



ADAPTATION FUND

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Adaptation Fund Board
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Bonn, Germany, 31 October-1 November 2013

Agenda item 8 c)

**OPTIONS FOR A PROGRAMME TO SUPPORT
READINESS FOR DIRECT ACCESS TO CLIMATE
FINANCE FOR NATIONAL AND REGIONAL
IMPLEMENTING ENTITIES**

Background

1. The Adaptation Fund Board (the Board) discussed at its twenty-first meeting the need for a range of capacity enhancement measures, ranging from support in the identification of potential National Implementing Entities (NIEs) within a country through to strengthening the appraisal, design, implementation, and monitoring of adaptation projects and programmes undertaken by National and Regional Implementing Entities. During the meeting, the report of the Accreditation Panel was presented to the Board, highlighting the need for capacity building of potential implementing entities in order that they comply with the Board's high fiduciary standards. Similarly, the report of the Project and Programme Review Committee (PPRC) noted the emerging need for capacity enhancement throughout the project cycle to promote the development of a portfolio of projects at the country level. Finally, at the same meeting, a proposal for an Environmental and Social (E&S) Policy for the Adaptation Fund was presented, which aim is to strengthen and streamline the application of environmental and social safeguards in the policies and procedures of the Adaptation Fund. In its Decision B.21/23, the Board welcomed the proposal and requested the secretariat to prepare "...a proposal on how to operationalize the environmental and social policy, including any necessary changes to the relevant Adaptation Fund policies and procedures. In developing this proposal the secretariat will also present options on how the accreditation process could be modified to ensure that implementing entities have the ability to implement the policy". Therefore, if the E&S Policy is approved by the Board at its twenty-second meeting, its implementation may imply capacity enhancement measures towards the existing NIEs or candidates.

2. Taking into account all of the above, the following decision was taken by the Board:

Having considered the comments and recommendations of the Accreditation Panel and the Project and Programme Review Committee, and recognizing the need for a programme to support readiness for direct access to climate finance for national and regional implementing entities, the Board decided to request the secretariat to prepare a document containing options for such a programme for the twenty-second meeting. This document should include options for increasing (i) the preparedness of applicant national implementing entities seeking accreditation by the Adaptation Fund and (ii) the number of high quality project/programme proposals submitted to the Board within a reasonable time period after accreditation.

(Decision B.21/28)

3. In response to the decision above, the Adaptation Fund Board secretariat (the secretariat) has prepared the present document which outlines the possible elements and options for a phased programme to support readiness for direct access to climate finance for national and regional implementing entities.

Overview of existing challenges and opportunities for enhanced readiness for direct access to climate finance for accredited NIEs and RIEs

Through the accreditation process

4. As of its twenty-first meeting, the Board had accredited fifteen NIEs and two RIEs. The pace of accreditation of NIEs was slow at the onset, with only three accredited in 2010. For this reason, it was decided through decision 5/CMP.6, paragraph eight at the sixth meeting of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), to

conduct regional workshops in order to familiarize Parties with the process and the requirements of the accreditation of NIEs. The intention of these workshops was to facilitate the process of achieving a higher number of accredited NIEs that could directly access adaptation finance from the Adaptation Fund (the Fund). Through that decision the UNFCCC secretariat had been given the mandate to organize three regional or sub-regional workshops, with a fourth workshop if sufficient resources were available.

5. Subsequently, four workshops were held in 2011 and 2012 for the African, Latin American and Caribbean, Asian and Eastern European, and the Pacific sub-region¹. A total of 264 experts from 102 developing country Parties attended the four workshops. Secretariat staff and Accreditation Panel experts participated in the workshops as resource persons. These events have contributed to greater awareness and a rise in application submissions and as a consequence, the number of NIEs accredited has increased from three in March 2011, to 15 as of December 2012.

6. In addition to the UNFCCC workshops, support provided by the Accreditation Panel experts to individual applicants during the accreditation process has proved to be beneficial. The experts, with a background in auditing and evaluating the capacity, efficacy and governance of institutions, consult closely with applicant institutions during the process, providing detailed advice and explanations for how the applicants can strengthen various aspects of their fiduciary standards in order to become eligible for project funding. Enhanced capacities of national and regional institutions through the accreditation process include (i) establishing an anti-fraud policy and promoting a zero-tolerance attitude towards corruption, (ii) formalizing or improving their internal processes and guidelines and (iii) establishing new functions, such as an internal audit function.² Moreover, if the E&S Policy is approved by the Board, the capacities of those institutions to comply with the policy could be enhanced through the accreditation process.

