



ADAPTATION FUND

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Adaptation Fund Board
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Agenda item 9 c)

ISSUES RELATED TO REGIONAL PROJECTS/PROGRAMMES

Introduction

1. The strategic priorities, policies and guidelines of the Adaptation Fund (the Fund), as well as its operational policies and guidelines include provisions for funding projects and programmes at the regional, i.e. transnational level. However, the Fund has thus far not funded such projects and programmes.

2. The Adaptation Fund Board (the Board), as well as its Project and Programme Review Committee (PPRC) and Ethics and Finance Committee (EFC) considered issues related to regional projects and programmes on a number of occasions between the Board's fourteenth and twenty-first meetings but the Board did not make decisions for the purpose of inviting proposals for such projects. Indeed, in its fourteenth meeting, the Board decided to:

(c) Request the secretariat to send a letter to any accredited regional implementing entities informing them that they could present a country project/programme but not a regional project/programme until a decision had been taken by the Board, and that they would be provided with further information pursuant to that decision

(Decision B.14/25 (c))

3. In its eighth meeting in March 2012, the PPRC came up with recommendations on certain definitions related to regional projects and programmes. However, as the subsequent seventeenth Board meeting took a different strategic approach to the overall question of regional projects and programmes, these PPRC recommendations were not included in a Board decision.

4. In its twenty-fourth meeting, the Board heard a presentation from the coordinator of the working group set up by decision B.17/20 and tasked with following up on the issue of regional projects and programmes. She circulated a recommendation prepared by the working group, for the consideration by the Board, and the Board decided:

(a) To initiate steps to launch a pilot programme on regional projects and programmes, not to exceed US\$ 30 million;

(b) That the pilot programme on regional projects and programmes will be outside of the consideration of the 50 per cent cap on multilateral implementing entities (MIEs) and the country cap;

(c) That regional implementing entities (RIEs) and MIEs that partner with national implementing entities (NIEs) or other national institutions would be eligible for this pilot programme, and

(d) To request the secretariat to prepare for the consideration of the Board, before the twenty-fifth meeting of the Board or intersessionally, under the guidance of the working group set up under decision B.17/20, a proposal for such a pilot programme based on consultations with contributors, MIEs, RIEs, the Adaptation Committee, the Climate Technology Centre and Network (CTCN), the Least Developed Countries Expert Group (LEG), and other relevant bodies, as appropriate, and in that proposal make a recommendation on possible options on approaches, procedures and priority areas for the implementation of the pilot programme.

(Decision B.24/30)

5. This document contains a summary of the consultations undertaken by the secretariat with contributors and the agencies identified in the above decision, as well as a proposal for a pilot programme. In addition to the consultations, the recommendation draws on earlier consultations as well as deliberations by the Board and its subsidiary bodies on the issue of regional projects and programmes.

Consultations undertaken by the secretariat

6. The secretariat undertook, between February and March 2015, a series of consultations with governments and agencies identified in decision B.24/30. Due to the high number of stakeholders, the consultation was undertaken as an e-mail survey. The survey questionnaire was sent to the following recipients:

- (a) Governments of the past contributors to the Adaptation Fund;
- (b) All accredited multilateral (MIE) and regional (RIE) implementing entities; and
- (c) The following bodies under the United Nations Framework Convention for Climate Change (UNFCCC):
 - i. The Adaptation Committee;
 - ii. The Climate Technology Centre and Network;
 - iii. The Least Developed Countries Expert Group (LEG); and
 - iv. The Loss and Damage Executive Committee.

7. A common question to all surveyed stakeholders was related to the lessons they had learned on regional adaptation projects. In addition, each group of stakeholders was asked other questions related to their specific role, as follows:

- (a) Governments and the LEG were asked about the respective countries' possible priority areas for regional adaptation projects;
- (b) The implementing entities were asked about their interest in applying for funding for regional activities, the foreseen thematic areas and minimum and maximum amounts of funding to be applied per regional project, challenges or limitations encountered with regional projects, as well as their views on the application process;
- (c) The UNFCCC bodies were asked about possibilities for support to the pilot programme on regional projects and programmes.

8. The survey met with an enthusiastic reception, particularly among implementing entities and some contributor governments.¹ In addition, CTCN sent a detailed response. Some of the

¹ Responses were received from Austria, Finland, Germany and Spain, and ADB, EBRD, IDB, OSS, SPREP, UNDP, UNEP, UNESCO, WFP and WMO.

implementing entities misunderstood the questions on interest in applying for funding and on the application process as an actual invitation to submit concept notes, and the secretariat received several brief project ideas. The merits of individual project ideas are not assessed in this document but they have been noted and the general themes are summarized below in Table 1. Also the minimum and maximum amounts for regional projects quoted by implementing entities are summarized below in Table 2.

