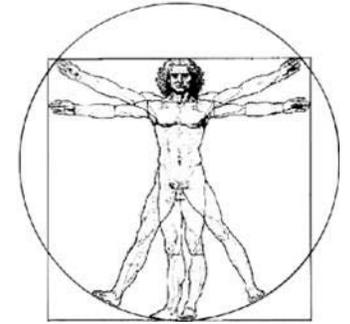




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The Adaptation Fund in the new climate finance regime

Its role in relationship with the GCF

Wednesday, 8 April 2015, La Redoute, Bad Godesberg

Benito Müller

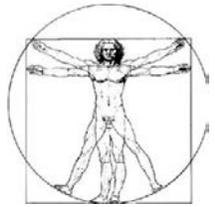
Director [ecbi](#),

MD [oxford climate policy](#)

for sustained capacity building in support of international climate change negotiations

pour un renforcement durable des capacités en appui aux négociations internationales
sur les changements climatiques

GCF Modes of Engagement: Specialized Fiduciary Criteria



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 Project
Implementing Entity (IE)

 Programme IEs

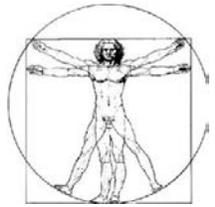
- Funding Entity

- Intermediary

NB: These categories are NOT mutually exclusive

Specialized fiduciary criteria	Project management	• Project preparation and appraisal (from concept to full funding proposal)
		• Project oversight and control
		• Monitoring and evaluation
		• Project-at-risk systems and related project risk management capabilities
	Grant award and/or funding allocation mechanisms	• Grant award procedures
		• Transparent allocation of financial resources
		• Public access to information on beneficiaries and results
		• Good standing with regard to multilateral funding (e.g. through recognized public expenditure reviews)
	On-lending and/or blending	• Appropriate registration and/or licensing by a financial oversight body or regulator in the country and/or internationally, as applicable;
		• Track record, institutional experience and existing arrangements and capacities for on-lending and blending with resources from other international or multilateral sources;
• Creditworthiness;		
• Due diligence policies, processes and procedures;		
• Financial resource management, including analysis of the lending portfolio of the intermediary;		
• Public access to information on beneficiaries and results;		
• Investment management, policies and systems, including in relation to portfolio management;		
• Capacity to channel funds transparently and effectively, and to transfer the Fund's funding advantages to final beneficiaries;		
• Financial risk management, including asset liability management;		
• Governance and organizational arrangements, including relationships between the treasury function and the operational side (front desk).		

GCF Scales of Engagement: Executing Entities



Interpretation Note on Small and Medium Enterprises and Environmental and Social Risk Management

January 1, 2012

NOTE ON ENTERPRISE DEFINITIONS FOR MICRO, SMALL AND MEDIUM FIRMS

Global Financial Markets categorizes its clients' sub-borrowers according to the following definitions:

- (1) Microenterprise if loan < US\$10,000 at origination
- (2) Small Business if loan < US\$100,000 at origination
- (3) Medium Business if loan <US\$ 1 million at origination (US\$2 million for more advanced countries)

Technically, the above definitions are a proxy for the official IFC definition, based on an enterprise qualifying under two of the following three indicators, as follows:

Indicator	Micro Enterprise	Small Enterprise	Medium Enterprise
Employees	<10	10<50	50<300
Total Assets	<\$100,000	\$100,000<\$3 million	\$3 million < \$15 million
Total Annual Sales	<\$100 000	\$100,000<\$3 million	\$3 million < \$15 million



Simplified Processes for the Approval of Proposals for Certain Activities, in Particular Small-scale Activities



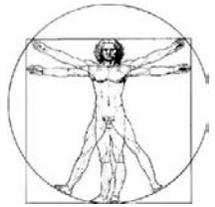
Large Executing Entity
Medium/Large Project/Programme

