Climate Finance Readiness Workshop for Least Developed Countries

Tuesday 30 May – Thursday 1 June 2017, Radisson Blu Hotel, Addis Ababa, Ethiopia

Workshop Report

Introduction

The Adaptation Fund (the Fund) workshop for Least Developed Countries (LDCs) took place from 30 May to 1 June 2017 in Addis Ababa, Ethiopia and was held in partnership with the Fund's accredited national implementing entity (NIE) in Ethiopia, the Ministry of Finance and Economic Cooperation (MOFEC). The objective of the workshop was to facilitate a forum where peer to peer learning and open dialogue could strengthen knowledge and enhance the confidence and capacity of LDCs to access climate finance from the Adaptation Fund through its Direct Access modality. The workshop was attended by over 35 participants representing 33 LDCs.

The workshop followed a participatory and adult learning approach through which LDCs shared and exchanged lessons, knowledge and experiences in the programming of climate adaptation finance, and including a discussion on the linkages between National Adaptation Plans (NAPs) and Nationally Determined Contributions (NDCs) and the development of adaptation projects to support these. It was expected that such engagement would boost confidence as well as encourage the programming of climate finance through Direct Access in LDCs.

At the end of each day of the workshop, the Secretariat staff held one on one clinic sessions with participants who had requested to discuss and address individual specific issues related to all aspects of the Fund portfolio processes and mandate.

Opening and welcome remarks

Opening remarks were given by Daouda Ndiaye on behalf of Mikko Ollikainen, manager of the Adaptation Fund Board Secretariat (the Secretariat) and Zerihun Getu on behalf of Honorable Admasu Nebebe, Deputy Minister of Finance and Economic Cooperation in Ethiopia, and Alternate Member of the Adaptation Fund Board (the Board). In his remarks, Mikko Ollikainen expressed that it was fitting that the workshop was hosted by another LDC to discuss challenges that similar countries vulnerable to climate change were facing. He explained that the Fund has undergone rapid growth in pioneering the Direct Access modality in which developing countries can access finance and develop projects directly through accredited NIEs and that Direct access was a hallmark feature of the Fund in building country capacities to adapt to climate change. He also expressed that whilst the Fund had managed to meet its resource mobilization target at the twenty second Conference of the Parties serving as the meeting if the Parties to the United Nations Framework Convention on Climate Change (COP22), there was a need for predictability and sustainability of the Fund's resources to advance its work in the future. He also highlighted that the Fund's Environmental Policy had received stellar remarks from the UN Special Rapporteur on Human Rights as a possible model for a new human rights mechanism called for in the Paris Agreement.

Honorable Admasu Nebebe welcomed the participants to Ethiopia and stated that Ethiopia had set ambitious adaptation and mitigation targets which are outlined in the country's Climate Resilient Green Economy (CRGE) strategy, its nationally determined contributions to the United Nations Framework Convention on Climate Change (UNFCCC), and its current five-year development plan. He expressed that the government of Ethiopia was allocating a significant portion of its domestic budget to the realization of its CRGE vision and would be mobilize international climate finance including from the Adaptation Fund, of which it also had an accredited NIE. He concluded by highlighting that the Fund was making essential contributions to national adaptation priorities of LDCs through its Direct Access modality, that it had contributed significantly in shaping the operations of other funds including the Green Climate Fund, and that it was effectively delivering on its mandate and was already serving the operationalization of the Paris Agreement. H said he hoped that the fund's long term financial sustainability would be resolved, wished the workshop a great success, and declared it officially open.

Session 1: Overview of the Adaptation Fund

This session covered the global positioning in the climate finance landscape and access to the Fund's resources covering the accreditation cycle and the project funding cycle. Key discussion points covered were:

<u>Adaptation Fund Global positioning in the climate finance landscape</u>

- Since inception, the Fund has mobilized over 630 million dollars in resources. US$ 198 million came from CER proceeds and US$ 433 million from developed countries' contributions
- The Fund's main revenue source is CER sales but the collapse of carbon markets means new resources are needed.
- The Adaptation Fund currently funds 63 concrete, localized adaptation and resilience projects in 53 vulnerable countries with 5.4 million direct beneficiaries. Its projects are effective, flexible and scalable, and can be replicated in other communities.
- As of 11 May 2017, the Fund has a project pipeline of US$ 200.9 million.
- The number of direct access entities is increasing. The Fund now has a total of 43 Implementing Entities [25 NIEs, 6 regional implementing entities (RIEs), and 12 multilateral implementing entities (MIEs)]
- The Adaptation Fund Board (the Board) has been flexible in its management approach which has enabled lesson learning and adapting the Fund to evolving times. An early lesson learnt was that support for direct access readiness is needed, and the Board responded by launching the Fund's Readiness Programme in 2014. Another lesson was the accreditation of small entities (including in SIDS and LDCs) which may not have suitable capacity to access up to USD 10 million, and the Board approved a modified accreditation process "fit for purpose" for small entities in April 2015. The first entities to benefit from this approach were Micronesia Conservation Trust, the Ministry of Finance

and Economic Management of the Cook Islands, and the Armenian Environmental Project Implementation Unit.