7. It is also worth noting capacity building initiatives to support NIE accreditation, by various bilateral and multilateral agencies, such as the United Nations Environmental Programme (UNEP)³, the United Nations Development Programme (UNDP)⁴, the German Society for International Cooperation (GIZ)⁵, the USAID “Adaptation Asia-Pacific” Project and the Ministry of Environment of Japan⁶.

8. Despite the substantial increase in the number of NIEs accredited and awareness of the accreditation process, there are a number of countries virtually eligible for receiving AF funds and which have yet to submit an application for NIE accreditation (i.e. 154 Non-Annex one countries parties to the Kyoto Protocol). As an example, in the Asian region, only India and Jordan have an accredited NIE. Another incentive to submit an application is that, because of the current level of financial resources available in the Fund and of the implementation of the 50

¹ For more details, see CMP.8 document “Report on the workshops on the process and requirements for the accreditation of national implementing entities for direct access under the Adaptation Fund to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol” (<http://unfccc.int/resource/docs/2012/cmp8/eng/10.pdf>)

² See Direct Access Memo prepared by the secretariat and available on the website: http://www.adaptation-fund.org/sites/default/files/DirectAccessMemo29_Oct_2012_0.pdf

³ UNEP’s Direct Access Support Programme and Services <http://www.unep.org/climatechange/adaptation/AccessToAdaptationFinance/UDASP/DirectAccessSupportProgrammeandServices.aspx>

⁴ UNDP Strengthening National Institutional Capacities for Direct Access to Climate Finance https://www.adaptation-fund.org/sites/default/files/MS.%20Colon%20UNDP_0.pdf

⁵ GIZ Capacity development for direct access to climate finance <http://www.giz.de/Themen/en/dokumente/giz2012-en-climate-finance-capacity-development.pdf>

⁶ In collaboration with UNEP, through the “Build Readiness and Project Formulation for Direct Access in Asia and the Pacific” project – (in Japanese) <https://www.adaptation-fund.org/sites/default/files/file/DAJapanese.pdf>

per cent cap on cumulative funding available for funding projects and programmes submitted by Multilateral Implementing Entities (MIEs), only eligible countries with an accredited NIE can have access to AF funding.

9. Given the fact that some countries may need time to acquire enough capacities at the institutional level to comply with AF standards, regional institutions could play a role as intermediaries in channeling the adaptation financing to their constituent countries. To date, only two regional entities have been successful in getting accredited by the Fund, i.e. the West African Development Bank (BOAD) and the Sahel and Sahara Observatory (OSS). Hence, there is a need to support more relevant candidate institutions that could play such a role. However, because of the difference in scope, size and financial capacities between national and regional institutions, their needs for support in complying with AF standards are different.

10. One last area of potential support relates to the proposed E&S Policy. The existing accredited NIEs as well as any future applicants will need to have the capacity and capabilities to effectively implement or comply with the Fund's policy. Preparing organizations for managing environmental and social risks within projects, in accordance with the Fund's E&S policy can be incorporated into any training provided on the Fund's fiduciary standards.

Through project identification and preparation

11. As at June 2013, the Board had approved four projects/programmes submitted by accredited NIEs, which are currently being implemented in their respective countries. Additionally it had endorsed four project/programme concepts submitted by NIEs. Two project concepts submitted by NIEs were not endorsed and one concept was received by the secretariat but did not fully comply with the Fund eligibility criteria and therefore was not considered. In summary, 10 of the 15 accredited NIEs have submitted proposals at different stages and with different outcomes.

12. Although the number of NIEs currently implementing AF projects and programmes is limited, there is no doubt that the project submission process, which includes the identification, preparation, submission and revision of the project/programme proposal, has been a learning experience for all the NIEs which have submitted proposals to the Board. In many cases, this has helped improve intra-governmental collaboration, amplified the voices of stakeholders, including vulnerable communities, and fostered transparency and competition in project formulation through an enhanced consultative process at the proposal preparation stage. The process has also helped raise the profile of issues relating to climate change and adaptation at the national level. Finally, many of the accredited NIEs have been able to improve their project appraisal system and management capabilities, through this process.

