Early experiences in adaptation finance:

Lessons from the four multilateral climate change adaptation funds

Annexes

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For the World Wide Fund

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1. Adaptation Fund

The Adaptation Fund was established to finance concrete adaptation projects and programmes in developing countries that are parties to the Kyoto Protocol and are particularly vulnerable to the adverse effects of climate change. Over the past three years, the fund has dedicated more than US$ 232 million to increase climate resilience in 40 countries around the world.

1.1 History, Overview and Current Status

The Adaptation Fund derives from a provision in the Kyoto Protocol calling on developed countries to ensure that a share of the proceeds of the Clean Development Mechanism are used to "assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation".[1] This led to the formal establishment of the Adaptation Fund at the Marrakesh COP 7 in 2001 with the central aim of financing "concrete adaptation projects and programmes in developing country Parties that are Parties to the Protocol".[2]

It took until 2005 for the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) to agree on broad guidelines for the Adaptation Fund, following which the CMP decided on a further set of principles in 2006. These principles focus on:

1. Balanced and equitable access to the fund;
2. Funding on a full adaptation cost basis (i.e., no additional cost or incremental cost approach);
3. Accountability in management, operation and use of funds;
4. Short and efficient project development and approval cycles, and expedited processing of eligible activities; and

[1] Kyoto Protocol to the United Nations Framework Convention on Climate Change, Dec. 10, 1997, U.N. Doc. FCCC/CP/1997/7/Add.1, art. 12, para. 8.

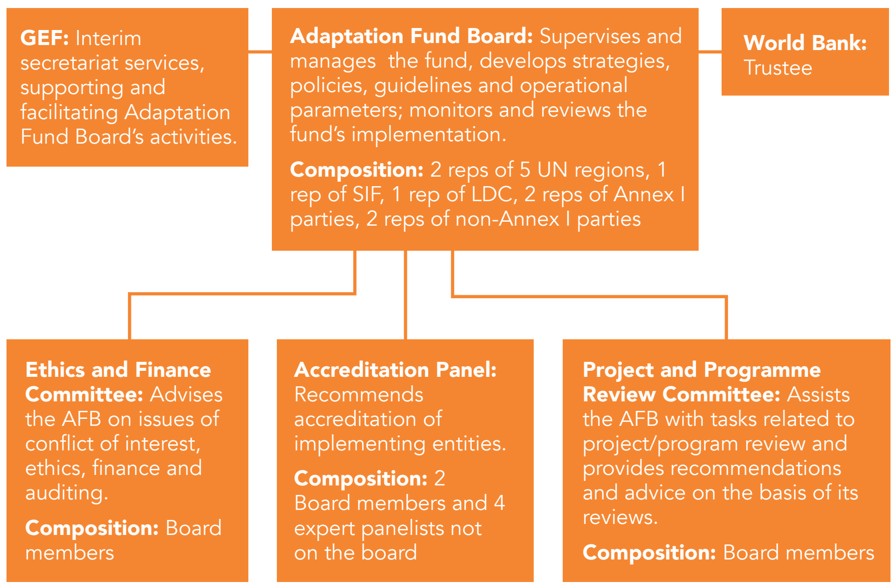
[2] Decision 10/CP.7 para. 1. U.N. Doc. FCCC/CP/2001/13/Add.1.

5. Country-driven projects, taking into account existing national planning exercises and development activities.[3]

Only after the CMP's third meeting, in Bali in 2007, did it begin the development of operational modalities, agreeing on the creation of the Adaptation Fund Board (AFB) structure, its composition and decision making modalities. Agreement was also reached on access modalities, and it was decided that the GEF should serve as Secretariat[4] and the World Bank as trustee to the Adaptation Fund on an interim basis. The Adaptation Fund became fully functional in 2009 when the AFB adopted *Operational Policies and Guidelines for Parties*,[5] which explain how parties can access the AF's resources. The first AF projects were approved in September 2010,[6] thirteen years after the adoption of Kyoto Protocol in 1997.

The Adaptation Fund governance structure is set in Figure 1. A key feature is a governing board comprising a majority of members from developing countries.

Figure 1: Adaptation Fund governance structure.



The Adaptation Fund was originally intended to be funded primarily by a 2% share of certified emission reductions (CERs) generated by certain Clean Development Mechanism (CDM) project activities, with Annex I Parties invited to provide additional funding in the form of pledges.[7] However, following the post-2012 collapse in CER prices, a far greater proportion of Adaptation Fund resources have had to be raised through voluntary pledges than was initially anticipated.

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[3] See Decision 5/CMP.2 para.1. U.N. Doc. FCCC/KP/CMP/2006/10/Add.1.

[4] In order to provide these services "a dedicated team of officials shall be identified to render secretariat services to the Board in a functionally independent and effective manner" as per para. 18 of decision 1/CMP.3 and the MOU between the CMP and the GEF Council

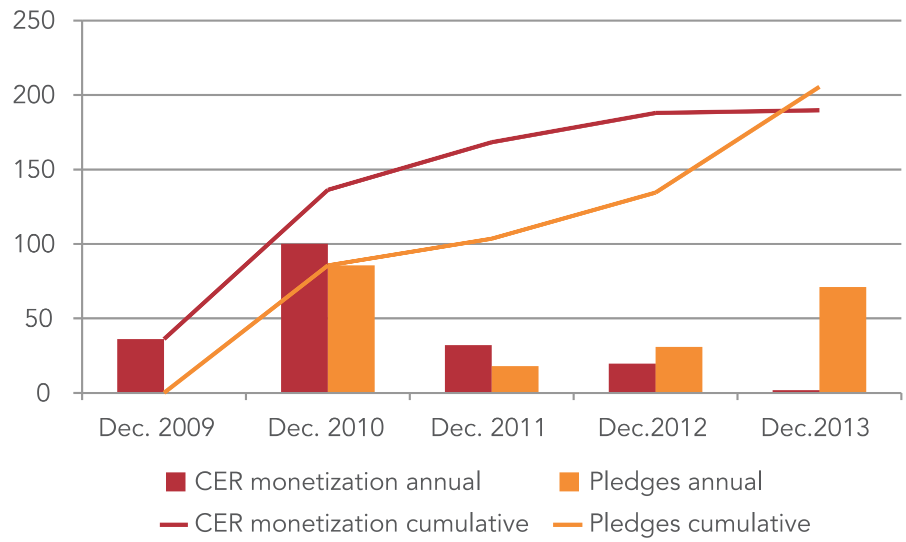
[5] Adaptation Fund, Operational Policies And Guidelines For Parties To Access Resources From The Adaptation Fund, March 2009, updated version available at https://www.adaptation-fund.org/sites/default/files/OPG%20amended%20in%20November%202013.pdf

[6] See Adaptation Fund, The Adaptation Fund Board Approves Financing for Projects, Operationalizes the Direct Access Modality, Sept. 20, 2010, available at https://www.adaptation-fund.org/content/794-adaptation-fund-board-approves-financing-projects-operationalizes-direct-access-modality

[7] Decision 17/CP.7 para. 15a. U.N. Doc. FCCC/CP/2001/13/Add.2.