- The Fund's Environmental and Social Policy (ESP) has now been rolled out to operations and the Gender Policy (GP) was approved in March 2016.
- In 2015 the Board launched a programme to finance regional projects/programmes open to RIEs and MIEs, partnering with NIEs and other national agencies. The first regional project was approved in March 2017.
- The Board is developing a medium-term strategy (MTS) for the Fund which will be based on the goals of Article 7 of the Paris Agreement and sustainable development goal (SDG) 13.1. Development will follow a stepwise process, Step 1: Framework (Oct 2016), Step 2: Elements (Mar 2017), Step 3: Development of strategy (May -Oct 2017), Multi-stakeholder process, Step 1-2: Intensive stakeholder interviews, Step 3: public commenting, disclosure.
- The Adaptation Fund is already serving the goals of the Paris Agreement

<u>Access to Adaptation Fund resources - Accreditation</u>

A presentation was given by the Secretariat which provided an overview of the accreditation process under the Fund. Key points of the presentation were:

- The accreditation process is designed to ensure that the entity follows fiduciary and safeguard standards while accessing financial resources of the Adaptation Fund. During the accreditation process, an Accreditation Panel (AP) of highly experienced experts undertakes a detailed and comprehensive assessment of an application and recommends accreditation to the Board once the applicant entity meets the Fund's Fiduciary Standards.
- Implementing entities must meet the requirements in four key areas: Legal status; Financial Management and Integrity; Institutional Capacity; and Transparency, Self-investigative Powers and Anti-Corruption Measures, Policies and Mechanisms to monitor and address Complaints about Environmental, Social and Gender Harms Caused by Projects.

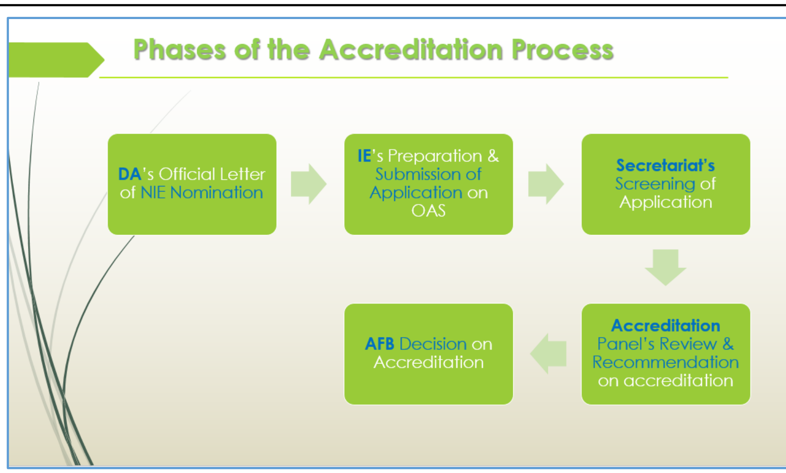

Figure 1: Overview of the accreditation process

- The Accreditation Process can take between six to 24 Months. Accreditation is valid for five years after which an entity may apply for reaccreditation.
- The Board approved Streamlined Accreditation in April 2015, which is designed to open up possibilities for a smaller NIE to access the Fund's resources while considering the limited capacities of such an entity.
- Lessons from the Secretariat have seen that accreditation sometimes takes a long time for some entities because of: Limited Competencies in some areas of Fiduciary Standards; applicant's limited experience in handling small projects (hence systems and processes not adequate to meet the Fund's Standards); applicants underestimating the work load involved in completing the accreditation process and not actively driving the process, and a lack of in depth understanding of accreditation criteria and their requirements.
- It is important that the Designated Authority appoints the most suitable NIE to pursue accreditation. This can make the accreditation process much faster.