13. Despite these achievements, the number of projects/programmes under implementation by NIEs so far remains low. This points to a pressing need for additional support in project/programme preparation, quality assurance, and in capacities for project implementation.

14. The submission process has also been a learning experience for the first RIE accredited, BOAD. So far, the RIE has submitted three concept documents to the Board, and only one concept has been endorsed. While it is difficult to draw any conclusions from only one RIE, there may be a need to enhance the knowledge of RIEs about the specific Adaptation Fund procedures, project cycle and review criteria.

Through project/programme implementation

15. The four approved projects and programmes implemented by NIEs have effectively started implementation, whereas only the programme being implemented by the NIE for Senegal has thus far reached an advanced enough stage to submit programme performance reports (PPRs). Therefore, although very interesting lessons have been drawn from that programme, the sample size of NIEs is small and hence there is a need for more experiences of NIE implementation before drawing any conclusions on the potential benefits of project/programme implementation to enhance capacities of entities through a “learning by doing” approach.

16. According to the NIE for Senegal, the implementation of the programme has resulted in improved internal communication and procedures at the institutional level⁷. It has also induced the NIE to raise the standards of executing entities in order to comply with the reporting and procurement requirements of the Adaptation Fund. In addition, it has helped raise the profile of the NIE which has had the opportunity to showcase the results of the programme in international fora, including through being selected as one of the nine “Lighthouse Activities” which combat climate change and help the urban poor, by the Momentum for Change Initiative in 2012. Finally, as a result of the experience of implementation of the AF programme, the NIE has been selected by the government of Senegal to implement an environmental programme bilaterally funded, with a budget of 8 million US\$.

17. No project or programme is currently being implemented by a RIE.

Potential Elements of an Adaptation Fund Readiness Programme for Direct Access to Adaptation Finance

18. As outlined in the previous section, the Fund's accreditation process as well as the identification, preparation and implementation of projects and programmes through direct access has in and of itself provided support to entities to indirectly build their capacities in this regard. The Fund could, however, greatly contribute to further supporting countries through a targeted readiness programme that would strengthen the ability of existing and potential NIEs to access adaptation finance – including in the context of the establishment of the Green Climate Fund, to which existing AF NIEs could potentially apply for accreditation – and help compile and share lessons learned. The programme could build on the innovative features of the Fund, and thus help ensure that the adaptive capacity of vulnerable communities and countries is increased in a way that has sustainable, long term impact at scale.

19. The expected outcomes of such a programme would be to increase the number of accredited NIEs as well as the number of quality projects/programmes proposed and implemented by NIEs and RIEs, responding directly to the needs highlighted by the Board in Decision B.21/28. As the Board is currently codifying its own policy provisions on environmental and social safeguards, such a programme would additionally provide an opportunity to build the capacity of national and regional entities in managing and addressing environmental and social risks in project/programme design and implementation, bringing their management of environmental and social risks in Adaptation Fund projects/programmes into line with best practice. Finally one of the challenges generally identified with projects relates to the sustainability of the outcomes, particularly ensuring that the enabling environment is in place for

⁷ Learning mission to Senegal – page 11 https://www.adaptation-fund.org/sites/default/files/AFB.EFC_10.5.Report_of_the_Learning_Mission_to_Senegal.pdf

the maintenance of the programme's assets, as well as the scaling up and replication of its outcomes.

20. The programme would have the added benefit of increasing the visibility of the Fund's work to date, strengthening its programmatic operations, and reinforcing the Fund's position as a leader on direct access to adaptation finance.