Micro/Small/Medium Executing Entity (MSME)
Micro/Small Project/Programme

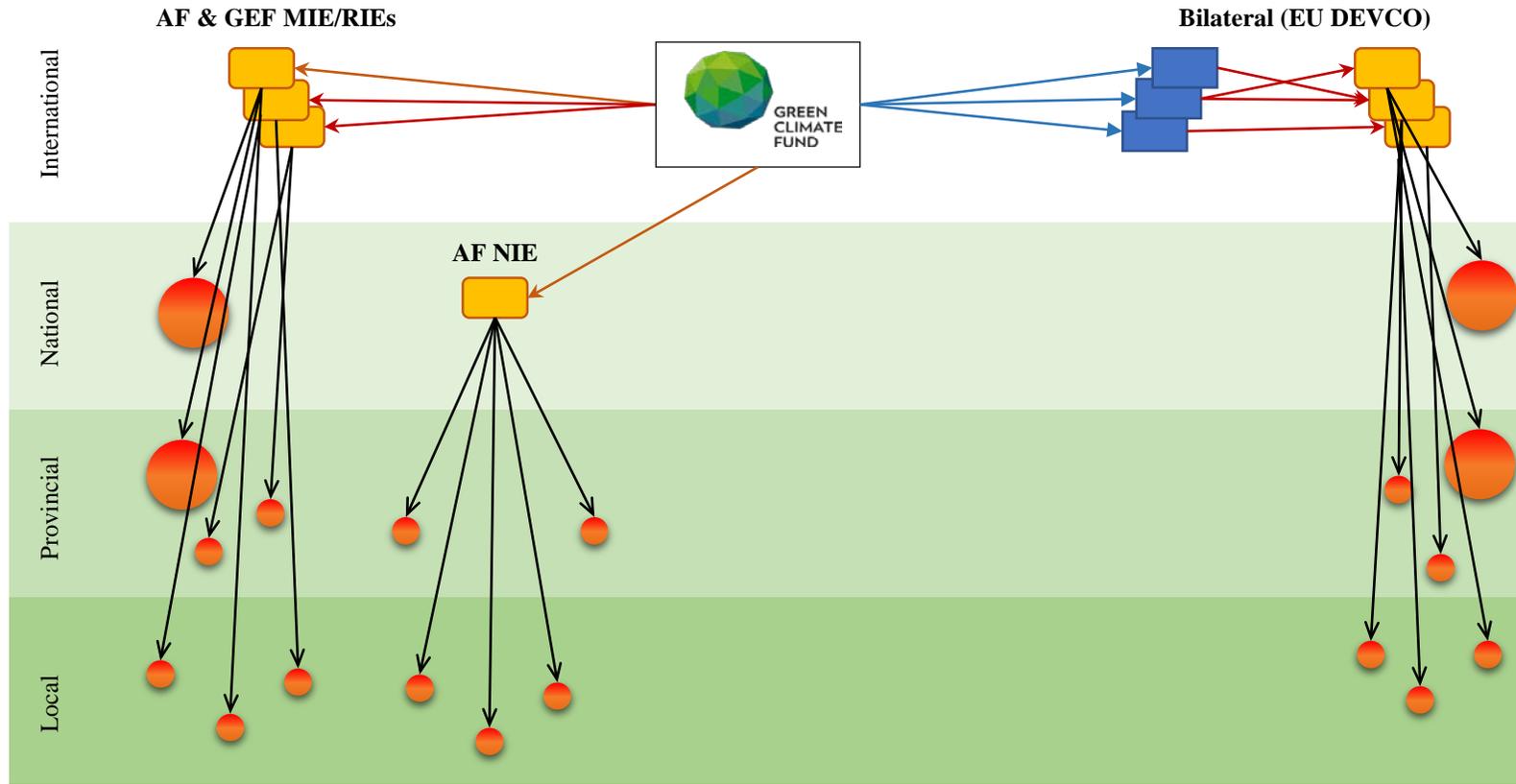
I. Micro and Small Funding Proposals

2. Funding proposals of up to a threshold of US\$ 10 million for any financial instrument are eligible for a simplified no-objection procedure with a reduced timeline by the National Designated Authority (NDA).
3. Such funding proposals are approved by the Executive Director of the Secretariat to reduce timeframes associated with approval.