Access to adaptation Fund resources - Project funding cycle

- The Secretariat gave a presentation overview of the Fund's project cycle, the project portfolio and eligible projects that can be funded. Key points discussed include:
- The Fund has a mandate to finance concrete adaptation activities. These should have visible and tangible impacts.
- There are no prescribed sectors or approaches. Approach to project development is a country-driven processes that accommodates countries' circumstances.
- There are no co-financing requirements for Adaptation Fund projects and programmes.
- There is a cap on available resources and the total allocation for projects/programs submitted by MIEs cannot exceed 50% of cumulative resources available in the Fund's Trust Fund.
- Currently, there is a country cap of USD 10 million per country but discussions are underway in the Board regarding this issue.
- The IE is responsible is responsible for the oversight role for projects/programmes funded through the Adaptation Fund.
- The DA is responsible for endorsing each project/ programme submitted for AF funding from the country and therefore has to have: an understanding of the needs and priorities of the country; knowledge of adaptation-related and sector strategies and policies; and understanding of other adaptation activities taking place (avoidance of duplication).
- Implementing entities have to use the project proposal materials[1] (including instructions and template for preparing a request for project/programme funding).
- For all projects/ programmes (below US$ 1 million or larger than US$ 1 million), entities have a choice of going through a one-step project/programme approval process (a complete and full proposal is submitted to the Board for approval) or two-step project/programme approval process (First a concept is submitted to the Board for endorsement following which a full project/programme document is submitted to the Board for approval)

[1] Available at https://www.adaptation-fund.org/apply-funding/project-funding/project-proposal-materials/

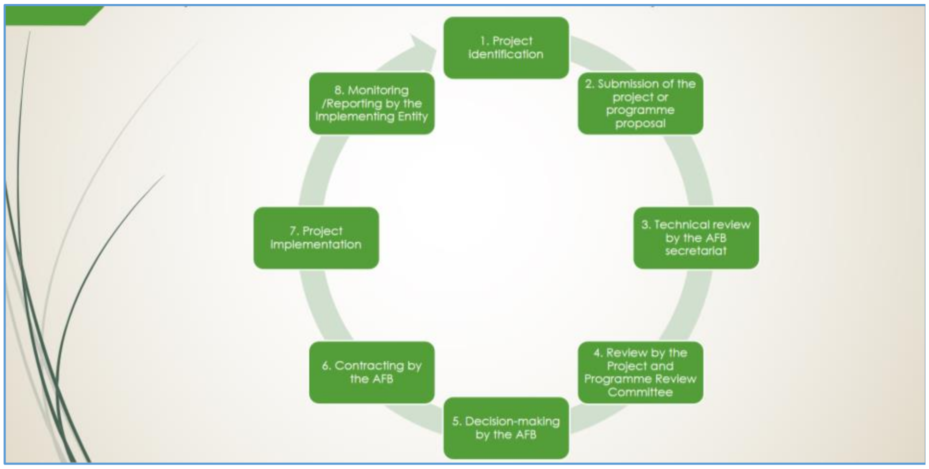

Figure 2: Overview of the project funding cycle

Following the presentations, participants held a question and answer (Q&A) session in which the following was discussed:

(i) *Question: What is strategy of the Fund on governments that are not supporting it?*
Response: The situation is improving. Most of the issues discussed regarding the Adaptation Fund serving the Paris Agreement (the Agreement) were to do with the fact that the Fund was operating under the Kyoto Protocol(KP) and so countries that were not part of the KP were not fully aware of the Fund's achievements. However, lately what we have seen is that both developing and developed countries are supporting the Fund. Also in Marrakech, there was no negative feeling about the Fund serving the Agreement and the main questions were procedural and the current issues are related to funding and the implications of establishing a replenishment cycle for the Fund. Questions are more about where it would fit and how it would receive its funding.

(ii) *Question: When will Fund standardize templates for accreditation applications with the Green Climate Fund (GCF)?*
Response: The GCF Board is yet to discuss standardization at its meetings. Clearly the GCF Board and secretariat acknowledge that there is need to establish complementarity and coherence with other funds. There are steps that have been taken regarding initial attempts at standardization such as the GCF fast track for entities accredited to the Adaptation Fund and the fast track re-accreditation to the Adaptation Fund of IEs accredited to the GCF.

(iii) *Question: Is it possible for an entity to be accredited to both AF and GCF?*
Response: Yes, it is possible and there are several IEs already accredited to both the Adaptation Fund and GCF.

(iv) *Question: About projects which the Adaptation Fund cannot fund, will these projects be put forward?*

Response: For projects that were already submitted, the fact that the project had a concept that had already been endorsed, it should be noted that the Board does not set aside money for endorsed projects, but only for approved projects. For projects that were submitted as concepts and were not endorsed, the Fund generally encourages the proponents to re-submit and work on the areas that were identified by the Board as needing improvement. From the experience of the Secretariat, typically proposals are approved after several resubmissions.

