

Brief on lessons learned from AF direct access modalities

The Adaptation Fund's Climate Finance Readiness seminar series is designed to strengthen the effective and fully-operational direct access climate finance model the Fund has pioneered, and to create a community of practice that boosts dialogue and mutual learning. This brief gathers key messages from a three day seminar co-organized with HBS and DRFN held in Windhoek, Namibia on May 2015, and that brought together accredited NIEs of the Adaptation Fund and institutions wishing to gain accreditation in Southern Africa. The on-going phase 2 of the programme is building upon lessons learned during phase 1. It focuses on cooperation and technical assistance, and organization of learning events to improve project formulation and proposals, provide support for compliance with AF's environmental and social policy, and promote peer-to-peer learning.

NIE identification and accreditation process – lessons learned from the AF Secretariat

NIEs compliance with AF fiduciary standards

The most common challenges faced by Entities during the AF accreditation process range from a lack of understanding of fiduciary standards and limited competencies in some areas, to a underestimation of the workload involved and the importance of involving designated staffs and directors during the process. The Entity willingness to actively drive the accreditation process is also decisive.

Building upon its experience so far, the AF experts recommend that NIEs establish an independent internal audit service and demonstrate its effectiveness. In addition, they should demonstrate the internal control framework with documented roles and responsibilities, and appropriate procurement policies, and provide the Accreditation Panel with tangible evidence and recent documentation (< 10 years old). In addition, candidates should demonstrate experience of using their own monitoring and evaluation frameworks, and must demonstrate commitment to zero tolerance for fraud, financial mismanagement and other malpractices at the highest level in the organization. In addition, policies and procedures such as a code of conduct, whistle blower protection and measures to address conflicts of interest and individual complaints, and a track record in applying those policies and procedures. Finally, Entities are encouraged to engage actively and regularly with the Accreditation Panel, and attend all relevant meetings to build internal capacity.

AF Environmental and Social Policy (ESP) - implications for NIEs

Another fundamental standard set by the AF Board is the ESP. Entities have to be committed to the policy and its 15 associated principles. It is available on the AF website, along with a guidance document (https://www.adaptation-fund.org/wp-content/uploads/2015/06/ESP-Guidance-document_0.pdf). The most common issues encountered by applicants when complying with the policy range from unsubstantial claims regarding project risks; absence of information regarding the processes used to formulate the project / programme, especially regarding how marginal and vulnerable groups were consulted on project risks; inadequate/insufficient information provided and shortage of evidence-based information; and lack of stakeholder consultation.

Given the above-listed challenges, it appears crucial for Entities to have a comprehensive risk assessment and management framework; to deal with the unknown/unidentified activities (the "unidentified sub projects") and to have a mechanism to identify risks during implementation included as an element of the Environmental Social Management Plan (ESMP); and to demonstrate clear linkages between the project/programme and environmental and social safeguarding measures.

NIE identification and accreditation process – lessons learned from the NIEs

Some NIEs outlined that inadequate internal controls and audit systems impeded a smooth process. They highlighted that there may be misunderstanding about the accreditation process and its requirements. Meeting AF standards for monitoring and evaluation and risk management appeared to be challenging in some cases. Finally, given the relative small size of some Entities, meeting international fiduciary standards could be challenging, especially if the IE follow national standards.

Entities that have been successfully accredited adopted strategies that were particularly useful to overcome such barriers. As lessons, they highlighted the importance to build close relations and interactions with the AF Secretariat, and to network and forge partnerships with other NIEs, including accredited ones. In many cases, field visit from AP experts and representatives from the Secretariat have greatly helped in clarifying some elements of the applications. Similarly, getting institutional buy-in and ensuring that top management and other relevant stakeholders are on board is a crucial cornerstone during the process. To this respect, it is important to ensure that the process of getting accredited aligns with institutional priorities, and that senior management fully understand what the process means for institution as it requires sustained efforts. Consequently, accreditation must be on the institutional agenda and included in work plans, budget and performance measurement processes. Delegating the responsibility for the accreditation process to a champion willing and able to work long hours, with a strong sense of responsibility and commitment has also helped some IEs to be accredited. Another key recommendation from accredited NIEs is to anticipate and start gathering documentation that will most likely be requested during the process as early as possible. Finally, establishing and maintaining good working relations with the Designated Authority appears crucial.

Experiences and challenges with project development, implementation and participation in direct access climate finance modalities

From the NIEs perspective, a key advice for implementing adaptation projects through direct access is to acknowledge that it takes time to develop a good project and to build local capacity. As a result, a recommendation for candidates is to start planning early for what lies ahead after accreditation, and to set up governance structures at outset to unblock challenges and alignment.

Another lesson drawn from NIEs' experience is to consider working with a limited number of executing agencies, and to keep cost effectiveness consideration in mind. As for AF ESP, NIEs recommend to integrate environmental and social safeguarding into project development and implementation, and have an officer dedicated to undertake ESMP implementation and monitoring.

Regional strategies for mobilizing climate finance

Various organizations are already providing readiness support and help mobilizing climate finance in the region. Representatives from such institutions shared lessons they have learned from such activities. From their experience, well-structured institutions with well-defined climate change policy and strategy have a better chance to succeed during the accreditation process; thorough stakeholders' consultation reduces bureaucracy; DAs should ideally be located in longstanding institutions.

In addition, there is a need for additional awareness raising on climate finance (among senior decision makers) on the modalities to access climate finance. Furthermore, it seems important to build on what is already in place and works, rather than develop new procedures and systems, and to maintain outstanding partnerships between climate change/environment and financial units within institutions. Finally, it is recommended that financing of climate change should be considered early on during planning.