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Provisional agenda item 9

Proposal for a country support system

Summary

This document presents the proposal for operationalizing a country support system, including considerations for deliberation by the Board at its eighth meeting.

I. Background and context

1. The Governing Instrument (para. 47) states that the FRLD “may provide support for activities relevant to preparing and strengthening national processes and support systems. This may include support for developing proposed activities, projects and programmes, such as planning activities for addressing loss and damage; estimating financial requirements for implementing loss and damage activities; and establishing national loss and damage finance systems.”

2. At its seventh meeting (B.7), the Board requested the Secretariat (decision B.7/D.8), to develop and present to the Board, for its consideration at its eighth meeting, a proposal on a country support system (CSS) under the Barbados Implementation Modalities (BIM) to operationalize paragraph 47 of the Governing Instrument, including:

(a) Activities described by paragraphs 47, 53 and 67–68 of the Governing Instrument;

(b) An annual funding allocation for this programme, subject to recommendation from the Budget Committee;

(c) A cap per country;

(d) The modalities under which the support can be implemented, ensuring synergies with support provided through other mechanisms, including in the context of modalities for complementarity and coherence with the Santiago Network.

3. This document presents a proposal for a CSS, including key considerations for operationalizing a CSS under the BIM, and a draft decision for consideration by the Board at B.8 (annex I). It is accompanied by an annex that details the proposal for operationalizing the CSS as part of the long-term operations of the FRLD (annex II).

II. Existing forms of support for countries

4. Under the BIM funding request window, countries may already include within their funding requests activities related to institutional strengthening, capacity-building and technical assistance. This is possible because of the broad and flexible scope of the eligible activities for funding and the funding criteria for the BIM that were adopted by the Board at B.7.

5. In addition, countries may request technical assistance support from the Santiago Network for Loss and Damage (hereinafter referred to as the Santiago Network), which has a scope that also covers many of the activities referred to in paragraphs 47, 53 and 67–68 of the Governing Instrument. During initial discussions between the respective secretariats of the FRLD and the Santiago Network, the Santiago Network secretariat confirmed that it is already receiving requests related to supporting the development of funding requests for the FRLD under the BIM.

III. Potential constraints of operationalizing the country support system under the Barbados Implementation Modalities

A. Timing of operationalizing the country support system

6. Noting the timeline for the BIM (2025–2026) and the deadline for the submission of funding requests under the BIM (15 June 2026), it is necessary to consider the timing of operationalizing the CSS in order to meaningfully provide support to countries during the BIM. Given that the operationalization of the CSS will be initiated once the CSS modalities have been adopted by the Board (expected at B.9) and that the submission, review, approval

and signing of legal agreements for CSS requests may take several months, countries may not receive CSS funding until nearer to the end of the BIM period. This means that countries would not be able to utilize the CSS to access support for developing BIM funding requests or addressing capacity needs to enable access under the BIM unless the submission window for the call and/or the BIM duration is extended.

B. Exploring further the options for collaborating with the Santiago Network

7. During the consultations held prior to B.8, the Secretariat was requested to explore in further detail potential opportunities for enhancing complementarity and coherence between the FRLD CSS and the Santiago Network. In response to that request, initial options are presented in chapter IV of annex II to this document. However, further work is needed to assess feasible governance and operational mechanisms, structures and costs. In addition, if those mechanisms were to be adopted by the Board, operationalizing them will also take time.

IV. Recommendations for a country support system under the long-term operations of the FRLD

8. Further to the above, the Board may consider operationalizing the CSS under the long-term operations of the FRLD while agreeing that, under the BIM, countries may rely on existing forms of readiness and technical assistance support available through the channels identified in paragraph 5 above.

9. An initial proposal for operationalizing the CSS as part of the long-term operations of the FRLD is presented in annex II. The proposal includes options for the scope; funding amount and cap per country; operational modalities; and initial options for collaboration with the Santiago Network. It also includes the budget and capacity requirements associated with implementing the CSS. Comments from the Board received during the consultations held in advance of B.8 have been incorporated into the proposal.

10. The Board may request the Secretariat to update the proposal and present detailed operational modalities for the Board's consideration at its tenth Board meeting. In addition, the Board may request the Co-Chairs to engage with the co-chairs of the Santiago Network to explore options for complementarity and coherence with regards to the CSS under FRLD and provide an update to the Board at B.9.

Annex I

DRAFT DECISION B.8/DD.x: Country support system

The Board

(a) *Takes note* of document FRLD/B.8/12 titled “Proposal for a country support system”.

(b) *Requests* the Secretariat to develop and present to the Board, for its consideration at its tenth meeting, an updated proposal on a country support system under the long-term operations of the FRLD to operationalize paragraph 47 of the Governing Instrument.

(c) *Requests* the Co-Chairs of the Board to engage with the co-chairs of the Santiago Network Advisory Board to explore options for complementarity and coherence between the FRLD country support system and the operations of the Santiago Network and to provide an update to the Board at its ninth meeting.

Annex II

Proposal for operationalizing a country support system

I. Introduction

1. Developing countries that are particularly vulnerable to the adverse effects of climate change often lack the institutional capacity, technical expertise and financial support to systematically assess and identify the impacts of loss and damage, to quantify financial needs and to design interventions aligned with national climate strategies and development priorities. Moreover, given that loss and damage is an emerging policy area, interventions and activities for responding to loss and damage remain largely undefined and untested on the ground, and most countries are at the early stages of developing national loss and damage response plans, policies or strategies. A dedicated country support system (CSS) that provides countries with the necessary readiness support and technical assistance could be a catalyst for building immediate and long-term country capacities and better enabling bottom-up, country-led and country-owned approaches for responding to loss and damage.