GCF Fast-track Accreditation



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Project Implementing Entity



Programme Implementing Entity

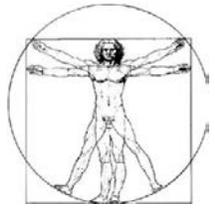


Large Executing Entity
Medium/Large Project/Programme

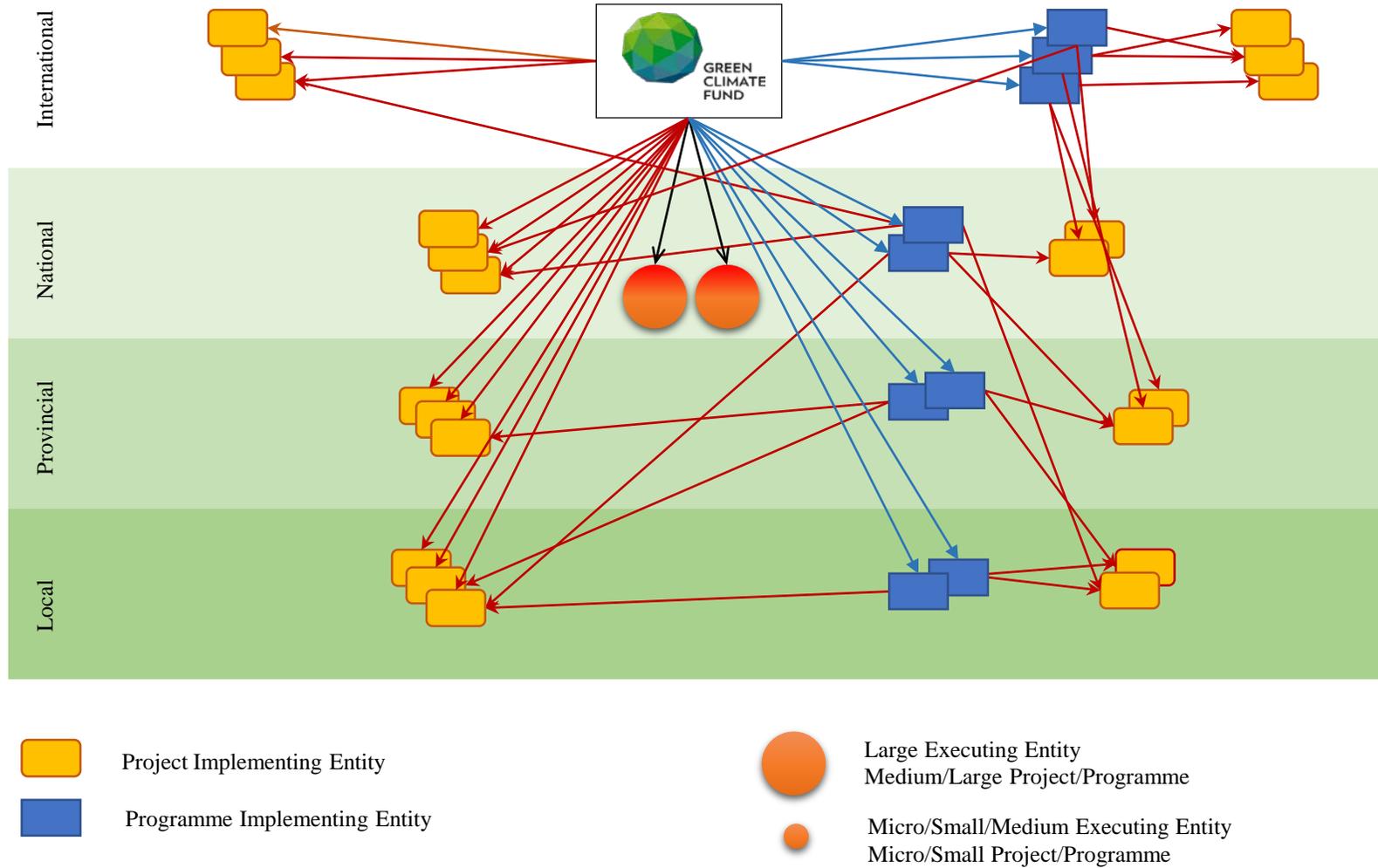


Micro/Small/Medium Executing Entity
Micro/Small Project/Programme

GCF Maximum Entropy Accreditation?