Table 1: Indicative regional project ideas received through consultations			
Type of IE	Sector	Countries	Size
ADB	Food/DRR	Cambodia, Lao PDR, Myanmar	\$ 30,000,000
EBRD	Energy	Armenia, Azerbaijan, Georgia	\$ 10,000,000
IDB	Agri / Food	Guatemala, Nicaragua, Honduras	\$ 6,000,000
IDB	DRR/ Food / Finance	Guatemala, Nicaragua, Honduras, El Salvador	\$ 5,000,000
OSS	IW/Ecosystems	Niger, Burkina Faso, Benin	\$ 4,000,000
OSS	Water	Algeria, Libya, Tunisia	\$ 4,000,000
SPREP	Multi	14 Pacific Island Countries	\$ 20,000,000
SPREP	Multi	14 Pacific Island Countries	\$ 20,000,000
UNDP	Multi	14 Pacific Island Countries	\$ 18,000,000
UNDP	DRR	Kyrgyzstan, Tajikistan, Turkmenistan, Kazakhstan and Uzbekistan	\$ 6,000,000
UNDP	Financial	Sri Lanka, Philippines, Thailand	\$ 6,000,000
UNEP	Food	Mozambique, Malawi and Zambia	\$ 15,000,000
UNEP	DRR	"3 Caribbean SIDS"	\$ 15,000,000
UNEP	Urban	"3 Asian urban deltas"	\$ 15,000,000
UNESCO	DRR	Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan	\$ 8,000,000
WFP	Food/DRR/ Finance	Zambia, Malawi, 1 other country	\$ 18,000,000
WMO	DRR	Philippines, Viet Nam, Cambodia, Lao PDR and Thailand	\$ 4,000,000
WMO	DRR	Cabo Verde, Gambia, Mauritania, Senegal, Ghana, Sierra Leone, Cote d'Ivoire, Liberia, Mali	\$ 5,000,000
Total			\$ 209,000,000

Table 2: Minimum and maximum sizes of regional projects according to MIEs and RIEs

IE	Minimum, US\$	Maximum, US\$
ADB (Pacific)	\$20,000,000	\$30,000,000
ADB (C&W Asia)	\$5,000,000	\$25,000,000
ADB (SE Asia)	\$30,000,000	\$250,000,000
IDB	\$5,000,000	-
OSS	\$3,000,000	\$7,000,000
SPREP	\$10,000,000	\$25,000,000
UNDP*	\$4,000,000	-
UNEP	\$10,000,000	\$100,000,000
UNESCO	\$1,000,000	\$10,000,000
WFP**	\$18,000,000	\$29,000,000
WMO	\$5,000,000	\$50,000,000

*UNDP stated that US\$ 2,000,000 would be needed at the regional level to support countries with technical assistance and knowledge sharing.

**WFP estimate is related to a specific project idea.

9. The consultation, and particularly the questions on lessons learned from regional adaptation projects, and limitations related to them, yielded ample responses, which have been summarized in Annex I to this document. These responses are very much in line with the results of an earlier survey that the secretariat conducted on regional projects in late 2011 for the purposes of the document AFB/B.16/5.Rev.1 *Consideration of Issues Related to Regional Projects and Programmes*. However, the consultation resulted in providing also new insights that had not been captured by the 2011 survey. Some of the responses to the consultation represented good practices in adaptation projects in general, were not specifically targeted at regional adaptation projects, and were thus excluded from the summary.

10. While the summarized consultation results provide a wealth of useful and important information, the following are the features that may be especially pertinent for the consideration of the pilot programme on regional adaptation projects and programmes:

- (a) **Economies of scale:** Regional efforts may enable reaching economies of scale on the allocation of resources, services and support infrastructure for the project, and developing scaled-up solutions for particular adaptation challenges. Economies of scale are particularly common in knowledge management related activities. Scaled-up solutions may take many forms but specific opportunities exist related to larger scale regional adaptation challenges, such as management of transboundary natural resources or ecosystems.