As of December 2013, the Adaptation Fund had received a total of US $395.32 million, with US $189.79 million generated through the proceeds of CER sales and $205.53 million received from Annex I Party pledges, representing 52 percent of the total (Figure 2).[8] By way of contrast, in December 2010 pledges accounted for only 39 percent of AF capitalization. Most of the proceeds from CER sales were generated between 2009 and 2011, with AF contributions peaking in 2010.[9] In 2013, almost all proceeds came from pledges. In order to secure more sustainable funding streams, the AFB has created a Fund Raising Task Force with a target of raising US $80 million per year in 2014 and 2015.[10]

Figure 2: Contributions to the Adaptation Fund (US $ millions).



1.2 Allocation

Adaptation Fund eligibility is limited to those developing country Parties to the Kyoto Protocol identified as "particularly vulnerable to the adverse effects of climate change". This includes "low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems".[11] In allocating funds between eligible Parties, the AFB must take into account the following criteria:

1. The level of vulnerability;
2. The level of urgency and risks arising from delay;
3. The need to ensure access to the fund in a balanced and equitable manner;
4. The potential to capture lessons learned in project and programme design and implementation;

[8] Adaptation Fund Trust Fund: Financial Report Prepared By The Trustee, 12 Feb. 2014, AFB/EFC.14/7. Figure 2 generated with data available from Adaptation Fund financial reports, available on Adaptation Fund website.

[9] See CER Sales Proceeds, Id at 6.

[10] AFB/B.23/7 para. 27a.

[11] Adaption Fund, Operational Policies And Guidelines For Parties To Access Resources From The Adaptation Fund, Annex I, Strategic Priorities, Policies, And Guidelines Of The Adaptation Fund Adopted By The CMP, para. 10

5. Where applicable, the achievement of regional co-benefits to the extent possible;

6. The maximization of multi-sectoral or cross-sectoral benefits;

7. The adaptive capacity to the adverse effects of climate change.[12]

In March 2011 the AFB decided to cap resources at US $10 million per eligible host country.[13] This cap is a temporary measure designed to ensure equitable fund distribution in the context of limited availability, and will be reassessed periodically according to available resources. As Figure 4 indicates, grant amounts have been distributed fairly evenly between Asia Pacific, Africa and Latin America and the Caribbean, with the levels of funding proportionate to the number of projects approved. Further, there has been a relatively even distribution of funding between sectors as illustrated by Figure 3.

Figure 3: Adaptation Fund project funding by region.

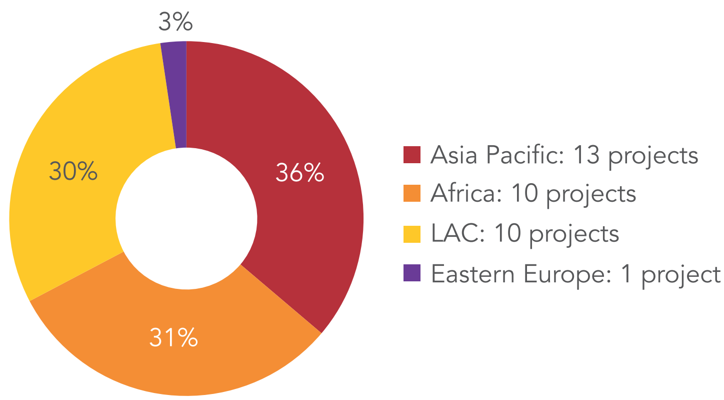
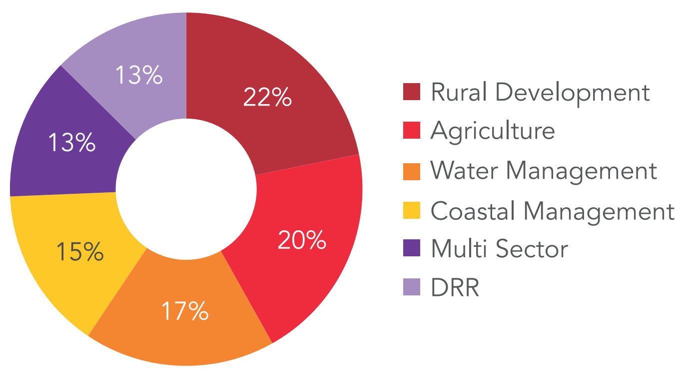


Figure 4: Adaptation Fund project funding by sector.



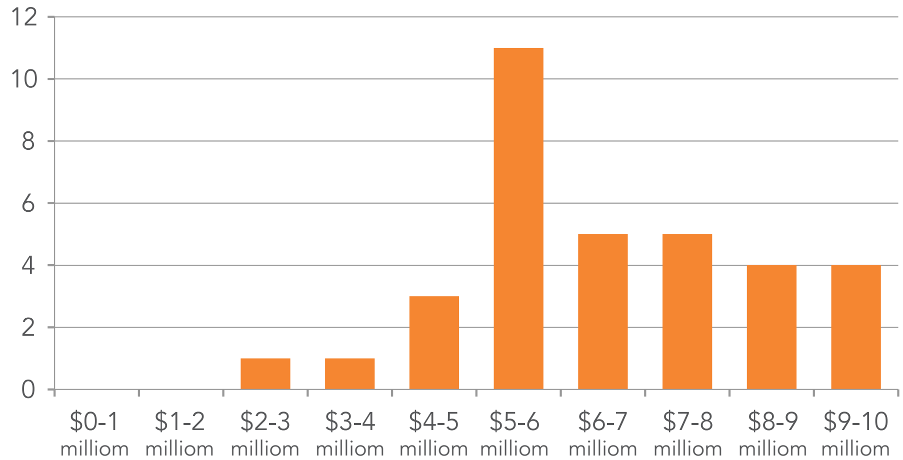
As of May 2014, approximately US $226 million has been allocated in grant amounts between 34 projects and programmes, with approximately US $92 million disbursed.[14] As illustrated by Figure 5, grants commonly fall in the US $5-6 million range, with an average grant size of US $6.6 million.