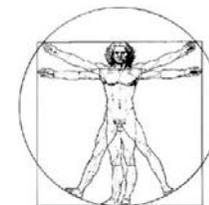


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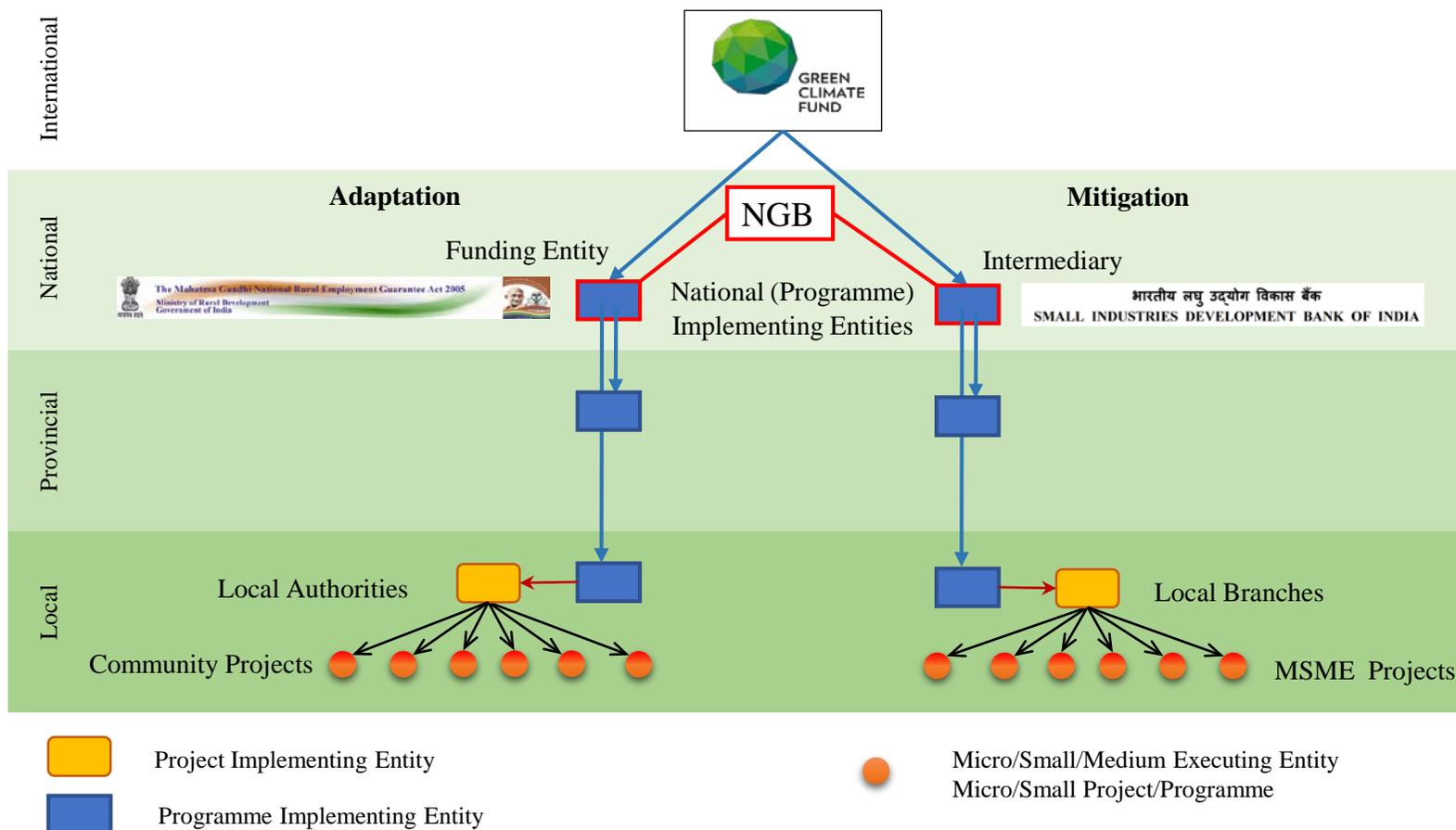


GCF Enhanced Direct Access Pilot Phase

- Foreign public sector funding stream consolidation through a National Governing Body (NGB)
- In-country devolved access to the provincial and local level for engaging local stakeholders (communities, MSMEs)