(v) *Question: Where does the Fund see itself in 5 years? Did you have to assess the difficulties met by countries and what are the main challenges?*
Response: The Board has several niche areas, it is a small fund that works closely with NIEs, it is flexible, it is innovative in the areas of accreditation, environmental and social policy and it is ever innovating and evolving. It has comparative advantage due to its small size, and this has to be maintained. It facilitates knowledge generation and sharing. Other discussions under the Convention are to do with the niche of all the funds under the UNFCCC, including the Global Environment Facility (GEF), GCF and other climate funds including the Climate Investment Fund (CIFs).

(vi) *Comment from the floor: We need the Adaptation Fund to continue and be represented because it serves as a conduit for NIEs to be represented at the level of the Convention.*

(vii) *Question: What happens when a country reaches the cap of US$ 10 million?*

Response: The board did not make a decision at its last meeting because the Fund's medium term strategy (MTS) is still under development, which would provide a clear pathway to where the Fund is going. The board in principle is not against raising the cap, but wants to make a decision based on the overall evaluation of the Fund and the MTS. Additional lessons will come from phase II of the overall evaluation of the Fund.

(viii) *Question: The Adaptation Fund comes from the Convention so does the GCF. How is it that the accreditation is different one from the other? Would like the GCF to learn from speed of the Adaptation Fund process.*
Response: The mandate of the GCF allows it to provide finance through multiple windows, including private sector, blended finance and loans and so the accreditation process differs slightly from the Adaptation Fund even though there are similarities. Accreditation under the adaptation Fund is valid for 5 years.

(ix) *Question: Is there any difference in Adaptation Fund fiduciary standards between MIE, RIE and NIE?*
Response: Fiduciary standards are the same for all access modalities.

(x) *Question: National entities do not know what is required of them and do not know what to do for DAs to know what is required from them. Adaptation Fund should also build capacities for these DAs because in some countries this is a real issue.*
Response: The point was noted and it was explained that this could be considered under the Fund's Readiness Programme which facilitates capacity building.

(xi) *Question: If an applicant had suspended its accreditation process for a long time, is it possible to continue from where they left off?*
Response: Yes, it is possible. The AP will go through the old application and will clarify which areas would need to be updated in the continued application.

(xii) *Question: Who does monitoring of projects, is the DA involved? Are there sufficient resources for the DA to do reporting and follow up during project monitoring, reporting and implementation?*
Response: The Fund has regular projects, size US$ 1 million and above, and small size projects below US$ 1 million. In the past small size projects could only submit full proposals but with experience the Fund learnt that even small entities can also submit via the 2-step project/programme approval process, and there is currently no distinction between the size of the NIE where it concerns the project approval process. The responsibility of monitoring the project lies with the NIE. The executing entity (EE) does the day to day supervision and monitoring of activities but the overall supervision of the project framework lies with the NIE. A project baseline is required but co-financing is not required. Regarding the DA, the DA is responsible for making sure that the finance is well used, and when the entity receives the US$ 10 million, there is no additional financing that will be granted to the DA, but it is the government's responsibility to make sure that the funds received by the NIE are used and managed well.

Session 2: Adaptation finance in LDCs: Barriers and Readiness Support

This session consisted of a panel discussion with panelists from the governments of Burundi, Nepal, Bhutan and Tuvalu who provided a short overview of the status of LDCs regarding access to adaptation finance and the importance of capacity building to enhance their access to adaptation finance. A representative from the Secretariat also gave a presentation which provided an overview of the capacity building and support available through the Fund's Readiness Programme for Climate Finance.

<u>Challenges and experiences accessing adaptation finance</u>

Bhutan

- Had a lot of info but did not have documentation to support.

Tuvalu

- Challenge was national commitment, short staffing within the government, lack of understanding fiduciary requirements and terminology in local documents e.g. the country had an environmental impact assessment (EIA) process and the Fund wanted an environmental and social policy (ESP).

Nepal

- Political level at the national level affected the process to access funds because the DAs are from government, and so any change in the government or government processes affects the DA's role.

- We had an entity that had been operational for 15 years but did not have documented evidence.
- All documents, including standards are in local language and translating these documents takes time and has a cost implication.

Burundi

- Application form has many requirements which need to be translated into English.
- Lack of institutional capacity in project management manual and funding from international donors to demonstrate tangible projects.
- We need support to promote capacity for accreditation.