2. This annex presents the proposal for operationalizing the FRLD CSS programme, with possible approaches for the Board to consider in relation to each of the points noted in decision B.7/D.8 (summarised in appendix I). The proposal was developed taking into consideration best practices and lessons learned from existing forms of support provided through other readiness and technical assistance programmes within the climate finance and loss and damage landscape, with a view to ensuring synergies and enabling complementarity and coherence (see appendix II). Note that the existing readiness/technical assistance programmes have been developed and refined over several years through lesson-learning and experiences during implementation. As such, the expectation is not to fully replicate the structures and functions of existing programmes and develop an equally mature programme from the start, but to learn from their experiences and identify the unique value that an FRLD CSS programme can deliver.

3. This proposal therefore presents possible approaches for:

(a) The **scope**, namely the types of activities that may be supported under the CSS, in accordance with the Governing Instrument;

(b) The **funding**, including scenarios for the total amount that may be allocated to the CSS and the cap per country;

(c) The **operational modalities**, including the access modalities and potential approaches for managing approvals and disbursements;

(d) The **budget and capacity requirements** associated with executing the different options.

II. Rationale for a country support system

4. The rationale for establishing an FRLD CSS is that developing countries face significant gaps in the institutional and technical capacities that are required if they are to respond to loss and damage, and that these gaps are not being adequately or comprehensively met by existing forms of support. These gaps exist in the scope of what is covered by many of the existing readiness and technical assistance programmes, as well as in terms of the availability of funding and the options for direct access.

5. First, regarding the scope of support, most of the existing programmes do not provide sufficient support that is specific to responding to loss and damage (e.g. for estimating loss and damage, for developing loss and damage related activities, programmes or projects, or for establishing national loss and damage finance systems or mechanisms). In particular, with

the exception of the support provided by the Santiago Network for Loss and Damage (Santiago Network), the current programmes do not provide dedicated support for governments to design their own national loss and damage plans, policies or strategies. The FRLD CSS would fill this important gap.

6. Second, with the exception of the “readiness programme” under the Green Climate Fund (GCF), existing programmes provide access mainly through already accredited entities, delivery partners or other organizations, rather than enabling direct access for national governments. The FRLD CSS would fill this gap by offering the option for national governments to access support directly.

7. Third, even in cases where readiness and/or technical assistance funding for responding to loss and damage is available in the form of support provided by the Santiago Network (which is the only other programme providing support specifically for responding to loss and damage), the funding is limited in relation to the size of the need. Providing additional support through the FRLD CSS would better ensure that all developing countries are able to be supported in their institutional and technical capacity needs, especially when related to accessing and/or implementing resources from the FRLD.

8. A dedicated CSS programme would be of most value for circumstances where (1) countries do not have the necessary capacities to meet the requirements for accessing funding under the funding request window; and/or (2) countries may seek to access only CSS grants (separately from their funding requests). In both cases, the CSS would entail fewer requirements and more streamlined procedures for review, approval and disbursement. In this regard, a key objective of the CSS is to play an essential role in accelerating the enhancement of capacities of countries in responding to loss and damage, particularly for small island developing States and least developed countries, including better enabling them to directly access and manage funding from the FRLD in the future.

III. Scope of the country support system

9. The scope of the CSS will determine which activities may be eligible for funding. The key consideration for defining the scope is that the CSS should enhance complementarity and coherence with other readiness and technical assistance programmes within the funding arrangements for loss and damage, in accordance with decision B.7/D.5 as well as paragraph 4 of the Governing Instrument, to ensure that the CSS is focused on addressing key gaps.

10. Table 1 lists the activities referred to in paragraphs 47, 53 and 67–68 of the Governing Instrument, and compares them against the scope of activities covered by other readiness and technical assistance programmes. Further details are presented in appendix II.

Table 1

Scope of activities covered by existing readiness/technical assistance programmes

<i>Activities under the Governing Instrument (paras. 47, 53 and 67–68)</i>	<i>GCF readiness</i>	<i>GCF PPF</i>	<i>AF readiness</i>	<i>GEF enabling activities</i>	<i>Santiago Network activities</i>
Preparing and strengthening national processes and support systems	X		X	X	X
Developing proposed activities, projects and programmes, such as planning activities for addressing loss and damage	/	/	X		X
Estimating financial requirements for implementing loss and damage activities					X
Establishing national loss and damage finance systems					X

<i>Activities under the Governing Instrument (paras. 47, 53 and 67–68)</i>	<i>GCF readiness</i>	<i>GCF PPF</i>	<i>AF readiness</i>	<i>GEF enabling activities</i>	<i>Santiago Network</i>
Promote coherence in programming at the national level	X		X	X	X
Support the strengthening of the capacities of direct access implementing entities, where needed, to enable them to attain functional equivalency to World Bank fiduciary and environmental and social safeguards standards	/		/		

Note: X means that the activity is covered and / means the activity is partially covered but not specific to loss and damage or FRLD.

Abbreviations: AF = Adaptation Fund, GEF = Global Environment Facility, PPF = Project Preparation Facility.

11. Overall, the Santiago Network is the only programme that provides technical assistance support covering the majority of activities referred to in the Governing Instrument. Other programmes cover support for strengthening national processes and systems as well as promoting coherence at the national level. However, the support provided by the Santiago Network for developing proposed activities, projects and programmes is thus far largely not tailored to the modalities and requirements for FRLD funding requests. In addition, although it may provide support for strengthening the capacities of entities to meet relevant standards, this is not specific for attaining functional equivalency to World Bank fiduciary and environmental and social safeguards (ESS) standards as per paragraphs 67–68 of the Governing Instrument.

12. Based on the above, a possible immediate-term and long-term approach for the scope of the CSS are presented for the Board’s consideration in table 2 below.