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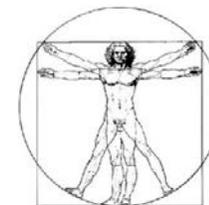


Benito Müller, *Engaging Micro, Small, and Medium Enterprises in developing countries*, OCP/ecbi, February 2015

Anju Sharma *et al.*, *Consolidation and devolution of national climate finance: The Case of India*, ecbi, March 2015

<http://www.eurocapacity.org/public/pubarchive-brief.shtml>

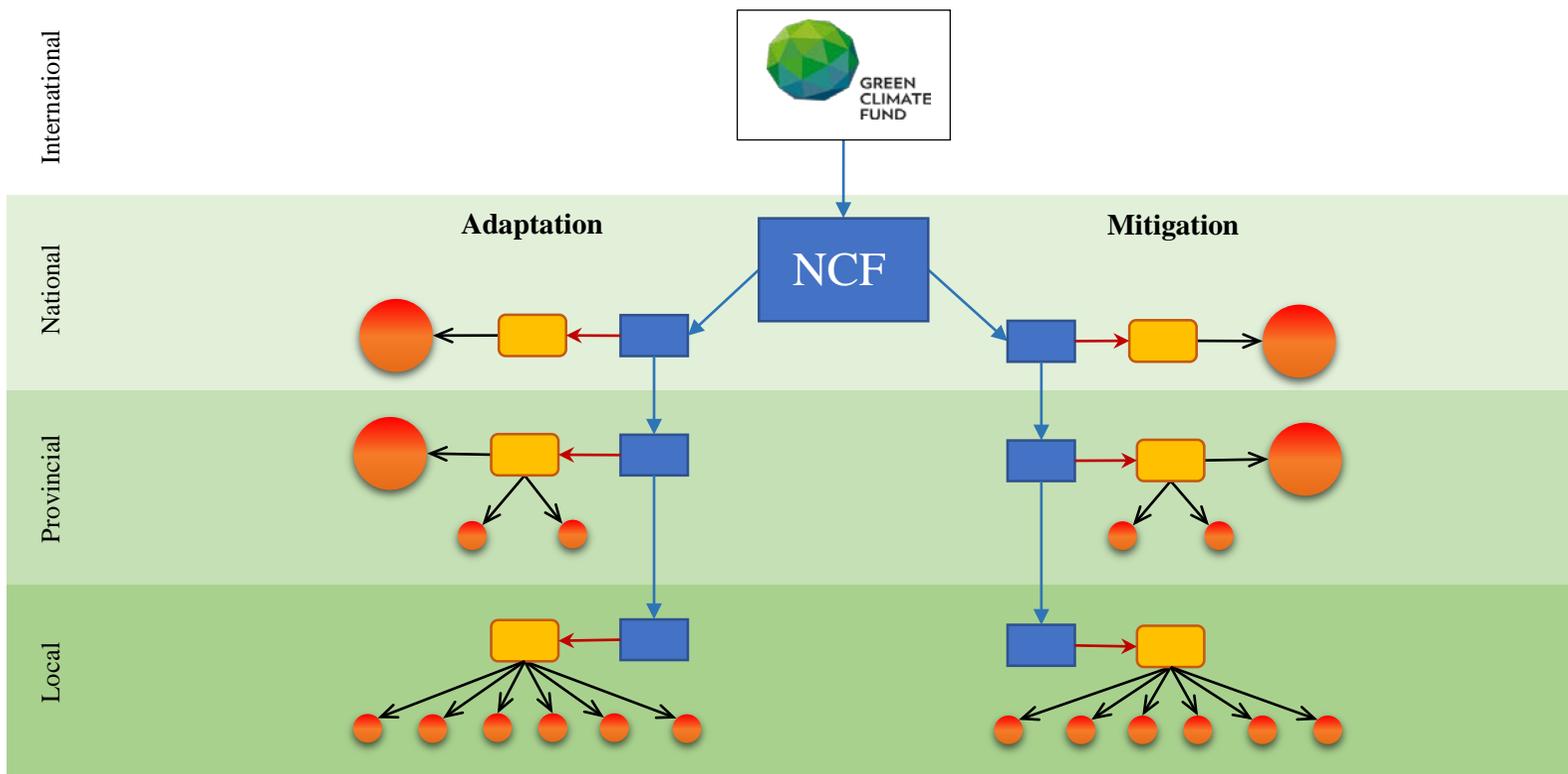
Enhanced Direct Access as GCF “Signature Access Modality”