[12] Id. para. 16

[13] AFB/B.13/6 para. 67.a.

[14] Figures from Adaptation Fund website, available at https://www.adaptation-fund.org/funded_projects/interactive

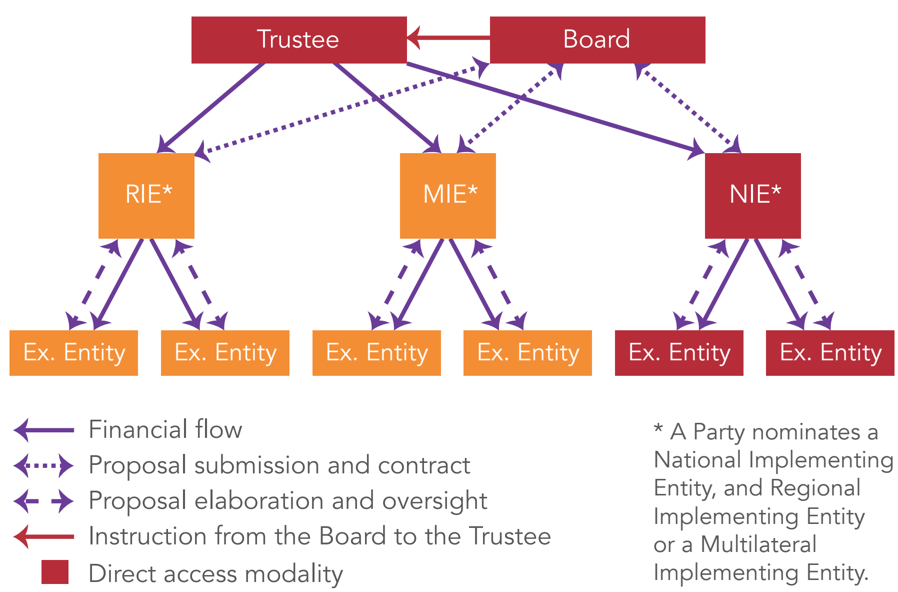
Figure 5: Adaptation Fund grant allocations by size.



1.3 Access Modalities

Recipients can access Adaptation Fund resources 'indirectly' through traditional multilateral channels, or 'directly' through country based accredited institutions known as National Implementing Entities or NIEs (Figure 6).[15] The so called 'direct access' approach is an innovation of the Adaptation Fund designed to improve the capacity of developing countries to manage funds and projects, strengthen country ownership of projects and elevate the profile of climate change and adaptation issues at the national level. Under the direct access modality, NIEs are responsible for project implementation through executing entities and bear all financial, monitoring and reporting responsibilities.[16]

Figure 6: Adaptation Fund access modalities.



Direct Access Through NIEs

As a first step to accessing AF resources directly, governments must appoint a Designated Authority (DA), an officer within the government administration

[15] Operational Policies And Guidelines For Parties To Access Resources From The Adaptation Fund, paras. 26–27.

[16] Id. para. 28.

that represents the government in its dealings with the AFB and its secretariat.[17] DAs are typically located within national environment ministries, and less frequently ministries of finance or foreign affairs. The DA will sometimes identify and select an appropriate entity in the country with the best potential of becoming an NIE, though each country has its own process for identifying and selecting a potential NIE. The DA must communicate that selection to the Adaptation Fund but s/he does not necessarily make the decision within the country.

Once nominated by the DA, the elected NIE must complete a standardized application and gather supporting documentation for submission to the AFB Secretariat. The application is analyzed and reviewed by an Accreditation Panel, which then provides its review and recommendations to the AFB. The AFB makes the final decision either to approve the accreditation or request further information. Once granted, accreditation is valid for a period of five years with the possibility of renewal.[18]

To be successful in the accreditation process, NIEs must satisfy certain fiduciary standards and demonstrate an ability to comply with the AFB's Environmental and Social Policy. Fiduciary standards cover three areas: financial integrity and management; institutional capacity; and transparency and self-investigative powers.[19] Key requirements are the periodic and independent auditing of transactions and balances, the presence of transparent procurement procedures and the capacity to undertake monitoring and evaluation. The AFB's Environmental and Social Policy, approved in November 2013, requires that projects be designed and implemented to be consistent with the protection of natural habitats, biological diversity and public health, and respect for labor rights, indigenous peoples' rights and gender equity.[20]

As of May 2014, 16 entities had been accredited as NIEs.[21] This is a marked improvement on the early days of the Adaptation Fund, when language difficulties, confusion surrounding fiduciary standards and lack of clarity around supporting documentation required with each submission were cited as significant barriers to NIE accreditation.[22] A 2012 review conducted by the Adaptation Fund concluded that meeting the accreditation criteria was challenging but achievable for Least Developed Countries and Small Island Developing States, noting that autonomous entities with experience working with multilateral development organizations were more likely to gain accreditation than government ministries.[23] Another view is that though many of the initial NIE applications failed to gain accreditation, over time the accreditation process has become better understood, with explanatory documents such as Adaptation Fund's *NIE Accreditation Toolkit* helping to clarify the requirements and improve the quality of applications.

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[17] Id. para. 21.

[18] Id. para. 35.

[19] Id. para. 32.

[20] Adaptation Fund, Environmental and Social Policy, available at https://www.adaptation-fund.org/sites/default/files/Environmental%20&%20Social%20Policy%20(approved%20Nov2013).pdf

[21] https://www.adaptation-fund.org/national-implementing-entities

[22] See AFB/B.11/4 Annex, Problem Solution Matrix, available at https://www.adaptation-fund.org/system/files/AFB.B.11.4%20Report%20of%20the%20Accreditation%20Panel.pdf

[23] Adaptation Fund, The Adaptation Fund and Direct Access, available at http://www.adaptation-fund.org/sites/default/files/DirectAccessMemo29_Oct_2012_0.pdf

One consequence of the slow onset of NIE accreditation is that to date, of the 34 funded projects, only five have been submitted directly through NIEs, representing 24 percent of total grant amounts. To promote direct access and ensure the availability of funds through NIEs, in March 2012 the AFB placed a 50 percent cap on financing through MIEs, requiring that the other 50% flow through NIEs.[24] Since MIE project proposals have exceeded 50% of available funding,[25] all excess proposals that have met initial project review criteria have been placed in a pipeline pending additional funding.