Table 2

Possible approaches for scope of the country support system

<i>Immediate term: limited scope based on FRLD priorities</i>	<i>Long-term ambition: full scope of activities referred to in Governing Instrument</i>
<ul style="list-style-type: none"> • Funding request development for FRLD: this would include targeted support for developing funding requests for the FRLD, in alignment with the adopted modalities. It would include support for identifying and estimating economic and non-economic loss and damage relevant to the funding request, stakeholder engagement and consultations, as well as fulfilling any other data gaps related to the funding request. • Setting up systems and capacities for enabling access: given that the FRLD is piloting new and innovative access modalities, such as direct access via direct budget support through national governments, as well as other long-term modalities such as a rapid disbursement modality and a small grants programme, support for enabling FRLD access is a core gap not being fulfilled through other readiness and technical assistance programmes. This activity would enable national ministries and other entities to undertake relevant institutional strengthening measures and develop the necessary standards and policies required for access. 	<ul style="list-style-type: none"> • Expanded scope of the CSS in the longer term to include the full scope of activities referred to paras. 47, 53 and 67–68 of the Governing Instrument. • This may lead to overlaps in scope with other readiness and technical assistance programmes, particularly the Santiago Network. However, it would better enable a country-driven approach, with countries having a broader set of activities to choose from when determining the focus of their CSS requests.

<i>Immediate term: limited scope based on FRLD priorities</i>	<i>Long-term ambition: full scope of activities referred to in Governing Instrument</i>
<ul style="list-style-type: none"> Institutional strengthening and capacity-building of national ministries (including national focal points) and/or national AEs for implementation: understanding that direct access is a core principle of the FRLD, this would entail providing dedicated support for capacity-building and strengthening the processes and systems of national ministries and/or national AEs accessing the FRLD. This would better equip them for the implementation of funding requests, including fulfilling relevant monitoring, reporting and evaluation requirements. In addition, support would also be available for strengthening capacities of national focal points to better enable them to fulfil their coordinating roles and functions. 	

Abbreviations: AE = accredited entity, CSS = country support system.

IV. Funding

13. In identifying options for country caps (i.e. maximum amount of funding to be allocated per country, regardless of the number of CSS requests submitted by the country) and total funding allocation for the CSS programme, a number of factors were considered:

(a) **Scope versus number of countries covered:** the funding amount is ultimately tied to the scope of the CSS; a higher amount and cap per country would mean that a larger scope of activities could be covered. Alternatively, a lower cap per country would mean that a larger number of countries could be supported through the CSS. The Board may consider which aspect is to be prioritized;

(b) **Available commitment authority and any additional allocation to the BIM:** the funding amount that may be allocated to the CSS depends on the total available commitment authority of the FRLD, as well as any additional allocation to the BIM, which would influence the amount available to allocate to the CSS;

(c) **Secretariat capacity:** the Secretariat capacity limits the number of CSS requests that may be processed in a given year;

(d) **Oversight fees and transaction costs:** the total funding amount allocated to the CSS would also need to take into account any transaction costs related to grant management and legal agreements, as well as the oversight fees for entities conducting relevant due diligence and oversight;

(e) **Due diligence requirements:** the cap per country and size of individual CSS requests would also determine the relevant due diligence requirements that would need to be met for approval of CSS requests.

14. In addition, the Secretariat conducted a benchmarking exercise that reviewed other readiness and technical assistance programmes, and the findings served as input to the development of the proposed scenarios (see appendix II).

15. Table 3 presents scenarios for the annual funding allocation for the CSS programme, depending on the number of countries that could be supported per year and the cap per country (ranging from USD 250,000 to USD 1 million)

16. Based on the factors noted above, the Secretariat recommends a total amount of **USD 15 million per year, with a cap per country of USD 500,000**. The cap has been calculated on the basis of the benchmarking conducted of other readiness and technical assistance programmes and the scope of activities they are able to cover under different funding caps. It aligns with the limited scope proposed for the immediate term (chap. III). The total amount of USD 30 million has been calculated using the proposed cap multiplied by the proposed up

to 30 countries per year, which is preferred on the basis of Secretariat capacity. A phased approach could also be taken, with the Board agreeing on a lower amount and cap per country for the immediate term, and scaling up the CSS in the longer term based on the lessons learned.

17. Alternatively, rather than setting aside a predetermined commitment authority for the CSS or pre-identifying a cap per country, the Board may wish to adopt a demand-driven approach, and allocate funding on the basis of CSS requests submitted. This would have the advantage of not ring-fencing the FRLD’s limited commitment authority when it could instead be used for other purposes if the demand for the CSS is lower than expected. However, it would create additional challenges relating to anticipating budgetary requirements and planning for augmenting the Secretariat’s capacity for operationalizing the CSS.

18. The Board may wish to also apply the minimum allocation floor of 50 per cent for small island developing States and least developed countries under the BIM to allocations under the CSS, while safeguarding against the over-concentration of support provided by the Fund in any given country, group of countries or region.

Table 3
Scenarios for total annual funding amount

<i>Number of countries supported through CSS per year</i>	<i>Cap per country</i>		
	<i>USD 250,000</i>	<i>USD 500,000</i>	<i>USD 1 million</i>
10	USD 2.5 million*	USD 5 million	USD 10 million
20	USD 5 million	USD 10 million	USD 20 million
30	USD 7.5 million	USD 15 million	USD 30 million
40	USD 10 million	USD 20 million	USD 40 million

Abbreviation: CSS = country support system.

* Total annual funding amount.

V. Operational modalities

19. This chapter presents the relevant considerations and options for the operational modalities of the CSS, including the proposed access modalities as well as the proposed approach for managing approvals and disbursements for CSS requests.

A. Access modalities

20. Table 4 presents the proposed access modalities for the CSS. These were developed taking into consideration the need to streamline CSS access with the access modalities for the BIM, and thereby ensure that additional burdensome requirements are not imposed on countries through developing an entirely new system of access and associated requirements. In addition, noting the FRLD core principle of country ownership, the proposed access modalities aim to give countries the agency and choice over how to access the CSS.