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National Climate Fund (NCF)

- Accredited with the GCF both as funding entity and intermediary
- Governed by the National Governing Body (incl. NDA representation)



Project Implementing Entity



Programme Implementing Entity

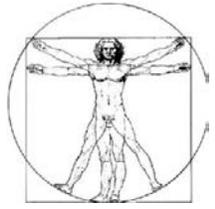


Large Executing Entity
Medium/Large Project/Programme

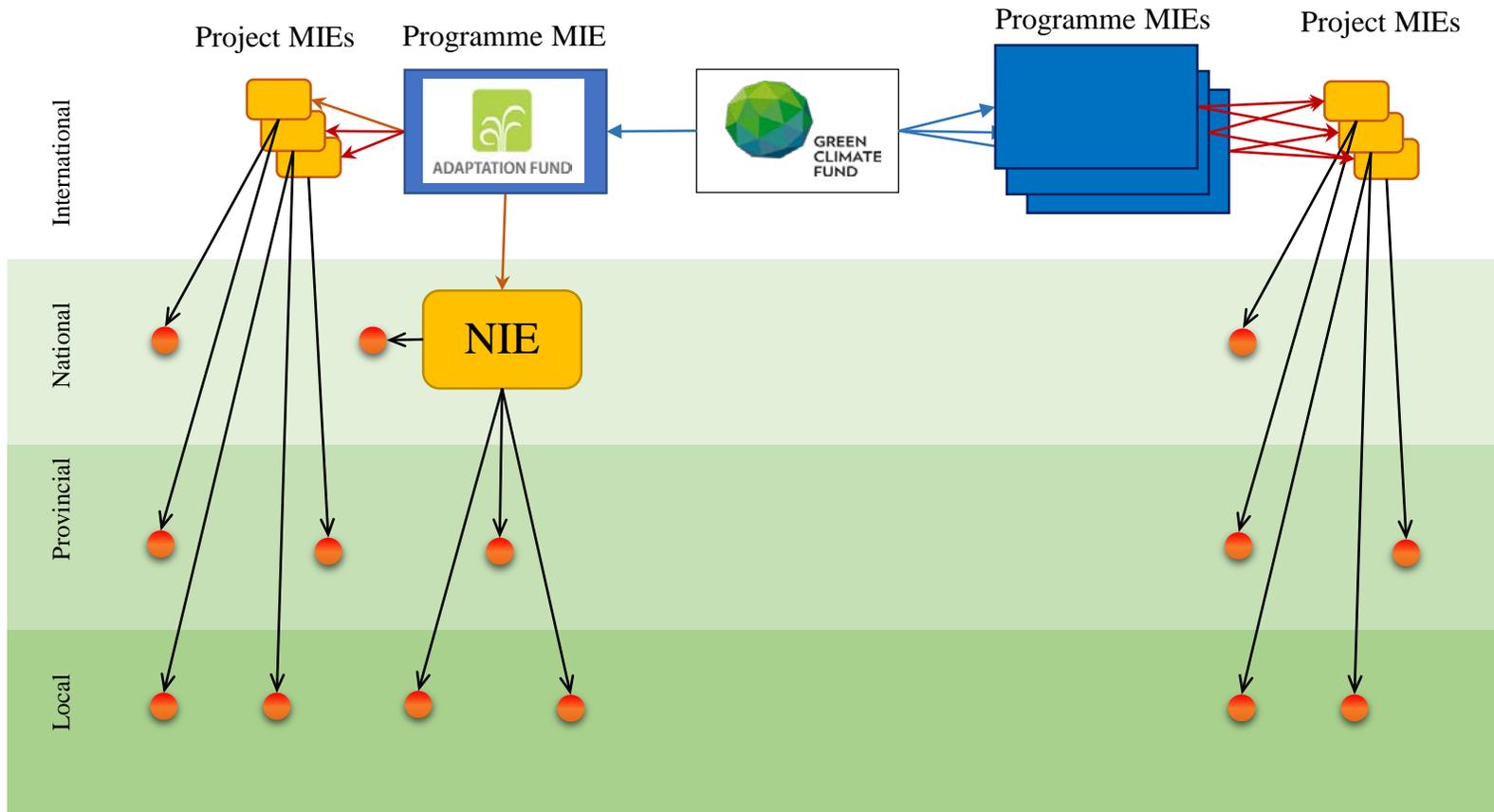


Micro/Small/Medium Executing Entity (MSME)
Micro/Small Project/Programme

GCF Enhanced Multilateral Access



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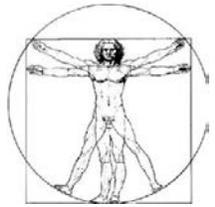
POTENTIAL LINKAGES BETWEEN THE ADAPTATION FUND AND THE GREEN CLIMATE FUND

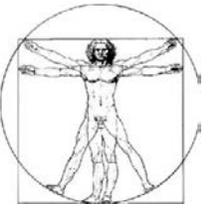
Scenario 2: Operational linkage between Fund and the GCF

Given the legal capacity of the Board, the GCF could conclude agreements with it, limited to certain operational aspects. This modality would allow the GCF to channel some of its