- (b) **Complexity:** Regional projects compared to single country projects are more complex. They require careful planning and justification by strictly focusing in areas that benefit from a regional approach and are replicable regionally
- (c) **Diversity of situations:** Socio-political circumstances vary among countries, even in superficially homogenous regions, and addressing that diversity is key to project success. This requires emphasizing ownership by all participating countries as a key principle, and allowing adequate time for carrying out consultations at various levels and for building constituency and facilitating cooperation among countries and related organizations, as well as adequate time for project implementation. Targeted technical assistance may also be necessary to support countries with relatively large capacity gaps.
- (d) **Coordination:** As a general rule, regional projects require additional levels of coordination, at the regional level, compared to single country projects. Such coordination role can be managed by an existing regional coordinating body or sometimes, if required, one can be established for the project. In addition to the regional coordinating body, responsible for project execution, it is necessary to have an overall project steering committee at regional level, with representatives from key national institutions. The additional level of coordination requires specific consideration of financing needs, both at the project preparation stage and during implementation. Coordination is important also for ensuring sustainability of the project outcomes.
- (e) **Level of financing:** The indicative minimum and maximum sizes of regional projects quoted by MIEs and RIEs (Table 2 above) clearly show that such projects are on average larger than single-country projects. Some implementing entities also pointed out that the additional level of coordination needed in regional projects would require a higher percentage of total project funds allocation to coordination activities, compared to single-country projects.
- (f) **Financing decisions:** Implementing entities consistently expressed the view that significant challenges exist in developing regional projects resulting from their intrinsic complexity, the need to coordinate planned activities with several countries, and risks involved in creating excessive expectations in case planned funding is not granted. Therefore, most supported a model that would provide an early and swift funding commitment following a relatively short concept note, which would enable developing a proposal without a high risk of wasted resources and unfounded expectations.

11. Apart from CTCN, the other UNFCCC bodies did not respond to the survey in writing. Representatives of some of those other bodies were reached also informally, and they referred to the fact that there was not much experience in the theme of regional adaptation projects in their respective organizations. CTCN submitted specific views (Annex III) in areas related to lessons learned from regional adaptation projects, which have been considered together with such responses by countries and implementing entities (Annex I). CTCN also submitted, as a response to the question on potential support from its activities to the Adaptation Fund pilot programme on regional projects, two options for synergies between the two organizations, with additional possible operational modalities. These suggested options have different implications in terms of depth of involvement and cost. They are presented in detail in Annex III but in summary, they are as follows:

- (a) Synergy option 1: The Adaptation Fund could use CTCN's technical assistance to help countries prepare for successful implementation of Adaptation Fund projects.
- (b) Synergy option 2: Avoiding duplication and maximizing synergies between the Adaptation Fund and CTCN Knowledge Management Systems.

12. The synergy option 1 as proposed by CTCN would focus on providing technical assistance at the country level, at the request of governments, during the design stage of a regional project, or during its early implementation. While the CTCN mentions that it has some limited resources for such purposes, “its ability to do so in a predictable and time effective manner would be greater ensured if limited funding could be provided by the Adaptation Fund (potentially from the \$30 million regional fund, if appropriate)”². The synergy option 2 would build specific content links on the Adaptation Fund and CTCN web-based knowledge management systems, including information on lessons learned through implementation of Adaptation Fund projects and CTCN technical assistance and other reference documents in the respective information databases.

Rationale for the proposed programme

Allocation of funds to potential regional projects and programmes

13. In light of the enthusiastic response by the MIEs and RIEs and the regional project ideas they have already submitted to the secretariat, it seems evident that the demand for regional projects represented by implementing entities far exceeds the funds that are available considering the Board Decision B.24/30 that tentatively set aside US\$ 30 million for this pilot programme. Further, the indicative minimum and maximum amounts of financing that could be requested for regional projects and programmes quoted by MIEs and RIEs and presented in Table 2, would indicate that the funding set aside for the programme cannot fund a very large number of individual regional projects or programmes. On the other hand, one of the goals of a pilot programme by definition is learning and compiling lessons, and therefore a group of divergent projects might be preferable compared to allocating the whole programme funding to one or two larger projects.

14. For the Board to be able to choose the best regional project/programme ideas among the proposals that are likely to exceed the available funds, competitive selection will be required. This can be done based on an open call, or a structured call for proposals. In a structured call, some of the parameters of the anticipated proposals could be predetermined, such as their size or sector. A structured call might be preferred, given the scarcity of funds and the need to ensure diversity of approaches.

15. Several implementing entities pointed out to the fact that implementing projects regionally would entail higher administrative costs due to the additional level of regional coordination needed in them. Therefore, it might be necessary enable allocating higher levels of administrative budget for regional projects than the current caps³ for single-country projects are.

Sequence of decision making on funding

² The lead organization of CTCN is UNEP, which is an MIE of the Adaptation Fund.

³ In regular single-country projects, the maximum level for implementing entity management fee is 8.5%, in accordance with Board decision B.11/16, and the maximum level for execution costs is 9.5, in accordance with decision B.13/17.

