1 July 2014 until 30 June 2015, any decisions or developments by the AFB after 1 July 2015 will be reported orally at CMP 11.