21. Countries may choose between two different access modalities: (1) direct access (with access for national governments also provided as an option); and (2) access through access entities.

Table 4
Proposed access modalities for the country support system

<i>Modality A Direct access</i>	<i>Modality B Access through access entities</i>
<p>National governments (including national focal points) may access the CSS directly and without any further assessment if:</p> <ul style="list-style-type: none"> • The national ministry has already been assessed and approved by the FRLD (e.g. for DBS or other funding windows as they are developed); • The national ministry has undergone an FMCA (conducted by UNOPS for the GCF readiness programme country window); • The national ministry has undergone a UN HACT assessment. <p>If the ministry has not undergone any of the above, an FMCA or UN HACT assessment will be done by a third party for the ministry to enable access. The national government may also choose a new national entity (including any subnational or local entities) to undergo the assessment and access the CSS.</p>	<ul style="list-style-type: none"> • Countries may choose an FRLD access entity to access the CSS from the list of entities accredited to the GEF, GCF and AF adopted by the Board (as contained in annex VII to decision B.7/D.6). • No further assessment would be required as these entities are already approved to access the FRLD for much larger funding amounts. • A letter of endorsement signed by the national focal point would be required to ensure country ownership.

Abbreviations: AF = Adaptation Fund, CSS = country support system, DBS = direct budget support, FMCA = financial management capacity assessment, GCF = Green Climate Fund, GEF = Global Environment Facility, HACT = harmonized approach to cash transfers, OPS = Office for Project Services, UN = United Nations.

22. In the case of modality B, the Board has already approved these access entities to access the Fund during the BIM (decision B.7/D.6), and therefore no further assessments would be required. In the case of modality A, a similar approach could be taken whereby national ministries that have accessed the GCF readiness programme, and have therefore been assessed for that purpose (through the financial management capacity assessment (FMCA)), may be approved by the Board to access the CSS, noting the scope of activities as well as the size of grants. An additional Board decision may be required to confirm that these entities may also access the Fund under the CSS.

23. Another option is to consider and approve national ministries that have been assessed under the harmonized approach to cash transfers (HACT) microassessment (used by United Nations agencies) and have received disbursements from a United Nations agency to also access the CSS. A review of the standards covered under the HACT and the FMCA (summarized in appendix III) concluded that both appear reasonable for the scope of activities being proposed under the CSS as well as the size of grants.

24. The HACT microassessment is generally valid for up to 5 years, unless major/significant changes occur in the ministry's financial management systems, organizational structure, internal controls or procurement processes, risk environment, significant audit findings or fiduciary concerns, and so on (as per the HACT risk-based management principles). Many national ministries in developing countries have already been assessed under the HACT microassessment and have received disbursements from United Nations agencies, so including considerations around the HACT microassessment would significantly widen the coverage of national ministries able to access the CSS without requiring further assessments.

25. In addition, for national ministries and/or new national entities (not accredited to the AF, GCF or GEF) that are seeking to access the CSS programme but have not undergone either the FMCA or HACT microassessment, either of these assessments could be conducted by an external third party, depending on which risk levels and mitigation measures would be

assigned as per the principles and approaches used via the FMCA and HACT frameworks. As presented in paragraphs 30–32 below, in the case where the Board decides to approve a disbursement agent to manage the disbursement of CSS funding directly to recipients (as opposed to the interim Trustee making the disbursements), the disbursement agent’s standards and safeguards would be relied on for due diligence. In cases where the FMCA or HACT assessments need to be conducted for national ministries or new national entities, the disbursement agent would conduct the assessments and related due diligence based on their systems and policies prior to disbursing FRLD funding to the recipients.

26. Note that due diligence for ESS standards may not be required for the CSS, because readiness/technical assistance activities typically do not involve hard interventions or on-the-ground implementation of activities that would be associated with environmental and social risks.

B. Approval

27. The following factors are relevant to consider when determining the approach to approvals for CSS requests, including:

(a) The need for streamlined and rapid approvals to avoid delays in disbursing funding and to ensure that the CSS programme is simplified and easy to access, particularly for countries with lower capacity;

(b) The capacity of the Board to consider and approve CSS requests in a given year, noting the existing workplan of the Board and its commitments related to the consideration and approval of FRLD funding requests;

(c) The transaction costs associated with either preparing a package of CSS requests for the Board to consider, or going through internal Secretariat processes of clearance and approval.

28. Table 5 presents three possible approaches for approvals of CSS requests. Taking into consideration the above factors, the Secretariat recommends approach 3, given the scope and size of funding, the limited time and capacity of the Board and the need for rapid approvals and disbursements. Note that under this approach, the Board would adopt the detailed modalities for:

(a) The scope, funding amount and cap per country for the CSS programme;

(b) The modalities for access, approvals and disbursement;

(c) The funding cycle and criteria;

(d) The process for Secretariat review and approval of funding requests. This would include the establishment of an internal Secretariat committee chaired by the Executive Director that would endorse CSS requests (reviewed by the Secretariat Programming and Country Engagement team) prior to approval by the Executive Director.

29. Under approach 3, in accordance with paragraph 22(i) of the Governing Instrument, the Board may develop an accountability framework for funding approvals, which will include the delegation of authority to approve CSS requests to the Executive Director, subject to the relevant policies of the hosting institution.