16. As noted above, implementing entities are wary of investing their own resources to developing detailed regional proposals, if there is no likelihood of an eventual approval of the project. On the other hand, the Board has followed, with regular single-country projects, the approach that funding is set aside only when the full information of the proposed project is available. The requirement for full information has been increasingly stressed with the development of the environmental and social policy, including the need for thorough stakeholder consultations. Therefore, it might be complicated for the Board to make firm commitments for full project funding based on a concept or a short pre-concept.

17. To address the above dilemma of sequencing of funding decisions, it might be preferable for the Board to invest resources from the pilot programme to the development of project ideas that have been proposed by the eligible implementing entities, and have been technically reviewed. Based on its Decision B.12/28, the Board has approved project formulation grants (PFG) for project concepts submitted by national implementing entities (NIE), at a maximum level of US\$ 30,000. To serve the purpose of the pilot and aim at funding the first regional projects/programmes within calendar year 2015, MIEs and RIEs would therefore be eligible for a PFG. As regional projects are more complex and involve more stakeholders than single-country projects, the support to the development costs of a project might be in the magnitude of US\$ 100,000 per project.

Review criteria for regional projects and programmes

18. When considering the topic of regional projects and programmes in its sixteenth meeting, the Board heard a presentation from the secretariat also on possible additional or revised criteria that would apply to the review of regional projects and programmes. Due to the different strategic direction taken by the Board on the overall question of regional projects at that time, the Board did not make a decision on those proposed criteria then, contained in Annex II of the current document.

19. In the pilot programme for regional projects and programmes, where the total amount of funding is limited, a situation may arise where funding requests at a given meeting exceed the available funds. In such cases the technical review would look at the proposals as a whole, and make a recommendation to the Board with a view to both the technical quality of the proposals and their correspondence to the goals of the pilot programme. The Board could also consider the option of establishing a pipeline for projects that exceed the available funds in the pilot programme, to be funded from additional resources.

Technical assistance needs of governments

20. Several respondents of the consultation pointed out to the limited technical capacity of governments, and to the fact that it might pose specific needs in terms of developing and implementing regional projects. Such capacity could be built either through separate initiatives, as suggested by CTCN (see above), or as part of the regular project formulation and implementation activities. In this respect it is noted that all the accredited MIEs and RIEs have both worked regionally and have experience of carrying out capacity building activities. Further, as the pilot programme on regional activities is not expected to finance projects implemented solely by individual NIEs (that might have more significant gaps in capacity or experience in the area of regional activities), it might not be necessary to develop separate capacity building initiatives under the pilot programme but those could be integrated into the projects and project formulation grant activities. Therefore, at this point, of the two synergy options proposed by CTCN, the second option on building synergies at the knowledge management level only, might be sufficient and preferable. The possibility of drawing on CTCN technical assistance could be considered in the future.

The proposed programme

Definition of regional projects and programmes

21. It is proposed that the following definition for regional projects and programmes, endorsed by the Project and Programme Review Committee in its eighth meeting is adopted:

“Regional projects and programmes in the context of the Adaptation Fund are understood to be such projects and programmes that are implemented by Multilateral and Regional Implementing Entities in two or more countries in the same United Nations region, or adjacent regions, particularly countries that share a common border and/or similar adaptation challenges in the sector or sectors that the proposed project or programme targets.”

Goal of the pilot programme

22. The overall goal of the pilot programme is to pilot different regional approaches to implementing concrete climate change adaptation projects in vulnerable developing countries, and to compile lessons learned. Such lessons learned would inform the Board’s later decisions on whether to make such a modality a more regular part of Adaptation Fund operations.

The proposal process

23. To enable oversight and support by the Board to the development of regional project ideas, a three-step project preparation process is proposed, consisting of an optional pre-concept stage, followed by a concept stage and a fully-developed project/programme document stage. The optional pre-concept stage is a completely new feature of the pilot programme that would enable early funding decisions deemed critical by implementing entities. The concept and fully-developed proposal stages would largely correspond to those in the regular project cycle, with certain additional features. Also the proposal submission timelines with respect to Board meetings or intersessional review cycles would be similar to those of regular projects and programmes.

24. It is proposed that the Board open a structured call for MIEs and RIEs to submit pre-concepts for regional projects and programmes. The optional pre-concepts would be very brief proposals of maximum 5 pages that would explain the proposed regional adaptation project/programme. The pre-concepts would be screened and technically reviewed by the secretariat, and subsequently reviewed by the PPRC. Together with the pre-concept, the proponent could submit a Phase I PFG request, up to the maximum level of US\$ 20,000. While endorsing the pre-concept, the Board could also approve the Phase I PFG request. The endorsement of the pre-concept would not create an obligation for the Board for later funding. As the next step, the proponent would submit a concept, and with it the proponent could submit a Phase II PFG request. The maximum level of the Phase II PFG would be US\$ 80,000 for proposals that had been previously granted Phase I PFG, and US\$ 100,000 for proposals that bypassed the optional pre-concept stage. While endorsing the concept, the Board could also approve the Phase II PFG request. The endorsement of the concept would not create an obligation for the Board for later funding, as it is the case for the national projects. The final stage of the proposal process would be the submission of the fully-developed regional project document.