The panel discussed the support that was needed by LDCs and concluded the following:

- Support should be prioritized, and there is need to develop institutional capacity, as well as individual capacity for people who are going to facilitate the accreditation process.
- Need support for environmental and social safeguards (ESS) and gender policy formulation.
- Support for technical issues, project development, etc.
- Need to strengthen support to small island countries.
- There is little in-house capacity when compiling applications. Need also to work on building the capacity of consultants who provide support to NIEs.

The panel session then closed by each panelist offering advice to other LDCs in seeking climate finance. A summary of the advice is as follows:

- LDCs need to have confidence, and accreditation with the Adaptation Fund could lead to fast track to GCF
- Need to have good motivation. Completing the application process is difficult but quick fix solution is not the answer, so need to be committed to completing the process.
- Accreditation process is long so need to have diligence and commitment
- Should be aware that consultants do not always have the background to support NIEs when it comes to projects
- Entities should document all processes of the NIE and report on everything, because the accreditation process is based on showing evidence of all these processes and activities.
- The process of looking for evidence required and documentation required can be difficult, so need to be on board early enough so that you are prepared in advance for the accreditation process.

<u>Readiness Programme for Climate Finance</u>

A representative from the secretariat gave a presentation providing an overview of the capacity building and support available through the AF readiness programme. Key points of the discussion were:

- The Readiness Programme was Launched in May 2014 with a goal to increase the number of accredited national implementing entities (NIEs), and strengthen the overall capacity of NIEs and RIEs to submit quality project/programme proposals to the Board for approval.

- Overall, the Readiness Programme serves the following functions: it provides grants; supports accreditation, project preparation & design; contributes to the Fund's knowledge management (KM); and contributes towards enhancing visibility of the Fund.
- Activities of the Readiness Programme are categorized into four key components: (i) providing support to accredited IEs (ii) enabling and enhancing cooperation/partnership with climate finance readiness providers (iii) providing support to countries seeking accreditation, and (iv) contributing towards knowledge management for the Fund.
- Currently four types of readiness grants are available: (i) South-South (S-S) Cooperation Grants to support countries seeking accreditation with the Fund (ii) Technical Assistance (TA) Grants to strengthen capacity in the areas of environmental, social and gender risk management - TA grants to support compliance of the entity with the Funds ESP and GP (iii) TA grants to support alignment of the entity's ESP and other policies with the Fund's GP – only available to entities that have previously received a grant for the ESP before the Fund's GP had been approved by the Board, and (iv) Project Formulation Assistance Grants for entities to undertake specialist technical assessments that support project/programme development during project preparation and design.
- At its twenty-ninth meeting, the Board approved a readiness support package which will provide tailored support to countries seeking accreditation with the Fund, based on developing country specific needs and gaps.

The following key issues were discussed in the Q&A session following the presentation:

(i) *Question:* *We have not seen the communications regarding the partnership of the Fund with the Climate Technology Centre & Network (CTCN). When does this partnership start?*
Response: *The partnership is already in force and notification letters of the partnership were sent to all DAs of the Fund and to all national designated entities (NDEs) of the CTCN.*

(ii) *Question: How can we handle the situation in which the organization it is helping is not satisfied?*
Response: The process of requesting and receiving peer support is a country driven process and an agreed process between the provider of peer support and the recipient. Grievances should be communicated to the respective DAs for the DAs to take action as per the signed legal agreement.

(iii) *Question: What are the procedures to access support from the CTCN as a result of the Fund's partnership with them?*
Response: While there is a mutual agreement between the Fund and CTCN to work together to support countries, the process remains country-driven and countries will have to contact CTCN directly and follow the CTCN processes and procedures.

(iv) *Question: What is the difference between project advance and grants?*
Response: The Adaptation Fund provides funding only in the form of grants and does not offer loans.

Session 3: National planning and preparation for Adaptation Finance in LDCs

This session consisted of two presentations by the United Nations Environment Programme (UN Environment) and a representative from Zambia, who discussed National Adaptation Plans (NAPs) and their relevance to adaptation projects and programmes. The presenters shared their organizations' experiences accessing finance for the development of NAPs and also financing the development of NAPs and NAP related projects.