Table 5
Possible approaches for approvals of country support system requests

<i>Approach 1 Board approval of CSS requests during Board meetings</i>	<i>Approach 2 Board approval of CSS requests between Board meetings</i>	<i>Approach 3 Delegation of authority to Secretariat/ED for approving CSS requests</i>
<ul style="list-style-type: none"> • Authority remains with the Board to approve requests during Board meetings • May lead to delays in approval of requests given limited number of Board meetings a year • Board's capacity for number of requests it can consider and approve at each meeting may limit total number of requests that can be approved in a given year • Higher transaction costs linked to presenting CSS requests to the Board 	<ul style="list-style-type: none"> • Board approval of CSS requests on a rolling basis between Board meetings • Would enable more rapid approvals and disbursements • Process would need to be aligned with the policy on Board decisions between meetings, which is still under development • Board's time and capacity for the number of requests that may be considered would still be limited • Transactions costs linked to presenting CSS requests would be lower 	<ul style="list-style-type: none"> • Secretariat/Executive Director would approve CSS requests on a rolling basis as they are submitted and reviewed • Would enable fastest approvals and disbursements and have lowest transaction costs • Secretariat would need to build necessary capacities and process for managing approvals

Abbreviation: CSS = country support system.

C. Managing disbursements

30. A core consideration when determining how disbursements may be managed for the CSS is the transaction costs associated with signing legal agreements for and disbursing a large number of grants with small amounts. Table 6 presents two approaches for managing disbursements with their advantages and considerations.

Table 6
Possible approaches for managing disbursements

<i>Approaches</i>	<i>Advantages</i>	<i>Considerations</i>
Approach 1: interim Trustee	<ul style="list-style-type: none"> • Streamlined with existing procedures for transactions 	<ul style="list-style-type: none"> • Transaction costs may be high compared to grant size • Trustee agreement may need to be amended • If functional equivalency of all recipients is required, this may lead to burdensome requirements for due diligence and delays in approvals
Approach 2: disbursement agent	<ul style="list-style-type: none"> • Proven and successful models using disbursement agent exist under the GCF Readiness and Preparatory Support Programme as well as the Santiago Network • Simplified approaches and processes for disbursing CSS funding, relying on the systems and policies of the disbursement agent • Lower transaction costs resulting in cost efficiency gains 	<ul style="list-style-type: none"> • Mixed feedback on operational efficiencies • New legal agreement for working with disbursement agent would be required

Abbreviations: CSS = country support system, GCF = Green Climate Fund.

31. Under approach 1, the same arrangements would apply as for the BIM funding requests, with the interim Trustee making individual disbursements for the CSS upon the approval of requests and signing of legal agreements. Although this would allow for streamlined procedures across the FRLD for managing disbursements, the transaction costs may be high compared with the grant size, particularly if a separate legal agreement template would need to be developed by the interim Trustee, approved by the Board and negotiated with recipients. In addition, as mentioned in table 6, if the requirement of functional equivalency of all recipients to MDB standards is applied, this may limit access.

32. Under approach 2, a third-party disbursement agent may be considered, which would allow for lower transaction costs and greater accessibility, but would require a new legal agreement to be signed with the disbursement agent. Under this option, the Secretariat could open a call for proposals from interested organizations that would wish to serve as a disbursement agent. The Secretariat would recommend the final candidate for Board approval at the same time as seeking the approval by the Board of the operational and disbursement modalities for the CSS. Upon approval, the interim Trustee, on behalf of the Board, would sign a legal agreement with the disbursement agent and disburse the total amount for the CSS to the agent. The agent would then be responsible for managing disbursements for the CSS programme based on the approval of CSS requests by FRLD. The agent would conduct due diligence of recipients using its own systems, policies and processes, and sign legal agreements and make disbursements to recipients. This is a similar model to that used by both the GCF (for their readiness programme) and the Santiago Network, which uses the United Nations Office for Project Services (UNOPS) for grant management, including conducting relevant due diligence, signing legal agreements and disbursements. Note that under this model, decision-making is not delegated to the disbursement agent, and the agent’s role only covers managing disbursements based on the approval of CSS requests by FRLD.

VI. Initial options for collaboration with the Santiago Network

33. Guided by the Board’s feedback to explore further opportunities between the FRLD CSS and the Santiago Network, the Secretariat has identified four potential options for collaborating with the Santiago Network in operationalizing the CSS, as summarized in the table below. One or multiple options could be selected by the Board.

Table 7

Initial options for collaboration with the Santiago Network

<i>Option</i>	<i>Description</i>
Option 1: Using experts under the Santiago Network’s OBNEs	The FRLD Secretariat could set up and recruit a dedicated “CSS review team” that would consist of experts sourced from the Santiago Network’s group of organizations, bodies, networks and experts (OBNEs). This could create synergies between the two organizations without creating institutional and operational ties that may entail complexities. The scope of recruitment for the CSS review team could also be expanded to include other experts in the field of responding to loss and damage that may not be a part of the Santiago Network’s OBNEs (e.g. experts under the WIM).
Option 2: Santiago Network as a disbursement agent	Subject to FRLD Board approval of the Santiago Network as a disbursement agent, the Santiago Network would manage the disbursement of the CSS grants, including signing its own legal agreements with recipients, disbursing the funds and conducting fiduciary oversight. Under this option, any requests the Santiago Network receives that are specifically related to the scope of the CSS could be “passed on” to the FRLD Secretariat to be processed through the CSS. Key considerations include:

<i>Option</i>	<i>Description</i>
	<ul style="list-style-type: none"> • Legal status: as the Santiago Network is not a legal entity, an agreement would need to be signed with UN OPS, as cohost, and therefore UN OPS would be required to assume full responsibility for managing the grants; • Disbursing to national ministries and AEs eligible to access the FRLD CSS: as the Santiago Network currently can disburse only to its OBNEs, which are approved by the Santiago Network Advisory Board, a process for including these national ministries and AEs into the list of OBNEs would need to be developed and agreed; • Application of standards and safeguards in accordance with the requirements under the Governing Instrument of the Fund: the OBNE guidelines may need to be reviewed to enhance the fiduciary and environmental and social safeguards requirements to align with the requirements under the Governing Instrument; • Transaction costs and management fees need to be assessed, noting that both Santiago Network and UN OPS costs would need to be covered.
<p>Option 3: Santiago Network managing the review of CSS requests</p>	<p>The Santiago Network would receive and review CSS requests on behalf of the FRLD, applying the templates, criteria and processes adopted by the FRLD Board. The Santiago Network would engage directly with countries in sending back review comments, until the CSS requests are deemed “ready” for FRLD Board approval. The Santiago Network would share the CSS requests and its assessment report of them with the FRLD Secretariat, which would transmit the package to the FRLD Board for approval. The Board (or delegated to the Executive Director) would approve the CSS requests taking into consideration the review conducted by the Santiago Network.</p> <p>Key considerations include:</p> <ul style="list-style-type: none"> • Legal status: as for option 2; • Accountability structures: as the FRLD Secretariat remains accountable to the FRLD Board for all CSS operations, dedicated accountability structures between the FRLD and the Santiago Network, as well as clear roles and responsibilities will need to be established, especially to avoid complex layers of work resulting in delays in reviews and approvals for CSS requests; • Operational architecture: noting that the Santiago Network is not a fund, its operational modalities differ from those of the FRLD; therefore adjustments to its modalities, procedures and requirements may be needed in order to apply the CSS modalities and requirements including the funding cycle, funding criteria and access modalities; • Capacity requirements: with a sustained increase in the Santiago Network’s pipeline, its secretariat is reaching the limits of its current capacity; therefore, in order to service the FRLD CSS reviews, additional capacity would need to be recruited; • Transaction costs and management fees: need to be assessed, including cost efficiency compared with the FRLD Secretariat managing the CSS reviews directly.
<p>Option 4: Santiago Network managing the full CSS operations</p>	<p>The Santiago Network would manage the whole operations of the CSS through its existing structures, systems, requirements and processes. This would include receiving, reviewing and approving CSS requests submitted by the OBNEs (as opposed to applying the FRLD access modalities), as well as monitoring the implementation of activities and reporting results to the FRLD. The Santiago Network Advisory Board would approve the CSS requests, but this could be transmitted to the FRLD Board for a no-objection decision.</p> <p>An initial assessment suggests that this option may not be feasible, given that the FRLD mandate does not currently enable the delegation of FRLD funding decisions to another institution. In addition, the fact that the</p>

Option	Description
	Santiago Network Advisory Board does not have legal capacity limits its ability to assume any liability.

Abbreviations: AE = access entity, CSS = country support system, OPS = Office for Project Services, UN = United Nations, WIM = Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts.

VII. Budget and capacity requirements

A. Budget implications

34. Establishing and operationalizing the CSS has implications for the budget of the Secretariat, regarding:

- (a) Additional human resources required (see paras. 36–37 below);
- (b) Internal onboarding, training and lesson-sharing workshops for new Secretariat staff responsible for operationalizing the CSS programme and conducting reviews of CSS requests;
- (c) Engagement and outreach with countries and entities to provide them with information and guidance on the CSS modalities;
- (d) Oversight fees for entities conducting oversight relating to the implementation of CSS activities;
- (e) Transaction costs associated with managing disbursements, depending on whether or not a disbursement agent is used. If a disbursement agent is used, based on a benchmarking of other readiness and technical assistance programmes, an average management fee of 4–6 per cent of the total budget allocated to the CSS is expected. This may be higher or lower depending on the disbursement agent. If transactions are managed through the interim Trustee, transaction costs would depend on the cost-recovery rate of the interim Trustee as well as the costs associated with developing the CSS legal agreement template and negotiating and signing legal agreements with recipients.

35. On the basis of the guidance of the Board, the Secretariat will develop a detailed budget for operationalizing the CSS that incorporates the above considerations. This will be discussed with the Budget Committee, with its assessment and recommendations would be presented to the Board.

B. Secretariat human resources

36. The Secretariat’s human resources for 2026 have been planned on the basis of the key priorities as identified by the Board; namely, implementing the BIM (including completing its operational modalities) as well as initiating the development of the long-term operations of the FRLD. The establishment and operationalization of the CSS will require an increase in the capacity of the current Secretariat staff.

37. The exact nature and type of the human resource capacity required will depend on the options and approaches approved by the Board. For example, for a scenario where (1) 100 requests are received in a given year, (2) approval of CSS requests is delegated to the Secretariat and (3) a disbursement agent is used for managing disbursements, it is expected that **5–7 additional full-time equivalent staff** would be needed.¹ Depending on the

¹ Estimates are based on the following: one (1) senior specialist overseeing CSS operations, including management of the review process and disbursements; up to four (4) reviewers of CSS requests; one (1) CSS analyst tracking and monitoring the pipeline and portfolio, and supporting documentation; and one (1) monitoring, evaluation and learning expert to support the review and monitoring of results.

approaches agreed by the Board, the Secretariat will review the capacity requirements and propose a detailed estimated budget for Board approval, which will include recruitment of Secretariat staff that will be responsible for operationalizing the CSS. Understanding the scope of the CSS and the simplified informational requirements expected, the Secretariat does not envision requiring a dedicated short-term “delivery team”.

VIII. Expected decision points

38. Having reviewed the considerations and options presented above, the Board is requested to consider the proposed options for the CSS programme, summarized in appendix I.

39. On the basis of the deliberations and decisions to be made by the Board, the Secretariat will develop the detailed operational modalities for the CSS programme for the Board’s approval at the tenth Board meeting, including:

- (a) The funding cycle, funding criteria, access modalities, oversight fees and the results measurement framework, as well as the monitoring, reporting and evaluation requirements;
- (b) Terms of reference for the call for CSS requests;
- (c) Accountability framework for delegating authority to the Executive Director/Secretariat, if relevant;
- (d) Arrangements for managing disbursements and legal agreements;
- (e) A proposed budget for operationalizing the CSS, including Secretariat capacity requirements, reviewed by the Budget Committee.