Thematic focal areas

25. The pilot programme for regional projects and programmes would have the following thematic focal areas, in which proposals would be welcome. These thematic focal areas are based on the elaboration of the working group set up under decision B.17/20:

- (a) Food security;
- (b) Disaster risk reduction and early warning systems; and
- (c) Transboundary water management.

26. In addition to the three specified thematic focal areas, as a cross-cutting fourth theme the pilot programme would seek to support activities that represent innovation in adaptation finance towards transformational impact. The programme would encourage MIEs and RIEs to develop innovative solutions to climate change adaptation, including new approaches, technologies and mechanisms. It is required that the proposal describe the innovation aspects of the project/programme.

Funding windows structure

27. The pilot programme would have the following indicative structure, to allow for a diversified approach in terms of project/programme sizes:

- (a) One project/programme up to US\$ 14 million;
- (b) Three projects/programmes up to US\$ 5 million; and
- (c) A number of project formulation grants, with a total value of up to US\$ 1 million.

28. The pilot programme could provide project formulation grants up to 10 different project/programme ideas (10 x US\$ 100,000 = US\$ 1,000,000). While this creates an excess of project proposals compared to the available funds under the pilot programme, it would also foster positive competition among proponents, support building of capacities in countries during the proposal development process, and yield in project ideas that can be funded outside of the pilot programme.

29. As defined by decision B.24/30 (b), the pilot programme on regional projects and programmes will be outside of the consideration of the 50 per cent cap on multilateral implementing entities (MIEs) and the country cap.

30. It is proposed that regional project proposals and project formulation grant requests would be allowed a higher and more flexible maximum level for administration costs, to help ensure regional cooperation. The maximum level for the implementing entity management fee (for regular projects capped at 8.5 per cent of the total project cost) and execution costs (for regular projects capped at 9.5 per cent of the total project cost) together would be maximum 20 per cent of the total project cost. As with regular projects, proposals for regional projects/programmes would need to provide budgets for these two categories.

Review criteria for regional projects and programmes

31. It is proposed that in reviewing regional project concepts and fully-developed proposals, the review criteria of regular projects would apply *mutatis mutandis*, with the scope of consideration expanded from the local and national level to the regional level, and taking into account the proposal above on administrative costs. In addition, a few specific review criteria are proposed, based on the criteria originally presented in document AFB/B.16/5.Rev.2, complemented with one additional criterion:

- (a) The regular criterion for single-country projects:

Does the project / programme support concrete adaptation actions to assist the country in addressing the adverse effects of climate change and build in climate change resilience?

Suggested criterion for regional projects and programmes:

Does the regional project / programme support concrete adaptation actions to assist the participating countries in addressing the adverse effects of climate change and build in climate resilience, and do so providing added value through the regional approach, compared to implementing similar activities in each country individually?

- (b) The regular criterion for single-country projects:

Is the project / programme cost-effective?

Suggested criterion for regional projects and programmes:

Is the project / programme cost-effective and does the regional approach support cost-effectiveness?

- (c) The regular criterion for single-country projects:

Is there adequate arrangement for project management?

Suggested criterion for regional projects and programmes:

Is there adequate arrangement for project / programme management at the regional and national level, including coordination arrangements within countries and among them? Has the potential to partner with national institutions, and when possible, national implementing entities (NIEs), been considered, and included in the management arrangements?⁴

- (d) Suggested criterion for regional projects and programmes (entirely new criterion):

Does the project promote new and innovative solutions to climate change adaptation, such as new approaches, technologies and mechanisms?

32. It is proposed that pre-concepts are reviewed according to the same broad areas of criteria as concepts but that the expected level of detail in their information is not as high, also taking into account the five-page limit. It is also proposed that the process of review of pre-concepts is similar to concepts and fully-developed project documents.

Learning in the pilot programme for regional projects and programmes

33. One of the recommendations of the working group set up under decision B.17/20 was that results from the pilot programme would inform decisions on whether to make such modality a more

⁴ The latter sentence in the suggested criterion for regional projects and programmes was not part of the criteria originally presented in document AFB/B.16/5.Rev.1 but was added pursuant to the mandate in Decision B.24/30 (c).

regular part of Adaptation Fund operations. It is proposed that learning in the programme at the Fund level would be facilitated through the same mechanisms that are available for single-country projects, i.e. reporting through regular project reports (annual project performance reports, mid-term reviews, and final evaluations) and compiled at the Fund level as the annual performance report, and portfolio monitoring missions conducted by the secretariat for a strategic sample of the projects approved by the Board. At the project level, the regular requirement for a knowledge management component would apply.