<u>Zambia's experience with the NAP process</u>

Representatives from the UN Environment and Zambian government gave presentations on the issues developing countries face in accessing adaptation finance and possible ways forward. The key points made were:

- Zambia's NAP development process started in 2014 and has been spearheaded by the Ministry of National Development Planning with co-facilitation for the implementation of the process by Zambia's focal point institution for climate change, the Ministry of Lands and Natural Resources. the Ministry of Finance was assigned a mandate to mobilize relevant resources.
- Zambia's NAP process is now anchored in the development of its integrated seventh national development plan (7NDP) and the country has developed an agriculture NAP and is in the process of developing the health, Water and Energy NAP.
- Lessons learnt were that: the NAP process is effective when the institutional mandates are clear on providing leadership to the process; A formal pronouncement on the designated lead agency for NAP is important to ensure country activities are harmonized and also attaches a sense of authority to the process; In most cases, planners who participate in the actual development planning processes may not have influence on what activities ultimately get to the national budget for funding; and Identifying the entry points is important for the timing of undertaking the NAP.
- Challenges in the NAP process for Zambia included: Low NAP awareness in the key national planning institutions; Different understanding of what form a NAP (NAPs) should take; Aligning and timing the NAP process to country development planning processes and other entry points; Ensuring that what is reflected in the overall NAP is in line with sector priorities is also a challenge; and Absence of designated sector/provincial focal point persons for NAP.
- Innovative solutions for the NAP process in Zambia were: Starting the NAP process in sectors where risk assessment, adaptation option and other key issues can be considered on the prevailing policy or plan; Undertaking district and provincial NAPs to ensure assessments and adaptation options are based on prevailing regional plans; and Consolidate the sector, provincial and district NAPs into an overall NAP based on what the lower levels of development have prioritized.
- The representative from Zambia expressed that the GCF and the Adaptation Fund should be the primary external sources of funds for NAPs.

UN Environment NAP Global Support Programme (GSP)

A representative from UN Environment shared their experience with implementation of the UN Environment GSP. Key points from the discussion were:

- The objective of the programme is to strengthen institutional and technical capacities for iterative development of comprehensive NAPs. It supports requesting countries with one-on-one technical assistance on demand to get started on the NAP process; sensitizes national teams on tools to support key steps of the NAP process through regional trainings; and facilitates exchange of lessons and knowledge through South-South and North-South cooperation.
- Planned support activities in 2017 and 2018 include: Technical support at the country-level targeting 20 non-LDCs and 20 LDCs to advance their NAP process, including facilitating access to GCF NAP support; holding 10 regional workshops for non-LDCs and 6 targeted workshops for LDCs and developing training materials; and knowledge brokering targeting documentation of NAP process of at least 20 LDCs that received one-on-one support, including case studies and analyses on integrating NAPs, NDCs, and SDG outcomes and undertaking needs/gap assessments.

Challenges and solutions from the experience of UN Environment

Challenges

- capacity needs evolve overtime
- institutionalizing capacity
- lack of coordination between various planning frameworks further burden limited capacity
- financing for:
  (a) technical assistance to formulate NAP
  (b) support follow-up formulation and implement NAP
  (c) develop investment-ready projects

Solutions

- training modules/tools on finance, prioritization of options, sectoral approaches
- data and climate information: initiatives engaging the insurance industry
- situate small capacity building initiatives in transformational context, linking to long-term development planning and priorities
- adopt a continuum approach from planning, to developing implementation strategy, to large-scale programming
- facilitate coherence and integrated approach between planning frameworks (e.g. NAPs, NDCs, and SDGs)
- facilitate peer-to-peer exchange
- exploring ways to empower direct access entities

Session 4: Accreditation in detail

Participants held group discussions led by accredited NIEs of the Adaptation Fund to intimately share their experiences in going through the accreditation process with the Fund to help boost the confidence and knowledge in the accreditation process and expectations of other developing countries. Key outputs from the discussions included:

- The Judicial status of the NIE is important to enter in contract with AF, as well as the financial autonomy.
- Accreditation is evidence-based process with regards to: fiduciary standards (legal personality and financial management and integrity), institutional capacity (procurement, project management, monitoring and evaluation), transparency, self-investigative powers, and anti-corruption measures, compliance with ESP and Gender Policy.
- DAs should ensure that the candidate entity they nominate for accreditation should be: financially autonomous; capable of financing projects; and be capable of producing project documents. Important for the DA to consider are the entity's capacity, its anti-corruption and complaint handling mechanism, and its institutional strength. Groups discussed that it is important to nominate the right NIE candidate as this could affect the length of time it takes to secure accreditation.
- A group representative from Africa expressed that whilst countries' situations are different, accreditation presents an opportunity for African countries to demonstrate their capacity in resource management and enhance their institutional capacity.
- Group representatives from countries that had obtained accreditation with the Adaptation Fund explained to those LDC representatives who had not yet obtained accreditation, how they should prepare for the accreditation process and what as well as and how much they could obtain from the Fund.
- A representative from another group expressed that the predicaments of many LDCs are similar e.g. drought, flood, land degradation, landslides and sometimes cyclones. In response to questions relating to the possibility of securing financing from both the Adaptation Fund and GCF, he went on to explain that this was possible as his country had initiated accreditation to both the Adaptation Fund and GCF simultaneously, and he affirmed that their requirements were almost similar.