Appendix I

Summary of the possible approaches for operationalizing the country support system

<p>Scope</p> <p>Immediate term: limited scope based on FRLD priorities</p> <ul style="list-style-type: none"> • Funding request development for FRLD • Institutional strengthening and capacity-building of national ministries and/or national AEs • Setting up systems and capacities for enabling access, including functional equivalence <p>Long-term ambition: full scope of activities referred to in the Governing Instrument (paras. 47, 53 and 67–68)</p> <ul style="list-style-type: none"> • Preparing and strengthening national processes and support systems • Developing proposed activities, projects and programmes, such as planning activities for addressing loss and damage • Estimating financial requirements for implementing loss and damage activities • Establishing national loss and damage finance systems • Promote coherence in programming at the national level • Support the strengthening of the capacities of direct access implementing entities, where needed, to enable them to attain functional equivalency to World Bank fiduciary and environmental and social safeguards standards
<p>Funding</p> <p>Options for number of countries covered per year:</p> <ul style="list-style-type: none"> • 10 • 20 • 30 • 40 <p>Options for cap per country:</p> <ul style="list-style-type: none"> • USD 250,000 • USD 500,000 • USD 1 million <p>Alternative options:</p> <ul style="list-style-type: none"> • Demand-driven approach based on submitted CSS requests • Limited amount and cap per country in the immediate term that is scaled up over time <p>Recommended approach: total amount of USD 15 million per year, with a cap per country of USD 500,000 (allowing coverage of 30 countries per year)</p>
<p>Access modalities</p> <p>Modality A: Direct access</p> <ul style="list-style-type: none"> • Access through national ministries already assessed by FRLD or through UNOPS FMCA or UN HACT • Ad hoc assessment for new national ministries or national entities <p>Modality B: Access through access entities</p> <ul style="list-style-type: none"> • Access through list of FRLD AEs adopted by the Board

<p>Approvals</p> <ul style="list-style-type: none"> • Approach 1: Board approval of CSS requests during Board meetings • Approach 2: Board approval of CSS requests in between Board meetings • Approach 3 (recommended): Delegation of authority to Secretariat/Executive Director for approving CSS requests
<p>Disbursements</p> <ul style="list-style-type: none"> • Approach 1: interim Trustee • Approach 2 (recommended): disbursement agent

Abbreviations: AE = access entity, CSS = country support system, FMCA = financial management capacity assessment, HACT = harmonized approach to cash transfers, OPS = Office for Project Services, UN = United Nations.

Appendix II

Benchmarking of other readiness and technical assistance programmes

<i>GCF Readiness</i>	<i>GCF PPF</i>	<i>AF Readiness</i>	<i>GEF enabling activities</i>	<i>Santiago Network</i>
<i>Funding amount and cap per country</i>				
<p>Country window:</p> <ul style="list-style-type: none"> Up to USD 7 million per country over 4 years. This includes NAP formulation support of up to USD 3 million Additional USD 3 million for NAP implementation <p>Direct access entity window: Up to USD 1 million per entity over a four-year period</p>	<p>USD 1.5 million for each PPF application</p>	<ul style="list-style-type: none"> Accreditation support: USD 150k per national implementing entity Project formulation: Project < USD 2M, USD 50k per project; Project USD 2M–5M, USD 100k per project; Project > USD 5M, USD 150k per project; LLA projects – up to USD 250k per project Project scale up: USD 100k per project Technical assistance: USD 10k–25k 	<p>On average up to USD 2 million per project</p>	<ul style="list-style-type: none"> USD 46 million until 2029 No cap per country / request Assumption for 2026 budget: USD 350k per request
<i>Scope of activities covered</i>				
<ul style="list-style-type: none"> Enhancing capacities of NDAs and focal points to fulfil their roles, responsibilities and policy requirements, including coordination mechanisms to engage relevant stakeholders to develop, advance, and implement NDCs, NAPs, LTS. Designing and implementing strategic frameworks (including NDC/NAP/LTS), policies and instruments, including 	<ul style="list-style-type: none"> Pre-feasibility and feasibility studies, as well as project design Environmental, social and gender studies Risk assessments Identification of programme/project-level indicators Pre-contract services, including the revision of tender documents Advisory services and/or other services to financially 	<ul style="list-style-type: none"> Build the capacity of national implementing entities and regional implementing entities in project preparation, design and implementation Support for project/programme planning, design and development for scaling up Adaptation Fund projects/programmes currently under implementation 	<ul style="list-style-type: none"> Support for preparing national communications, inventories and plans required under five global environmental conventions 	<ul style="list-style-type: none"> Contributing to the effective implementation of the functions of the Warsaw International Mechanism, in line with the provisions in paragraph 7 of decision 2/CP.19 and Article 8 of the Paris Agreement, by catalysing the technical assistance of organizations, bodies, networks and experts; Catalysing demand-driven technical assistance, including of relevant organizations, bodies,

<i>GCF Readiness</i>	<i>GCF PPF</i>	<i>AF Readiness</i>	<i>GEF enabling activities</i>	<i>Santiago Network</i>
<p>climate investment plans, to create enabling environments for integrated climate investments</p> <ul style="list-style-type: none"> • Support for direct access applicants and accredited entities to meet and maintain the accreditation standards of the GCF and strengthen their programming capacities • Developing and updating country programmes to guide country climate finance investment • Developing concept notes and funding proposals for GCF / others for accessing climate finance • Enhancing processes and systems of NDAs and direct access entities to effectively oversee the implementation, financial management, monitoring and reporting of climate programmes and projects • Providing knowledge products to address policy gaps and integrated climate investment programming and implementation • Enhancing collaboration among developing countries / entities on climate change issues 	<p>structure a proposed activity</p> <ul style="list-style-type: none"> • Other project preparation activities 	<ul style="list-style-type: none"> • Support for institutional strengthening and fulfilling requirements of accreditation • Strengthening the capacity of national implementing entities in the areas of environmental and social risk management, monitoring and reporting and addressing gender related issues as they design, develop and implement concrete adaptation projects and programmes 		<p>networks and experts, for the implementation of relevant approaches to averting, minimizing and addressing loss and damage in developing countries that are particularly vulnerable to the adverse effects of climate change by assisting in: (i) identifying, prioritizing and communicating technical assistance needs and priorities; (ii) identifying types of relevant technical assistance; (iii) actively connecting those seeking technical assistance with best suited organizations, bodies, networks and experts; (iv) accessing technical assistance available, including from such organizations, bodies, networks and experts;</p> <ul style="list-style-type: none"> • Facilitating the consideration of a wide range of topics relevant to averting, minimizing and addressing loss and damage approaches, including but not limited to current and future impacts, priorities, and actions related to averting, minimizing and addressing loss and damage pursuant to decisions 3/CP.18 and 2/CP.19, the areas referred to in Article 8, paragraph 4, of the Paris Agreement and the strategic