In recognition that more is needed to be done to support NIEs seeking accreditation and increase the number of high quality project proposals submitted to the Board by accredited NIEs, in November 2013 the AFB approved a Readiness Programme.[26] With a budget of approximately $1 million, the first phase of the Readiness Programme will provide technical assistance, training sessions and workshops for NIEs to enable NIEs to meet the Adaptation Fund's fiduciary standards and increase the capacity of NIEs to appraise and assess adaptation projects. Through the readiness programme, grants are set-aside for two purposes: South-South cooperation, which allows countries without an NIE to access funding to work with an existing NIE to assist with the accreditation process; and technical assistance grants for accredited NIEs to help build capacity to address environmental and social risks within projects. Targets for the first phase of the Readiness Programme (a two year period) include the accreditation of at least eight additional NIEs and the approval of at least 10 project proposals prepared by NIEs.[27] The Readiness Programme is a significant departure for the Adaptation Fund, with the AFB previously of the view that to fund capacity building of applicant entities would divert resources from the Adaptation Fund's core task of funding concrete adaptation projects.[28]

Access Through MIEs

Countries can also access Adaptation Fund resources indirectly by submitting proposals through Multilateral Implementing Entities (MIEs). MIEs are multilateral institutions and regional development banks invited by the AFB to serve as implementing entities. Though MIEs have to meet the same fiduciary standards and demonstrate capacity to comply with the AFB's Environmental and Social Policy, in practice accreditation is straightforward as potential MIEs are likely to have equivalent standards and policies already in place.

As of May 2014, 11 entities have been accredited as MIEs. As indicated above, 29 of the 34 projects approved for funding have been submitted through MIEs, representing 76 percent of total grant amounts. Of those, 23 have been submitted through UNDP, representing 62 percent of total grant amounts.

1.4 Programming and Approval Process

Implementing entities are responsible for submitting project or programme proposals to the AF. For a project/programme to be submitted, it must

[24] AFB/B.12/9.

[25] This figure is calculated based on the sum of funding already allocated and funding that remains available for allocation. See id.

[26] AFB/B 22/24.

[27] See AFB/B.23/5.

[28] AFB/B.11/4 para. 15.

be endorsed by the Designated Authority (DA) on behalf of the national government, and the DA must confirm that the project/programme proposal is consistent with the government's national or regional adaptation priorities. Following DA endorsement, the review and approval process is as follows:

1. The implementing entity submits a concept/fully-developed project document to the AF Secretariat, based on a template approved by the Board. A disbursement schedule with time-bound milestones will be submitted together with the fully developed project/programme document.

2. The Secretariat screens all proposals for consistency and provides a technical review based on the criteria approved by the Board (see below). It will then forward the proposals and the technical reviews to the Project Programme Review Committee (PPRC) for review. The PPRC will review the proposals and give its recommendation to the Board.

3. The Board either endorses, does not endorse, or rejects a proposal with a clear explanation to the implementing entities. Rejected proposals cannot be resubmitted.[29]

The Adaptation Fund distinguishes two categories of projects and programs:

1. Small-sized projects and programs request up to USD 1 million;

2. Regular-sized projects and programs request USD 1 million or more.[30]

Small-sized projects and programs go through the review and approval process once, while regular-sized projects and programs go through it twice: first as a brief project concept, and then when the AFB approves the concept as a fully developed proposal. As of July 2013, 59 proposals had been submitted to the Adaptation Fund, of which 34 (58 percent) were approved. However, of those 34, only 15 were fully approved by the AFB at first proposal, with the remaining 19 requiring resubmission either at concept or final proposal stage. No proposals had been rejected by the board, though four had been withdrawn by the implementing entities without further submission.[31]

The CMP have developed eight criteria according to which the AFB should prioritize project and programme proposals.[32] The Adaptation Fund Secretariat have provided further guidance for applicants on meeting these criteria.[33] The CMP criteria and Adaptation Fund Secretariat guidance are described below.

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[29] Operational Policies And Guidelines For Parties To Access Resources From The Adaptation Fund, paras. 39-41.

[30] Id.

[31] Figure from The Germanwatch Adaptation Fund Project Tracker, available to download at http://af-network.org/4889

[32] Operational Policies And Guidelines For Parties To Access Resources From The Adaptation Fund, Annex I, Strategic Priorities, Policies, And Guidelines Of The Adaptation Fund Adopted By The CMP, para. 15.

[33] Adaptation Fund, Instructions For Preparing A Request For Project Or Programme Funding From The Adaptation Fund, available at https://www.adaptation-fund.org/sites/default/files/OPG%20ANNEX%204-2%20Instructions%20(Nov2013).pdf

1. Consistency with national sustainable development strategies, including, where appropriate, national development plans, poverty reduction strategies, national communications and national adaptation programmes of action and other relevant instruments, where they exist.

At a minimum, the proposal must identify the most important adaptation plans and relevant sectoral plans, and explain in detail how the project will achieve compliance with these. For example, in a programme proposal to enhance the resilience of coastal areas in Jamaica, the proposal describes how the goals of Jamaica's National Development Plan, and National Ocean and Coastal Zone Management Policy align with the specific goals of a beach erosion prevention project for which Adaptation Fund finance is sought.[34]

2. The economic, social and environmental benefits from the projects.

Adaptation Fund guidance states that proposals should describe the economic, social and environmental benefits with reference to the most vulnerable communities, with an emphasis on equitable distribution of benefits. Where possible, benefits should be quantified. A proposal must also demonstrate compliance with the AFB's Environmental and Social Policy as described above.

3. The ability to meet national technical standards, where applicable.

These include standards for environmental impact assessment, water quality regulations and other sector specific regulations as required by national legislation.