Session 5: What next after accreditation? Project preparation and design

In this session, a staff member from the Secretariat gave a presentation on the Adaptation fund project review criteria. A summary of what projects and programmes are screened for was presented as follows:

- Eligibility - Countries eligible to submit project proposals for review should be party to the Kyoto Protocol and should be developing country(ies) particularly vulnerable to the adverse effects of climate change (all non-Annex I countries qualify).
- Concrete adaptation actions – description of activities should clearly articulate: how the activities help with adaptation and resilience; concreteness, i.e., visible and tangible results; good project design that shows cohesion and alignment; linking intervention to climate threat (not BAU, ENVT) taking non-climatic barriers into account; details on specs, linking to climate change scenario for full proposals; and for regional projects, should articulate inclusion of both regional and country perspective/added value.
- Environmental and social benefits – the project should provide economic, social and environmental benefits, with particular reference to the most vulnerable communities, including gender considerations, and articulate who the beneficiaries are.

- Cost effectiveness - logical explanation why the proposed scope and approach were selected to the particular adaptation challenge, given all other variables and available financing.
- Consistency with national strategies and plans – identify relevant key strategies and plans and provide detailed explanation of how the project complies, including how it meets relevant national technical standards e.g. EIAs, building codes, water quality related regulations, land-use, and sector specific regulations. For full project proposals, regulatory clearance has to be received and technical feasibility ensured for core parts of project design.
- Duplication/overlap with other funding sources - the project must not duplicate / overlap with activities funded through other funding sources and should provide a clear outline of linkages and synergies with each relevant project and the lessons learned from earlier projects.
- Knowledge management – it is the only "must-have" project component activity and requires that the project / programme must have a learning and knowledge management component to capture and feedback lessons.
- Stakeholder consultation - an initial consultation should be done before concept submission and a description of a comprehensive consultation process, involving all direct and indirect stakeholder groups, including vulnerable groups, and including key findings, should be provided.
- Full cost of adaptation reasoning - demonstration that activities are relevant in addressing adaptation objectives and that the project intervention (with approved funds) will help achieve the objectives without other funding including quantification where possible, of expected project impact on adaptation.
- Sustainability of outcomes - adaptation benefits achieved should be sustained and arrangements made for ensuring sustainability (maintenance, continuing processes etc.) after the end of project/programme. Sustainability should enable replication and scaling up with other funds.
- Adequacy of project/programme management arrangements - should include a clear description of the roles and responsibilities of the implementing entity as well as any executing entity or organizations/stakeholders that are involved in the project, and provide a full organization chart showing how they report to each other if necessary.
- Measures for financial and project/programme risk management - should provide a table with detailed information on the different categories of risks (i.e. financial, environmental, institutional...), their level of significance, and include a plan of monitoring and mitigating them.
- Results based management – the project/programme should provide a results framework for the which should be aligned to the Adaptation Fund results framework.
- Budget – the project/programme should include a detailed budget with budget notes, a budget on the Implementing Entity management fee use, and a breakdown and explanation of the execution costs. It should also include a disbursement schedule with time-bound milestones.

Session 5 also included a presentation by a representative from the Secretariat which provided an introduction to the environmental and social policy (ESP) and gender policy (GP). This was followed by an interactive group session for participants to familiarize with practical application of the policies. In the presentation, the Secretariat highlighted some common issues and problems it had observed with ESP compliance in project/programme applications. These included:

- Unsubstantiated (lack of) risk assessment
- Unknown/unidentified activities, programme/Unidentified Sub-Projects (USP) approach. Proposals often lacked a mechanism to identify risks during implementation as an element of the ESMP.
- Lack of a clear link between project/programme-level environmental and social safeguarding measures and the IE's ESMS.
- Difficulties in risk assessment and ensuing project categorization.
- Inconsistencies in application documents.
- Too much/irrelevant information in the application documents.

In the interactive group session, participants identified and explained key principles of the Fund's ESP that would apply to a case study that the Secretariat had prepared in advance. From the exercise, the groups concluded that applicants for project funds should have an accurate appreciation of the situation to enable accurate identification and assessment of relevant environmental and social risks as well as gender issues. They also agreed that it was important to involve stakeholders affected by the project in the risk identification and mitigation process.