<i>GCF Readiness</i>	<i>GCF PPF</i>	<i>AF Readiness</i>	<i>GEF enabling activities</i>	<i>Santiago Network</i>
				<p>workstreams of the five-year rolling workplan of the Executive Committee;</p> <ul style="list-style-type: none"> • Facilitating and catalysing collaboration, coordination, coherence and synergies to accelerate action by organizations, bodies, networks and experts, across communities of practices, and for them to deliver effective and efficient technical assistance to developing countries; • Facilitating the development, provision and dissemination of, and access to, knowledge and information on averting, minimizing and addressing loss and damage, including comprehensive risk management approaches, at the regional, national and local level; • Facilitating, through catalysing technical assistance of organizations, bodies, networks and experts, access to action and support (finance, technology and capacity building), under and outside the Convention and the Paris Agreement, relevant to averting, minimizing and addressing loss and damage associated with the adverse effects of climate change, including urgent and timely

<i>GCF Readiness</i>	<i>GCF PPF</i>	<i>AF Readiness</i>	<i>GEF enabling activities</i>	<i>Santiago Network</i>
				responses to the impacts of climate change;
<i>Modalities for access</i>				
Access through national designated authorities, direct access entities, and/or through pre-qualified GCF delivery partners	Access through accredited entities or through GCF roster of independent consultancy firms	Access through accredited national implementing entities. Option of peer-to-peer support for entities that are not yet accredited	Access through GEF agencies, or through direct access	Access through members of the Santiago Network (OBNEs, 100 to date). A number of these are accredited entities to the GCF / GEF / AF
<i>Approach for managing disbursements</i>				
Disbursement through GCF for Secretariat managed grants and through UNOPS for UNOPS managed grants	Disbursement through UNOPS	Disbursement directly through interim Trustee (World Bank)	Disbursement directly through Trustee (World Bank)	Disbursement through UNOPS

Abbreviations: AF = Adaptation Fund, GCF = Green Climate Fund, GEF = Global Environment Facility, k = thousand, LLA = ?, LTS = long-term strategy, M = million, NAP = national adaptation plan, NDA = national designated authority, NDC = nationally determined contribution, OBNEs = organizations, bodies, networks and experts, OPS = Office for Project Services, PPF = Project Preparation Facility, UN = United Nations.

Appendix III

Comparison of fiduciary assessment standards

<i>UNOPS FMCA for GCF readiness^a</i>	<i>UN HACT framework^b</i>
<p>Covers both fiduciary and environmental and social risks. Key components:</p> <p>1. Legal framework: outlines details on the organization's legal framework and status, and should be substantiated by the organization's founding legal document, such as a constitution, charter, memorandum of incorporation, etc.</p> <p>2. Structure and culture: Covers the organization's institutional/corporate structure and provides an outline of its composition, as well as the measures to ensure sound management of human and financial resources.</p> <p>3. Financial management: Contains information regarding accounting and internal control systems. It requests important details and documentation that are necessary to assess the organization's ability to safeguard financial resources and ensure its systems and policies are designed to prevent, or minimize, the risk of corruption and fraud.</p> <p>4. Procurement: Gives an assessment of how procurement is handled by the organization and the overall approach employed in the selection of consultants and the acquisition of goods and services. This is important to ensure procurement is conducted in a manner that optimizes value for money and protects the interests of both the organization and the supplier.</p> <p>5. Project management: Details how the organization manages its projects and project-related operations. It covers the overall management process including monitoring and evaluating performance.</p> <p>6. Anti-Money-Laundering (AML) and Countering the Financing of Terrorism (CFT): evaluation of capacity to mitigate AML/CFT risks.</p>	<p>Covers only fiduciary risks.</p> <p>Macroassessment: at country level. A desk review of assessments of the public financial management system is conducted. Includes financial environment, national procurement capacity, exchange rate volatility, presence of informal/black markets, etc.</p> <p>Microassessment: at organization level. Assesses the org's financial management capacity (i.e. accounting, procurement, reporting, internal controls, etc.) to determine the overall risk rating and assurance activities. Components covered include:</p> <ul style="list-style-type: none"> • Implementing partner • Funds flow • Organizational structure and staffing • Accounting policies and procedures • Internal audit • Financial audit • Reporting and monitoring • Information systems • Procurement <p>Outcome of HACT assessment used to assign risk rating to national ministry (high, medium, low) which is used as basis for determining which cash transfer modality is used. Depending on risk level, audits, spot checks, etc conducted during implementation.</p>

Abbreviations: FMCA = financial management capacity assessment, GCF = Green Climate Fund, HACT = harmonized approach to cash transfers, OPS = Office for Project Services, UN = United Nations.

^a https://ieugreenclimate.fund/sites/default/files/document/231011-rpsp-final-report-top-web_1.pdf.

^b <https://unsdg.un.org/sites/default/files/HACT-2014-UNDG-Framework-EN.pdf>.