21. An outline of elements that could be included in an Adaptation Fund Readiness Programme is provided below.

Goal: Increase the opportunity of developing country Parties to directly access climate adaptation finance

Impact: Concrete adaptation undertaken in developing countries through direct access modality is increased

Outcome 1: Increased capacity of national and regional entities to meet the Fund's fiduciary standards and [if approved] comply with the environmental and social policy of the Fund (Indicator(s): no of NIE/RIE applicants; no. of accredited NIEs/RIEs)

Outcome 2: Increased capacity of national and regional organizations to undertake project/programme appraisals and assess risks, including environmental and social risks, within adaptation projects/programmes (Indicator: no. of quality projects/programmes submitted by NIEs/RIEs and approved by the Board)

Outcome 3: Improved availability of knowledge for accessing adaptation project/programme finance through knowledge sharing among implementing entities (Indicator(s): no of hits/downloads of materials from online platform; Improved understanding (measured through training/workshop surveys))

Outcome 4: Increased ability of national and regional entities to leverage adaptation finance (Indicator(s): no of enabling policies adopted, amount of adaptation finance leveraged during implementation of AF project/programme, amount leveraged through other sources of funding)

Activities that could be supported by the programme

1) Grants for IEs

To build national entities' readiness to access adaptation resources, accredited implementing entities with tangible achievements with the Fund would apply for grants to assist national entities applying for accreditation or existing NIEs requesting additional assistance to produce quality projects. The secretariat would develop a short application process, vet the applications, monitor the progress, and provide resources as needed.

- (a) *South-south capacity building and knowledge sharing for NIE identification and application submission:* workshops developed and run by NIEs or RIEs; or one-on-one assistance;

- (b) *MIE assistance*: assistance from MIEs to countries for NIE identification and accreditation processes;
- (c) *Project Formulation Grants*: additional PFG assistance;
- (d) *Micro Grants*: for accredited NIEs without experience in managing amounts of funding over one million US dollars, to design and supervise smaller projects that will prepare those organizations for channeling larger amount of financing.

2) Adaptation Financing Workshops

A series of workshops and training targeted at preparing organizations to meet the Fund's fiduciary standards and manage environmental and social risks within projects, in accordance with the Fund's forthcoming environmental and social policy. The development of the workshop/training content and input would be managed by the secretariat and it would be implemented in partnership with other organizations, especially those already providing assistance to countries in establishing NIEs.

- (a) *Train the trainers*: Training/guidance for multilaterals and bilateral organizations already working with NIEs to get accredited;
- (b) *Environmental and Social Safeguards*: workshops for accredited entities on addressing and managing environmental and social risks within their projects/programmes, in accordance with the Fund's environmental and social policy;
- (c) *AF Introduction seminars*: familiarizing accredited NIEs/RIEs with AF policies and procedures and training them on preparing quality projects and programmes for adaptation;

3) Technical Assistance

This would be delivered on-site, through partnership with bilateral and multilateral organizations already assisting NIE candidates or existing NIEs, or through contractual services with consulting firms, individual consultants or non-governmental organizations (NGOs). In the latter case, funds can be disbursed either through the secretariat following registration of those firms and individuals as World Bank vendors, or through the accredited NIEs themselves, in which case the Board can approve disbursement of funds by the Trustee to the NIE, following submission of a request/proposal of technical assistance to the Board by the NIE.

- (a) *Assistance in accreditation or re-accreditation process*

Some NIE candidates may need assistance in developing or strengthening a particular function relevant to the fiduciary standards and/or the environmental and social policy, i.e. internal audit system, environmental and social management system, risk management system, familiarization with the principles of the environmental and social policy; etc.

The entities could be provided with support for:

- i) Development of procedures manual/guidelines for screening projects for environmental and social risks;
- ii) Development of procedures manual/guidelines for undertaking project environmental and social risk assessment and for formulating risk management plans;

- iii) Development of a policy/avenues for public disclosure and consultation;
- iv) Development of transparent and effective mechanisms for receiving and resolving complaints about environmental and social harms caused projects/programs during the course of implementation of AF supported projects/programs; and
- v) Training of select entity staff to carry out the underlined tasks above based on procedures manuals/guidelines/mechanisms developed by consultants in (i), (ii) and (iv) above.

(b) *Pilot exercise to support sustainability*

Pilot activity can be developed, targeting 2-3 countries with NIEs running projects to support sustainability of initiatives on the ground. Assistance would be provided to the NIE and any other relevant stakeholder in making the case at the national level for an up-scaling and replication of the project/programme expected or actual outcomes (this includes supporting the related enabling environment, i.e. policy, planning, institutional and individual capacity strengthening, environmental and social sustainability).