The session ended with a panel discussion to learn about project development from the experience of LDCs accredited by the Fund. The panelists were representatives from the Ministry of Natural Resources (MINIRENA) of Rwanda, the Ministry of Finance and Economic Cooperation (MOFEC) of Ethiopia, and *Centre de Suivi Ecologique* (CSE) of Senegal.

Session 6: Adaptation Finance in LDCs: Experiences and lessons learnt

In this session, the African Development Bank (AfDB) gave a presentation which outlined its experiences and lessons learnt from financing adaptation in LDCs. Key issues and challenges it had observed were:

- Winding down or lack of additional contributions from Funds such as the CIF, LDCF, SCCF, etc was leading to a loss of momentum in the deployment of climate finance at scale from these funds across Africa
- High transaction costs for small, low-risk projects
- Language barrier to use guidance documents (templates, guidelines, etc.) from Funds often requires translation implying time and cost issues, particularly for Francophone countries.
- Country funding availability: competition for financial resources and funding information gap between project submission and approval
- Incomplete or lack of consistent, continuous and updated data for adequate project proposal preparation

Key lessons learnt were:

- Focal points have an important role to play (country ownership, south-south cooperation, to ensure MIE work is relevant, regional collaboration on common projects)

- NDCs are very helpful and provide guidance as to project identification and potential contribution to a country's strategies
- Dedicated resources for climate change, in addition to enhanced capacity to mobilize climate finance at scale, will tremendously help the Bank meet future climate change adaptation goals
- Increasing climate finance will require greater innovation and risk
- AfDB's future results measurement frameworks must contain realistic parameters given the five-year duration of the Bank's climate change adaptation plans and the frameworks should be flexible enough to allow for amendments or should take into account the need to measure newly added initiatives
- Given the increased competition over climate finance resources worldwide, the decentralization process of the Bank to get closer to its clients is expected to increase the Bank's capacity to attract more climate finance for Africa

Session 7: Accessing other sources of readiness support

This was the last session of the workshop. In this session, the AfDB gave a presentation which provided an overview of their readiness and capacity building activities and shared their experience with access to support and the delivery of readiness support for adaptation in LDCs. In summary, the presentation outlined the following:

- Readiness support is provided through the Africa Climate Change Fund (ACCF) which was established in 2014.
- Eligible beneficiaries include African governments, NGOs, research institutions, regional institutions, other Funds, and AfDB departments.
- Eligible activities include: consultant and expert time; trainings, workshops, meetings; communication, outreach, advocacy, translation; studies, strategies, analytical work; office equipment and transport; and administrative costs.
- ACCF readiness activities for 2017 include grants of US$ 250,000 – US$ 1 m which were launched in June. The grants are accessible through a 2-stage approach involving the submission of a concept, followed by a full proposal. The grants could be accessed under two themes (i) Supporting direct access to climate finance through development of strong project proposals and (ii) Supporting small–scale or pilot adaptation initiatives to build resilience of vulnerable communities in line with the Bank's High-Five priorities, and countries' NDCs.
- Another ACCF readiness activity for 2017 was to develop a capacity building programme to support African institutions with direct access to climate finance through training of trainers, in response to challenges identified by African NIEs.

During the Q&A that followed, the following was discussed:

(i) *Question: A participant enquired about the review and approval process of the grants.*
Response: The proposal passes through the following steps: (1) origination (2) selection (3) appraisal (4) peer review (5) approval (6) grant agreement and effectiveness.

(ii) *Question: Do you provide for training of trainers?*
Response: Any form of capacity building program can be included in the project proposal

The discussion concluded with the AfDB representative explaining that the Bank had launched a large decentralization process to increase its presence on the ground and raise awareness. It was also the intention of the Bank to finance large projects and these would be followed up by the Bank's regional experts (Country Offices).

Workshop wrap up and closure

The workshop closed on the third day with closing remarks by representatives from the Secretariat and MOFEC. In their closing remarks, the representatives thanked all the participants for their contribution to the workshop and expressed positive hope that the workshop would enable their projects to be approved quickly. They also observed that there were only four NIEs in LDCs, and that the Adaptation Fund was making efforts to increase this number and in doing so, would ensure collaboration and complementarity with other funds and with other providers of readiness support. They then thanked the Ethiopian Government for hosting the workshop, thanked the interpreters and other resource persons, and wished everyone a safe journey home.