34. To facilitate learning in the context of regional projects and programmes, involving NIEs when possible, and/or other national institutions, in implementation arrangements is strongly encouraged. This is also reflected in the proposed review criterion on management arrangements.

35. To facilitate building synergies with other institutions under the UNFCCC supporting regional activities in climate change adaptation, such as the CTCN, the pilot programme should seek to build specific content links between web-based knowledge management systems.

Timeline of pre-concept submissions

36. It is proposed that multilateral and regional implementing entities are invited to submit their pre-concepts, concepts and fully-developed proposals for regional projects and programmes following the same deadlines as regular projects and programmes. Therefore, the PPRC and the Board could consider the first pre-concepts of regional projects and programmes in their seventeenth and twenty-sixth meetings, respectively.

Recommendation

37. The Board may want to consider issues related to regional projects and programmes, and decide to:

- (a) Approve the proposal for the pilot programme on regional projects and programmes, as contained in document AFB/B.25/6/Rev.2;
- (b) Set a cap of US\$ 30 million for the programme;
- (c) Request the secretariat to issue a call for regional project and programme proposals for consideration by the Board in its twenty-sixth meeting; and
- (d) Take note of the offer for collaboration expressed by the Climate Technology Center and Network, and request the secretariat to continue discussions with CTCN towards operationalizing, during the implementation of the pilot programme on regional projects and programmes, the Synergy Option 2 on knowledge management proposed by CTCN and included in Annex III of the document AFB/B.25/6/Rev.2.

Annex I: Key messages from survey responses on regional projects

1. This document provides a summary of survey responses from contributor governments, the Climate Technology Centre and Network (CTCN) and multilateral and regional implementing entities, consulted in February-March 2015 on the topic of regional adaptation projects and programmes.

Process:

2. Regional projects compared to country projects are more **complex**. They require careful planning and justification by strictly focusing in areas that benefit from a regional approach and are replicable regionally; otherwise they may end up being “regional” projects with country level activities/sub-projects that are implemented in silos, with very little value of the regional approach.

3. Sharing of data and **information** between countries can be critical. Regional systems or regional overview that back up national systems are necessary for addressing issues of transboundary nature.

4. It is important to recognize specific **conditions** of different countries, as well as the regional scenario. The socio-political environment may not be uniform across the region as opposed to individual country projects: overall programme only progresses as fast as the slowest of the countries. As such, there are usually **delivery** issues that need to be monitored and managed carefully, and the project duration may need to be longer than in single-country projects.

5. Important to ensure that country **ownership** prevails even if the overall programme is regional in nature, and that there is national accountability.

- (a) Bottom up approach to country needs, on which national log frames are developed, to be consolidated under the general programme. Connecting communities across countries to share their local knowledge on adaptation and build on such knowledge is also vital. Another approach is starting from the regional situation, and developing a project that “maintains a certain degree of flexibility in the design and implementation of the specific project at country level”. A third approach is to simultaneously target all levels, such as regional organizations, representatives of national as well as local administration, local communities, science, civil society and private sector.
- (b) Although regional and transboundary approaches are important, they always need to be broken down to concrete action at the local level in order to create real impact.
- (c) Activities have to be built on a shared understanding of goals and objectives of the project among participating countries.
- (d) Analysis of the local legislation, policy and the institutional context / environment must be conducted as part of the design processes, and the project would also need to align with regional policy and institutional frameworks.
- (e) Regional projects require additional levels of coordination compared to single country projects, and such coordinating role can be played by an existing regional coordinating body or, sometimes if required, one established for the project. There would also need to be an overall programme steering committee at the regional level

(key national institutions). An individual neutral entity shepherding countries, and an overarching support system to ensure technical assistance (also at the local level), would improve cross country learning and exchange.

(f) Objective and impartial division of responsibilities among participating countries is crucial for success of regional adaptation projects.

(g) Regional adaptation projects will be successful if they can identify and maximize opportunities for enhanced trade, export and competitiveness for each participating country.

6. Need to ensure that the regional project **outcome** adds up to more than simply the sum of a number of unconnected national (or local) projects; in projects that generate knowledge products (in particular on climate change impacts), economies of scale can be best achieved with countries of “fairly small geographical extension and similar socio-economic and natural capital conditions”

7. Substantial initial **coordination** effort is required for success, and adequate time must be allowed for building collaboration and consensus between countries through broadest possible representation and early engagement of stakeholders, including regional institutions; time may also be needed to set up formal collaboration agreements with new countries; projects are long, 5 years bare minimum.