4. The cost-effectiveness of projects and programmes.

Though quantitative estimates of cost-effectiveness are not always required, proposals should compare project costs with alternative adaptation options. For example, in a proposal to assist farmers to adapt to uncertainty of Nile water flow in Egypt, the chosen adaptation measures are farm based water conservation measures, such as introducing irrigation/rotation schedules. The proposal compares the cost effectiveness of these measures against alternatives such as dam building and increasing reservoir capacity.[35]

5. The arrangements for management, including for financial and risk management.

Proposals should include a table detailing different categories of risk, the level of risk and how risks will be managed. For example, financial risk may be mitigated by setting aside additional resources from public budgets to be made available in the event of an unforeseen increase to project costs.

6. The arrangements for monitoring and evaluation and impact assessment.

An M&E plan should be consistent with Adaptation Fund M&E guidelines, structured along results-based management lines and able to capture the causal relationship between activities, outputs, outcomes and impacts over time. M&E should also address social and environmental risks associated with the proposal.

[34] See Jamaica's Programme Proposal, p.60, available at https://www.adaptation-fund.org/sites/default/files/Jam%20Proposal%20for%20posting.pdf

[35] See Egypt Project Proposal, p.42, Table 8, available at https://www.adaptation-fund.org/sites/default/files/Final%20egypt.pdf

7. The avoidance of duplication with other funding sources for adaptation for the same project activity.

Potentially overlapping projects should be clearly described in a proposal, exploring interaction and complementarity between existing projects and those contained in the proposal.

8. Evidence of a move towards a programmatic approach, where appropriate.

Adaptation Fund Operational Policies and Guidelines describe an adaptation programme as "a process, a plan, or an approach for addressing climate change impacts that is broader than the scope of an individual project". However, the term 'programmatic approach' does not appear in AF Secretariat's project application guidelines, is not used widely in approved project documents and is arguably the least well-defined of the above criteria.

An additional criterion not contained in the annex but included in Adaptation Fund Secretariat's project application guidelines is the sustainability of the project/programme outcomes, and whether adaptation benefits can be scaled up and replicated at the end of the funding cycle. Sustainability could be demonstrated by pointing to policy and governance changes expected to deliver long term benefits, or provisions for the maintenance of newly developed infrastructure.

A final criterion is the degree to which consultation has taken place with potential implementation partners, project beneficiaries and other key stakeholders. Stakeholders could include local communities, government bodies, the private sector, CSOs or universities/research centers. The level of consultation required will vary according to expected involvement of stakeholders, though their views should be taken into account at the concept stage and reflected in the design of the final proposal. Where relevant, particular emphasis should be given to the views of marginalized groups.

1.5 Financing Instruments

Adaptation Fund finance is grant based and covers the full costs of approved projects.[36] Although it is recognized that co-financing from other sources can increase the cost effectiveness of projects, the Adaptation Fund does not require co-financing for the projects it funds, and outputs and outcomes of Adaptation Fund supported projects should be achievable without additional support.[37] In actual fact, some Adaptation Fund supported projects have mobilized matching levels of co-financing from government and multilateral sources,[38] whilst for other projects co-financing represents a very small percentage of overall funding,[39] or does not feature at all.[40]

36 Decision 5/CMP.2 para. 1d.

37 Adaptation Fund, Instructions For Preparing A Request For Project Or Programme Funding From The Adaptation Fund, p.8.

38 See Mongolia Project/Programme Proposal, available at https://www.adaptation-fund.org/sites/default/files/Approved%20Project%20Document.pdf

39 See Pakistan Project/Programme Proposal, available at https://www.adaptation-fund.org/sites/default/files/Pakistan%20for%20posting.pdf

40 See Senegal Project/Programme Proposal available at https://www.adaptation-fund.org/sites/default/files/SENEGAL_Adapation%20project_full_28%20oct%202010_0_0.pdf

Table 1: Adaptation Fund Strategic Results Framework.

EXPECTED OUTCOMES	CORE OUTPUTS
Outcome 1: Reduced exposure at national level to climate related hazards and threats.	Output 1: Risk and vulnerability assessments conducted and updated at national level.
Outcome 2: Strengthened institutional capacity to reduce risks associated with climate-induced economic losses.	Output 2.1 Strengthened capacity of national and regional centers and networks to rapidly respond to extreme weather events. Output 2.2 Targeted population groups covered by adequate risk reduction systems.
Outcome 3: Strengthened awareness and ownership of adaptation and climate risk reduction processes at local level.	Output 3:Targeted population groups participating in adaptation and risk reduction awareness activities.
Outcome 4: Increased adaptive capacity within relevant development and natural resource sectors.	Output 4 and 5 Vulnerable physical, natural and social assets strengthened in response to climate change impacts, including variability.
Outcome 5: Increased ecosystem resilience in response to climate change and variability-induced stress.	
Outcome 6: Diversified and strengthened livelihoods and sources of income for vulnerable people in targeted areas.	Output 6. Targeted individual and community livelihood strategies strengthened in relation to climate change impacts, including variability.
Outcome 7: Improved policies and regulations that promote and enforce resilience measures.	Output 7: Improved integration of climate resilience strategies into country development plans.

The Adaptation Fund does not feature a private sector facility, and there is no requirement to demonstrate that Adaptation Fund finance will lead to mobilization of private investment. Nevertheless, private actors can still play an important role as executing entities contracted by the implementing entities to deliver adaptation projects, either alone or through public private partnerships. In Senegal for example, a project to protect against coastal erosion in a tourist resort has enlisted private companies to conduct feasibility studies, and design and construct protective infrastructure securing hotels and fishing communities. This represents a scaling up of adaptation work previously undertaken by the private sector under state supervision on a much more localized basis.[41]

In selecting private companies to deliver projects as executing entities, implementing entities are expected to follow transparent and competitive procurement procedures consistent with recognized international practice. The institutional capacity to design and deliver acceptable procurement procedures is one of the key requisites that implementing entities must demonstrate in order to gain accreditation.

1.6 Results-management Framework

To access Adaptation Fund resources, applicant countries must include project baselines and a results framework as part of their application, setting out expected results, indicators of success, baseline data and targets. The

[41] Id.

Adaptation Fund has prepared a guidance document to assist applicant countries select an appropriate set of indicators and describe the monitoring, reporting and evaluation procedures it will adopt in order to measure progress towards targets against baselines.[42]

Table 2: Progress against Adaptation Fund knowledge management framework.