operations (and resources) through the Fund (e.g. direct access, concrete adaptation projects). These agreements do not imply any change in the institutional arrangements for the Fund, and could be concluded by the Board regardless of them.

There are (at least) two ways in which this scenario could be implemented:

- (a) The Fund, having a governing body with legal capacity, could be **accredited as intermediary** of the GCF. This option seems possible because the Fund may meet the relevant specialized fiduciary standards.
- (b) Following paragraphs 33–34 of the GI, the GCF and Fund Boards could **enter into some form of MOU** or legal agreement under which the Fund could receive GCF funds and serve as a delivery partner for specific activities where the Fund holds a comparative advantage.

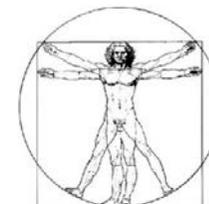




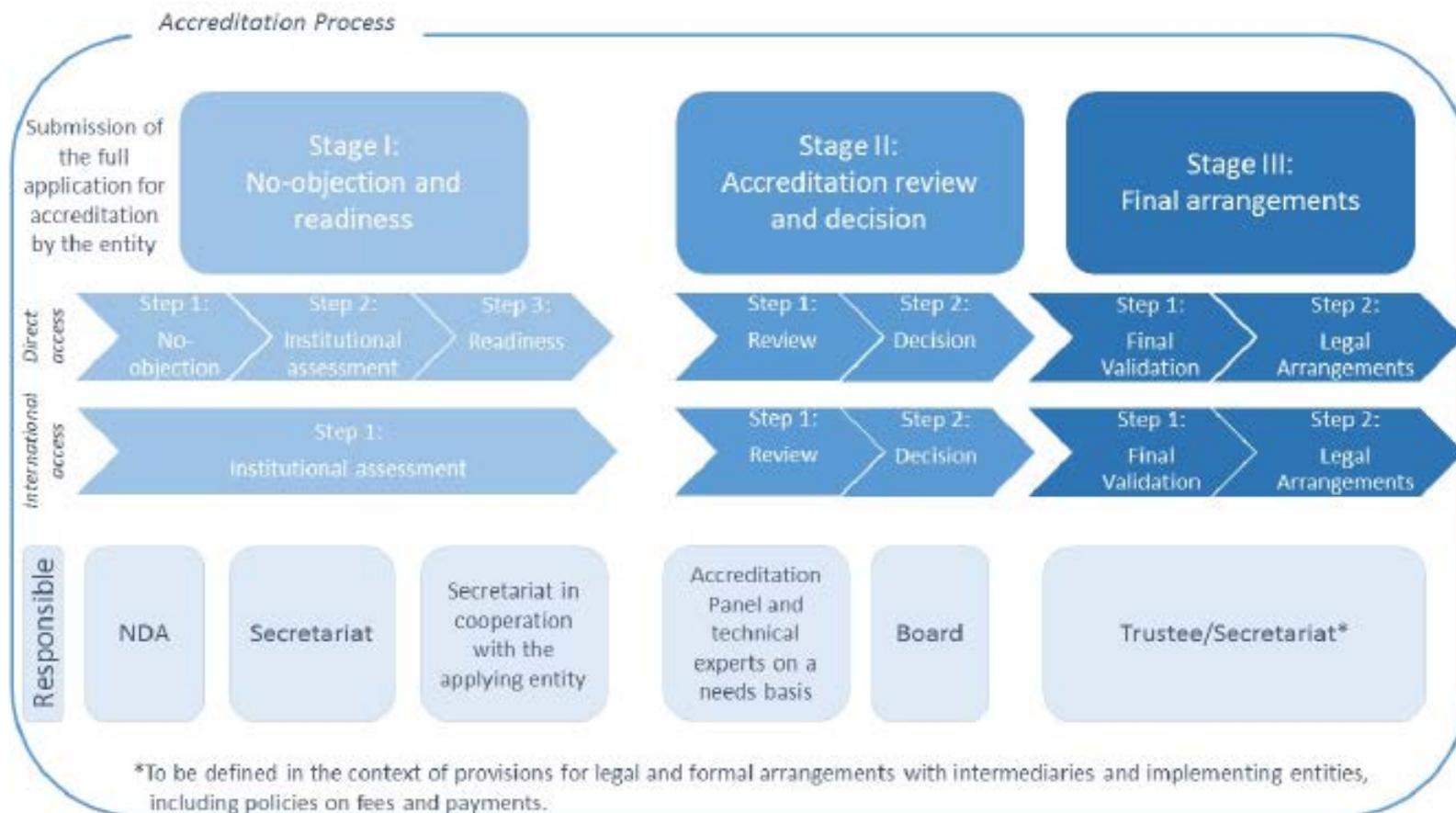
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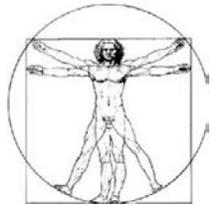