8. Investment in **capacity** building, as countries often don’t have the same level of expertise or resources (capacity needs assessment before project can be useful). In developing projects, early stage technical assistance can be instrumental.

9. **Comparative advantages** of regional organizations and technical capacity gaps should be identified at the outset so as to enhance **partnerships** for delivery at the regional and national levels and for promotion of synergies; the overlapping roles and responsibilities of various regional organizations may add complexity.

10. Coordination efforts are needed towards the end of the project lifetime to ensure intergovernmental mechanisms are in place for **sustaining** the outcomes beyond the lifetime of the project. Establishing mechanisms to recognize and reward of efforts to promote inter-country cooperation, and to share risks among countries may also be useful.

11. Working in different countries may also enhance the **resilience to project risks** during implementation: if project activities have to be suspended in a country for example due to epidemics, they can be continued in or transferred to other countries

Funding:

12. A regional effort would enable to reach **economies of scale** on the allocation of resources, services and support infrastructure for the project. Regional projects also enable developing and **scaling up** solutions to a larger extent than single-country projects.

13. According to some proponents, there must be **guarantee for funding** once a short concept note is approved; without it the risk for any IE to take on to develop a full proposal where funding is not certain is too high given the up-front transaction costs. One respondent suggested that the

decision on submission of full proposal ideally should be taken within 4-6 weeks of receipt of concept notes.

14. According to others, the Adaptation Fund **performance based disbursement policy** might become a significant constraint, as the pace of regional projects is bound by the slowest moving country. This could be managed by ensuring that regional projects have a maximum 2 disbursements with the 2nd at mid-term. On the other hand, regional projects are seen as a good **platform to evenly distribute resources** and bring to speed those countries that have been left behind in terms of access to financing.

15. The overarching financial processes need to be **as simple as possible and flexible** enough to align or integrate with national systems where ever possible, without compromising on quality, transparency and accountability. Adherence to international standards may not be uniform in terms of managing projects, financial management, procurement etc.

16. According to some, **additional resources** must be allocated to strengthen regional dimensions of the project; project supervision costs increase in at least 20% compared to a single country project, depending on the executing capacity of the countries involved and their geographical location.

17. Respondents felt that **clear processes** and systems for project planning, tracking and monitoring should be established, understood and agreed from the outset; based on assessment of the financial management, communications and broader management capacities.

18. **Communications/knowledge management** should be adequately resourced at regional and national levels; a mechanism must also be in place to collect and share information on operational issues, such as a dedicated online network or blog space. There was also a call for prioritizing, where appropriate, **local on-the-job training** and employment.

Possible typologies:

19. Some respondents pointed out to the fact that regional activities may represent different types. According to one agency, two types of regional activities can be distinguished: 1) regional projects focused on knowledge management and harmonization of concepts and approaches at regional level; and 2) regional projects promoting cooperation in the management of transboundary natural resources.

(a) Projects focused on knowledge management and harmonization:

- i. aim to assure harmonization of results at the regional level;
- ii. aim to realize economies of scale in the implementation of projects; and
- iii. can be either standalone projects or umbrella programmes supporting national projects: the latter have the advantage that the independent implementation of national projects warrants national ownership of the entire project but also the disadvantage that the means to harmonize national activities/projects at the regional level are very limited. The advantage of stand-alone regional projects is that they allow the harmonization of the implementation of all project activities at regional level. However, their

implementation requires a strong regional implementing entity coordinating the implementation of all project activities, and good regional coordination mechanisms bringing together the main stakeholders at the national level, as well as good relationships of the regional implementing entity with the national counterparts of the projects

(b) Projects for cooperation in the management of transboundary natural resources:

- i. The main reason for collaboration of this kind of project is the need to find agreements on the management of transboundary natural resources (or ecosystems).
- ii. Regional collaboration and coordination in the exploitation and monitoring of natural resources is not only necessary to support long term sustainable development, but also to promote regional stability and to avoid conflicts over the use of those transboundary resources.
- iii. A main condition for the successful implementation of this kind of project is a political will to cooperate and a strong and independent regional implementation entity facilitating coordination between the different parties. It is also essential to establish a formal agreement between all project partners at national level to cooperate within the context of the project. This agreement should be supported with the establishment of a regional coordination mechanism of the project.
- iv. Monitoring of natural resources at the regional level and cooperation and technical and scientific level helps to create an awareness of the transboundary nature of the natural resources and is the first step towards creating a political will for the joint transboundary management of these resources.
- v. Ecosystem-based approach to adaptation may be efficient and cost-effective.