ACTIONS	OUTPUTS	PROGRESS AS OF MAY 2014
1: Identify Project Learning Objectives (PLO)	Learning Objectives are identified and met New data and knowledge is generated	Leaning objectives for individual projects do not appear to have been completed and made publicly available.
2: Provide guidance to the country to carry out their KM activities	Central repository for AF project Lessons learned List of available resources accessible on the Fund's website KM Toolkit for projects developed	The AF Board have developed some general knowledge sharing guidelines.[43] A KM toolkit has yet to be developed. Lessons learned are available on the Fund's website in performance reports for funded projects, though these are not collected in one place.
3: Collect and analyze projects/ programmes data, information and knowledge	Data collected and tagged based on the Fund's Learning themes Project web page collect information in the Fund's website Analysis and reviews of Lessons learned at thematic –level Project Highlights Series	Project highlights do not appear to have been compiled and a thematic level review of lessons learned does not appear to have been completed. Each project does have an updated webpage within the Fund's website.
4: Promote collaboration and knowledge sharing on adaptation issues, enhancing the engagement with Civil Society	Videoconferences, seminars, and materials that increase capacity within the recipient Countries Strengthen links with Civil Society	The AF Board have undertaken a number of 'dialogues' with Civil Society, which have been made available through webcasts.[44]
5: Systematize and share the Fund's experiences in innovative funding and operating modalities	Experiences in direct access, monetization, small donation and, accreditation of NIEs are systematized	The AF have hosted a number of events/seminars to share experiences on funding and operating modalities. 'Southsouth' grants have been made available to increase collaboration among accredited National Implementing Entities (NIEs) and those seeking accreditation.[45]
6: Develop an improved system to track the Fund's decisions and documents in order to improve its effectiveness and enhance transparency	Document/decision database in place Search functionality added.	Unclear.

[42] Adaptation Fund, Results Framework and Baseline Guidance, available at http://adaptation-fund.org/sites/default/files/Results%20Framework%20and%20Baseline%20Guidance%20final%20compressed.pdf

[43] Available at https://www.adaptation-fund.org/sites/default/files/AFB.B.19.Inf_.5%20Knowledge%20Sharing%20Guidelines.pdf

[44] https://www.adaptation-fund.org/media/dialogue-civil-society

[45] https://adaptation-fund.org/node/3938

The Adaptation Fund Strategic Results Framework sets out the long term goals, outcomes and outputs at the fund level. To be successful, project level results frameworks submitted by applicant countries must align with the broader fund objectives, which are summarized in Table 1.[46]

In 2011 the Adaptation Fund Board developed a knowledge management framework in order to boost the capture, systematization and transmission of lessons learned.[47] Six action areas were identified to be completed by the Fund by 2013, though as Table 2 demonstrates, some of the actions were still incomplete as of May 2014.

[46] For the full framework, see AFB/EFC.4/3.

[47] See AFB/EFC.6/3, available at https://www.adaptation-fund.org/sites/default/files/AFB.EFC_.6.3%20Knowledge%20management%20strategy.pdf

2. Pilot Program for Climate Resilience (PPCR)

The Pilot Program for Climate Resilience is a targeted program of the Strategic Climate Fund (SCF), which is one of two funds within the framework of the Climate Investment Funds (CIF). The PPCR funds technical assistance and investments to support countries' efforts to integrate climate risk and resilience into core development planning and implementation. It provides incentives for scaled-up action and initiates transformational change by catalyzing a shift from "business as usual" to broad-based strategies for achieving climate resilience at the country level.

2.1 History, Overview and Current Status

The Pilot Program for Climate Resilience (PPCR) is the only adaptation fund operating outside of the UNFCCC process, established as part of the Strategic Climate Fund (SCF), one of two multi-donor trust funds within the Climate Investment Funds (CIFs). The PPCR gained the SCF Trust Fund Committee's approval in November 2008. It has been designed as a pilot program, covering a range of diverse countries and climate risks to provide lessons that can be taken up by countries and regions, the development community, and a future climate change regime.

The stated objective of the PPCR is "to pilot and demonstrate ways to integrate climate risk and resilience into core development planning, while complementing other ongoing activities."[48] Pilot programs should:

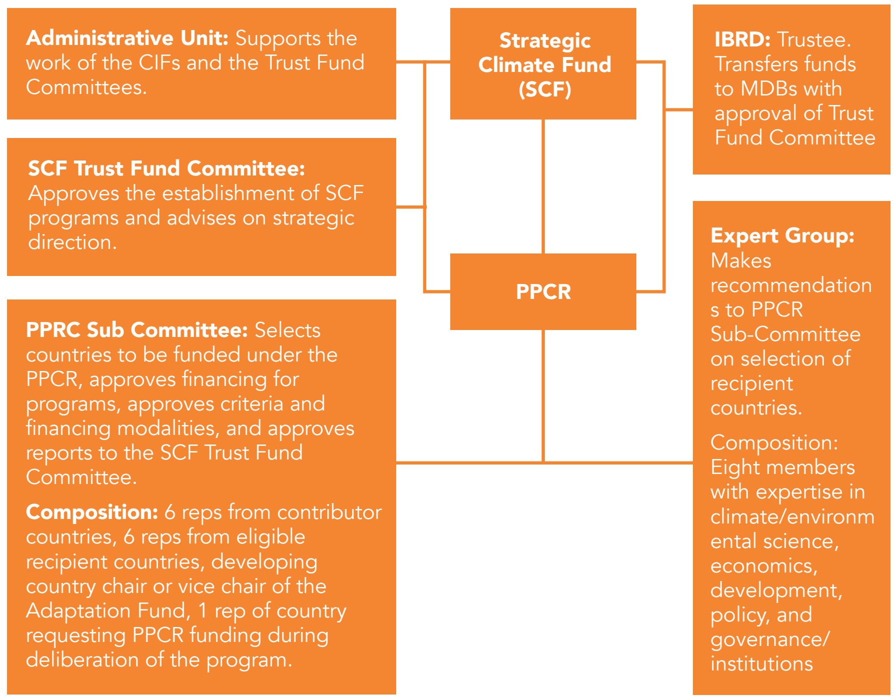
1. Be country led;
2. Build on National Adaptation Programs of Action (NAPAs) and other relevant country strategies;

[48] Climate Investment Funds, The Pilot Program For Climate Resilience Fund Under The Strategic Climate Fund [hereinafter PPCR Design Document], para. 3, available at https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR_design_Document_final.pdf

3. Align with the Adaptation Fund and other donor funded activities;
4. Provide incentives for scaled-up action and transformational change.