4) Knowledge Management

- (a) *“Best Practices in Adaptation” Conference*: would be sponsored by the programme and include experts/speakers from across the adaptation financing spectrum, would foster knowledge sharing, and would help position the Fund as a primary thought leader in this field;
- (b) *Case Studies: Adaptation Financing, Adaptation Projects*: case studies would be digital, print, and optimized for mobile; dissemination would be on all appropriate channels and would leverage partnerships;
- (c) *“Adaptation Finance Readiness” Online Platform*: developed on Fund website, this online space would include: all relevant documents, case studies, multimedia; webinars with experts; possibly a space for users to share information; links to helpful resources; a peer to peer mentoring network (linking those who have been through specific steps of adaptation financing and project cycle with those needing advice/insights, technical expertise);
- (d) *Media Outreach*: ongoing outreach to traditional and digital media to make relevant media aware of Fund direct access and capacity building.

Proposed phased delivery of the Readiness Programme

Rationale for implementing the Readiness Programme through phases

22. Although all of the potential activities outlined above are relevant, it may be more useful to implement the proposed Readiness Programme (the Programme) in phases for the following reasons:

- (a) There are limited resources available for funding all the proposed activities;
- (b) The existing and potential NIEs are at different stages of preparedness for and involvement in the process of accessing climate finance and implementing adaptation projects/programmes; therefore it may be more cost effective to target activities that would benefit IEs grouped as clusters that are at similar stages of preparedness.
- (c) This is an opportunity to pilot a performance-based funding approach, with additional funding depending on a successful implementation of phase one of the Programme.

23. The Programme activities could be prioritized depending on the current level of need for achieving each of the four expected outcomes, from the Fund's but also from the countries' perspective.

Rationale for the implementation of the Readiness Programme by the Board and the secretariat

24. It is proposed that the Board, through its secretariat, manages the implementation of the first phase of the Programme. This would allow for better coordination of existing efforts and alignment with the AF accreditation and project review processes. The secretariat will therefore ensure that the information and guidance provided through the programme will be based on the accreditation and project review related policies, guidelines and criteria of the Fund, i.e. information on actual criteria for accreditation, inputs by Accreditation Panel experts, or updates following latest Board decisions.

25. In addition, the Board would be best suited to implement the Programme on a global scale rather than other organizations focused or limited to one particular region. Finally, the secretariat will draw on the positive experience of the UNFCCC workshops on NIE accreditation held in 2011 and 2012, during which the resource persons were the secretariat staff and Accreditation Panel experts supported by UNFCCC secretariat.

Elements for Phase I of the Programme

26. Given the limited number of projects/programmes currently under implementation, activities aiming at achieving outcome four of the Programme, including piloting a sustainability support activity, could be implemented at a later phase. Activities that could be selected for Phase I of the Programme would therefore fall under outcomes one, two and three related to increasing the number of accredited NIEs, the number of quality project/programme proposals with adequate environmental and social risks assessment approved, and improving knowledge and skills for accessing adaptation finance, respectively.

27. Based on a budget estimate of US \$970,000, the table below outlines the framework for a two-year phase 1 of an Adaptation Fund Readiness Programme.