Annex II: Conclusion by the PPRC in its eighth meeting (March 2012) on some aspects of regional projects and programmes (excerpt from the PPRC report)

- (a) Regional projects and programmes in the context of the Adaptation Fund are understood to be such projects and programmes that are implemented by Multilateral and Regional Implementing Entities in two or more countries in the same United Nations region, or adjacent regions, particularly countries that share a common border and/or similar adaptation challenges in the sector or sectors that the proposed project or programme targets;*
- (b) The budget of a regional project or programme proposal should specify a breakdown of costs for the activities per country within the budget, including both activities that are clearly assigned to a participating country, and the activities that are not assigned that way, together with an explanation of how the budget counts towards the country caps and the additional funds available for the regional project or programme;*
- (c) Those costs other than the costs of country-specific activities within the project or programme, including administrative costs, would be divided among the participating countries, for calculatory purposes, in similar proportions to the funding they have received for country-specific activities within the project or programme, and be counted towards the cap of each participating country and the additional funds available for the regional project or programme;*

Annex III: Response from CTCN on lessons learned and ways to support the Adaptation Fund pilot programme on regional projects and programmes



20 February 2015

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Dear Mr. Ollikainen,

Thank you for this opportunity to comment and please accept our apologies for the delay in responding due to mission travel and the growing demand for CTCN services. Please see our specific responses to your two questions below.

What lessons, if any, have been learned on regional adaptation projects?

- Early stage technical assistance can be instrumental in creating shared understanding and common frameworks, indicators or information among countries that is crucial for successful subsequent implementation of regional projects. Please note CTCN can potentially provide this type of early stage technical assistance on a regional basis. For your reference, please see attached an overview of CTCN Technical Assistance Requests and Responses to date.
- Measuring and communicating impact of adaptation progress certainly continues to be a challenging field, and there has been some notable progress made on methods and good practice. These challenges are certainly exacerbated when designing and implementing regional adaptation projects because monitoring systems, existing indicators, and capacity levels may vary significantly by country. Gaining a shared vision and agreement on intended impacts, indicators and means of verification and sharing is crucial to regional project success. CTCN has recently received requests and has started to implement technical assistance responses to different countries on design and management of adaptation monitoring frameworks, and we would be glad to share learning from these activities with the AF and project developers.

Are there any ways in which CTCN or its associated organizations could support the regional pilot programme or specific projects?

- CTCN can provide early stage technical assistance to remove barriers to subsequent successful implementation of AF project financing. As per CTCN's mandate provided by the UNFCCC COP, this technical assistance would have to be requested by the relevant government representatives, as detailed here:
- This technical assistance could be delivered either as the AF regional projects are being designed or in their early stage of implementation. Please see synergy 1 and operational modality 1A below for more detail.
- While CTCN has some limited capacity to provide this technical assistance, its ability to do so in a predictable and time effective manner would be greater ensured if limited

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funding could be provided by the AF (potentially from the \$30 million regional fund, if appropriate) to CTCN. Please note UNEP is the lead host organisation of CTCN and also an MIE for the AF.

Additionally, as follow up to our earlier correspondence and meetings, we would like to take this opportunity to convey our understanding of the operational modalities we have discussed between the Adaptation Fund and CTCN, as well as some specific suggestions to put these in place.

Overall AF-CTCN synergy 1: Use CTCN's technical assistance to help countries prepare for successful implementation of Adaptation Fund (AF) projects.

Operational modality 1A) Countries seeking project financing from the AF are reminded by the AF Secretariat of the opportunity to request complimentary technical assistance through CTCN to address barriers to subsequent successful implementation of AF project financing. This communication from the Adaptation Fund may be conveyed at the following junctures in the AF process: (i) upon Direct Access accreditation; (ii) upon project concept endorsement and approval. Please find attached a DRAFT for a CTCN brief that could be refined together for the AF Secretariat to use for this purpose.

Operational modality 1B) The CTCN reminds its National Designated Entities and the national beneficiary of the CTCN Technical Assistance to discuss with the AF National Designated Authority and National Implementation Entity the opportunity of developing a relevant project to the Adaptation Fund to sustain follow-up actions to the CTCN Technical Assistance, and informs the AF Secretariat when it is known that such a project concept may be forthcoming.

Overall AF-CTCN synergy 2: Avoiding duplication and maximise synergies between the AF and CTCN Knowledge Management Systems.

Modality 2) Build specific content links on the AF and CTCN web-based knowledge management systems, including information on lessons learned through implementation of AF projects and CTCN technical assistance and other reference documents in our respective information databases.

We look forward to your thoughts on these responses and our understanding of these modalities, and look forward to advancing our growing collaboration.

With best regards,

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