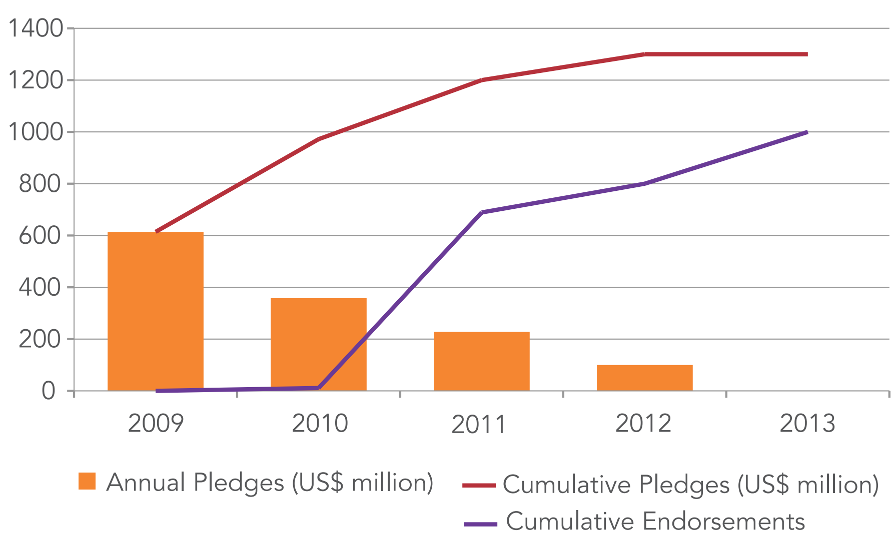
The PPCR governance structure is set out in Figure 7.

Figure 7: PPCR governance structure.



The PPCR is financed by contributions from donor countries, in particular the United States and the United Kingdom. As of June 2013, total pledges to the PPCR amounted to US $1.3 billion, making the PPCR the largest of the adaptation funds.[49] As illustrated by Figure 8,[50] the CIFs do not have regular replenishments like the other funds. This is in keeping with the 'sunset clause' built into the CIFs to the effect that they will conclude operations once a new UNFCCC financial arrangement is effective.[51]

Figure 8: PPCR pledges and endorsements.



[49] Valued at the exchange rates available on the date of the CIF pledging meeting. See Report On The Financial Status Of The SCF, Oct. 2, 2013, CTF-SCF/TFC.11/Inf.5,

[50] Figure 8 generated with data from reports on the financial status of the SCF, available on the SCF website.

[51] See Climate Investment Funds, Governance Framework For The Strategic Climate Fund, paras. 56-58,

2.2 Allocation

Country eligibility is based on:

1. Official Development Assistance (ODA)-eligibility (according to the Organization for Economic Co-operation and Development/Development Assistance Committee guidelines); and

2. The existence of an ongoing MDB lending program/policy dialogue with the country.[52]

As the PPCR is intended to provide programmatic funding at scale in pilot countries, the number of countries supported by the PPCR is limited according to availability of PPCR funds and the mandate to initiate transformational change. Highly vulnerable least developed countries including small island developing states are given priority with the final selection made by the PPCR Sub-Committee, based on the recommendations of an Expert Group.[53] The Expert Group makes recommendation based on:

1. Transparent vulnerability criteria;

2. Country preparedness and ability to move towards climate resilient development plans, taking into account efforts to date; and

3. Country distribution across regions and types of hazards, as appropriate.[54]

Within a pilot country, two broad categories of activity are supported by the PPCR:

1. Technical assistance to enable developing countries to build upon existing national work to integrate climate resilience into national or sectoral development plans, strategies and financing.

2. Programs of public and private sector investments identified in national or sectoral development plans or strategies addressing climate resilience.[55]

A PPCR program is broken into two phases.[56] During phase 1, the pilot country is allocated funds to prepare a Strategic Program for Climate Resilience (SPCR) and initiate capacity development measures in support of the future implementation of the SPCR. The SPCR outlines an investment plan based on identified priorities, setting out how PPCR supported projects will meet country objectives in the context of the PPCR. During phase 2, these projects are implemented. Once an SPCR is accepted by the PPCR Sub-Committee, the project concepts and associated funding needs outlined therein are referred to as 'endorsed'. However, the PPCR Sub-Committee must still approve PPCR funding for each project within an endorsed SPCR once the project is fully developed.

[52] PPCR Design Document, para. 19.

[53] Id. para. 20.

[54] Id. para. 15.

[55] Id. para. 17.

[56] Climate Investment Funds, Programming And Financing Modalities For The SCF Targeted Program, The Pilot Program For Climate Resilience (PPCR) [Hereinafter PPCR Programming and Financing Modalities], para. 8, available at https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR_Programming_and_Financing_Modalities.pdf

Figure 9: PPCR funding by region.