Goal: Increase the opportunity of developing country Parties to directly access climate adaptation finance to implement concrete projects and programmes that increase the resilience of vulnerable communities to the impacts of climate change			
Impact: Increased concrete adaptation undertaken in developing countries through direct access modality			
Outcome	Output	Activity	Indicator /Target
Outcome 1: Increased capacity of national and regional entities to meet the Fund's fiduciary standards	Increased effective NIE/RIE applications received	Undertake regional workshops for interested NIE candidates, in partnership with organizations already providing support	Outcome indicator: number of NIE applicants accredited / at least 8 Output indicator: number of applicants that are accredited as a result of support by existing NIEs / at least 2
	Improved cooperation with multilateral and bilateral organizations currently providing accreditation support to national or regional institutions	Prepare training/guidance materials and organize two or three training sessions for MIEs, bilaterals, and consultants supporting RIEs/NIEs for their accreditation	
	Increased South-South cooperation through accredited NIE support to countries	<i>Pilot south-south cooperation:</i> Provide small grants to selected accredited NIEs to develop and run workshops or provide one-on-one assistance	
Outcome 2: Increased capacity of accredited national and regional organizations to undertake appraisals of and assess risks within adaptation projects/programmes	Quality adaptation project and programme proposals are submitted to the Board by NIEs/RIEs	Organize AF Introduction Seminars for all accredited NIEs/RIEs, including training on environment and social risks assessment;	Outcome Indicator: number of project/programme proposals prepared by NIEs/RIEs approved by the Board / at least 8 Output indicator: number of quality fully developed project/programme proposals submitted by NIEs/RIEs to the Board / at least 10
	Accredited NIEs and RIEs are able to assess and manage environmental and social risks within projects/programmes	Provide technical assistance to a sub-set of accredited entities related to compliance with the Fund's environmental and social	

		policy.	percentage of NIEs/RIEs able to comply with the Fund's environmental and social policy
Outcome 3: Improved knowledge, knowledge sharing, and skills for accessing adaptation finance	<p>Increased applications for accreditation by NIEs/RIEs received</p> <p>The Adaptation Finance Readiness Platform becomes a major source for acquisition of knowledge and tools by NIEs and RIEs to enable their access to adaptation finance</p> <p>Increased awareness of the Adaptation Fund direct access modality through media coverage</p>	<p>Develop an <i>Adaptation Finance Readiness Platform</i> that would include: all relevant documents, development of case studies (on projects and accreditation process), multimedia; webinars with experts; peer to peer mentoring network (linking those who have been through specific steps of adaptation financing and project cycle with those needing advice/insights, technical expertise);</p> <p><i>Media Outreach:</i> ongoing outreach to traditional and digital media to make relevant media aware of Fund direct access and capacity building.</p>	<p>Outcome indicator: Improved understanding of the accreditation process and accessing the Fund's resources, (as measured through surveys from workshops/trainings)</p> <p>Output indicator: survey results; no of unique visitors to the platform</p> <p>Output indicator: number of media mentions about the Adaptation Fund and direct access / at least 10</p>

Estimated budget for a two-year Programme

28. The table below presents an estimated budget work plan to implement the activities within two years.

Programme Outcomes	Activity	Year 1	Year 2	Total
Outcome 1: Increased capacity of national and regional entities to meet the Fund's fiduciary standards	Outreach to Potential NIE/RIE Candidates	54,500	54,500	109,000 ⁸
	Cooperation and partnership programs with bilaterals and MIEs currently providing readiness support	11,000	11,000	22,000
	South-South Capacity Building	50,000	50,000	100,000
Total outcome 1		130,500	130,500	261,000
Outcome 2: Increased capacity of accredited national and regional organizations to undertake appraisals of and assess risks within adaptation projects/programmes	Introduction Seminars, training on ES&S policy for all accredited NIEs/RIEs	352,000		352,000
	Technical assistance to NIEs on environmental and social policy	200,000		200,000
Total outcome 2		552,000	-	552,000
Outcome 3: Improved knowledge, knowledge sharing, and skills for accessing adaptation finance	Development of <i>Adaptation Finance Readiness Platform</i>	50,000	50,000	100,000
	Awareness raising including media outreach	20,000	20,000	40,000
Total outcome 3		20,000	120,000	140,000
Programme management		10,000	7,000	17,000
Grand Total		717,000	253,000	970,000

⁸ Co-financing is expected. Partnership will be sought with existing initiatives.

Recommendation

29. The Board may want to:

- (a) Approve Phase I of the Readiness Programme as detailed in document AFB/B.22/6, with the funding of 970,000 US\$, to be implemented by the secretariat, on the basis that it would follow performance-based funding principles;
- (b) Take note of the options provided by the secretariat on a programme to support readiness for direct access to climate finance for national and regional implementing entities;
- (c) Request the secretariat to submit to the Board intersessionally between the twenty-second and twenty-third meetings, execution arrangements, criteria/eligibility criteria to allocate the funds to the accredited implementing entities for specific activities, as well as a timeline of activities, with a view to start implementing the Programme before the twenty third Board meeting.