To Accredit or to MOU?
That is the question.



Annex I: Initial guiding framework for the Fund’s accreditation process





GREEN
CLIMATE
FUND

Legal and Formal Arrangements with Accredited Entities

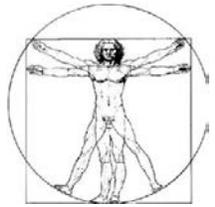
Annex II: Considerations for legal and formal arrangements with Accredited Entities

The relationship between the Fund and other international organizations, such as the AF, would take the form of legal arrangement governed by international public law.

Upon accreditation, it is proposed that *the Fund shall enter into an accreditation master agreement (AMA) with the Accredited Entity*, which shall set out the general terms and conditions of the services to be rendered by the entity for the Fund under its accreditation.

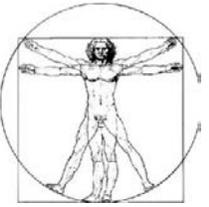
Upon the Board's approval of a specific project or programme activity, it is then proposed that the Fund and the Accredited Entity shall enter into a concise project confirmation, a form of which shall be attached to the AMA, which sets out the specifics of the approved project or programme activity.

Contents of Accreditation Master Agreement (AMA)



The AMA containing general terms and conditions *may include* the following provisions, depending also on the scope of accreditation:

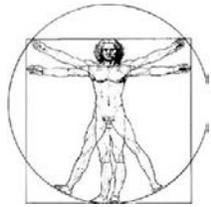
- *Project/programme pipeline preparation;*
- *Use of accredited entities' standard forms of loan, grant and other agreements;*
- Procedures for stakeholders' input;
- Involvement of NDA/focal point; condition for approving project and disbursing funds will be NDA/focal point no-objection;
- *Project cycle, including internal approval processes;*
- Procedure for project confirmations;
- *Adherence to guidelines from the Fund, including the fiduciary standards and the environmental and social safeguards.*
- Disbursement of funds and fees, including reflow of funds provided but not disbursed;
- Fiduciary standards, such as applicable "know your client", anti-money laundering, anti-corruption and other fraudulent practices and sanction regulations;



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To Accredit & to MOU!
That is the answer.



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Thank You!