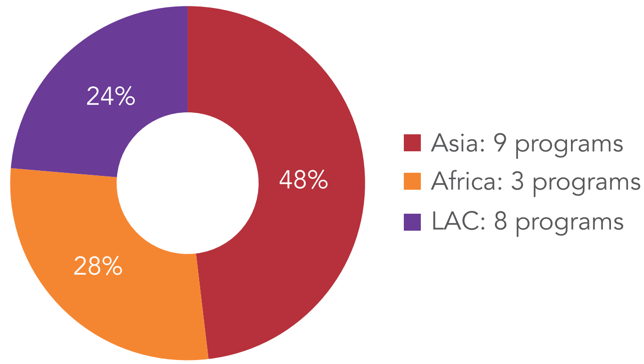
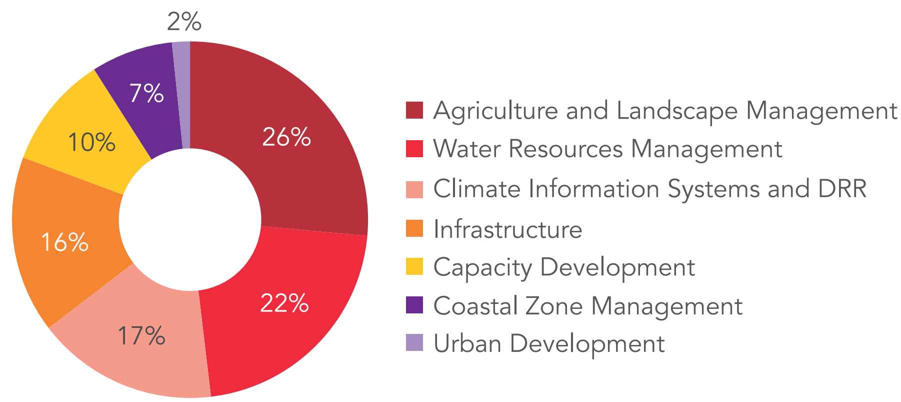
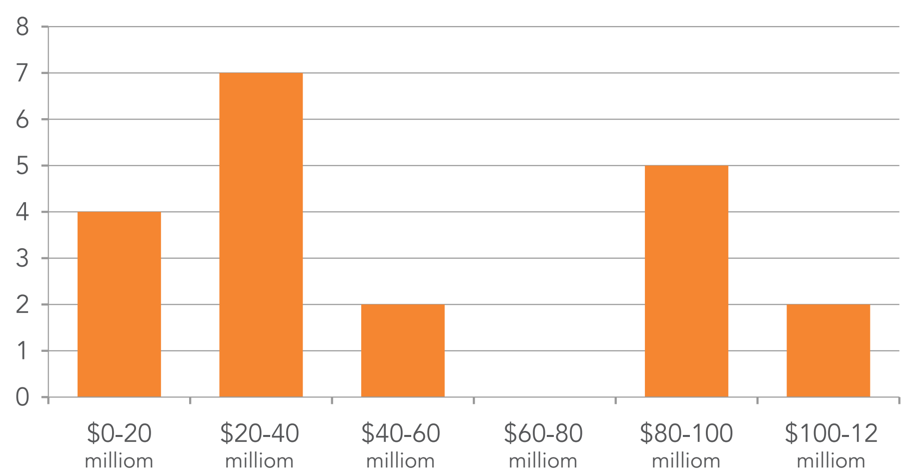


Figure 10: PPCR funding by sector.



Originally, it was envisaged that the PPCR would support pilot programs in five to ten countries.[57] As of August 2013, PPCR resources were allocated between 9 pilot countries and two regional programs which work with 9 additional countries.[58] As illustrated by Figure 9, almost half of all endorsed funds were allocated to Asia. Eight of the countries participating in the PPCR were SIDS, with the two regional programs in the Caribbean and Pacific also supporting island states. As illustrated by Figure 10 agriculture and landscape management and water resources management represented almost half of endorsed funds by sector.

Figure 10: PPCR funding by sector.



[57] Climate Investment Funds, Terms Of Reference (TORs)/ Guidance For The Expert Group On The Selection Of Countries To Participate In The Pilot Program For Climate Resilience (PPCR), para. 2

[58] Climate Investment Funds, PPCR Semi-Annual Operational Report, Oct. 29, 2013, PPCR/SC.13/3/Rev.1, available at https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR_SC.13_3_semi_annual_operational_report_rev1.pdf

By August 2013 over US $1 billion had been endorsed, with an average of US $51.7 million for each pilot, ranging from US $10 million for the Pacific Regional pilot to US $110 million for the Bangladesh pilot. As illustrated in Figure 11, pilot programs tend to fall in either the US $10-40 million (typically for SIDS) or $80-120 million range (typically for larger developing countries). Funds are made available in form of grants and near-zero interest credits.

2.3 Access Modalities

PPCR financing is made available through MDBs and recipient countries must follow the standards and criteria of the respective MDBs in order to get access to PPCR funds. MDBs play a central yet distinct role in phases 1 and 2 of the PPCR, both in SPCR preparation and the approval of funds for specific projects. While accountability for developing the SPCR is with the country government, MDBs are accountable for the use of project resources.

National country focal points are governmental and most often located within environment ministries.[59] That said, PPCR focal points are located within the finance ministries in four out of 18 pilot countries, (22 percent) and focal points are in both environment and finance ministries in a further four countries. This contrasts with the Adaptation Fund and LDCF/SCCF, where focal points are located within finance ministries in only five percent of recipient countries, and suggests that PPCR decision making at the national level takes place at a different level of government. This is a likely due to the fact that average allocations for the PPCR are ten times higher than for the other adaptation funds, and increases the prospect that adaptation goals under the PPCR will be mainstreamed into broader developmental goals.

The PPCR has a modest set-aside (currently set at US $29 million) for "innovative programs and projects that engage the private sector."[60] The set-aside can be accessed either by public sector entities working through the MDB public sector arms on projects that remove barriers to private sector engagement with adaptation activities, or by private actors working through MDB private sector arms.[61] Proposals under the set-aside must further the objectives of the SPCR, and must be developed in consultation with relevant public and private sector stakeholders and beneficiaries in the recipient countries, including PPCR government focal points.

Where set-aside funds do not flow through governmental bodies, alignment with SPCR objectives and governmental involvement in the project design are vital in order to ensure country ownership, particularly where the private entities are not recipient country based companies. For example, a Norwegian company intends to access a US $11 million loan to develop a forest plantation in northern Mozambique, to be implemented and financed exclusively by the

[59] See CIF website, PPCR Country and Regional Programming, available at https://www.climateinvestmentfunds.org/cif/Pilot_Programs

[60] See CIF website, PPCR Private Sector Set-Aside, available at https://www.climateinvestmentfunds.org/cif/node/11440

[61] Climate Investment Funds, Procedures For Allocating PPCR Resources On A Competitive Basis From An Agreed Set Aside Of Resources, para.5, available at https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Procedures_for_Allocating_PPCR_Resources_on_a_Competitive_Basis_from_a_Set_Aside_0.pdf

private sector.[62] Demonstrating alignment with Mozambique's NAPA and poverty reduction policies, as well as governmental approval of the specific project (in this case indicated by the granting of a land concession) are central components of the fund application.

2.4 Programming and Approval Process

A shortlist of suitable countries to receive PPCR funding is drawn up by the PPCR Sub-Committee based on the recommendations of an Expert Group. Shortlisted countries are then invited to submit an expression of interest (EOI).[63] EOIs should describe climate change related hazards facing the country, key elements of the country NAPA and other national strategies to build resistance to climate change, any technical assistance the country has received from other funds and country capacity to manage programmatic financing.[64] The Sub-Committee then reviews the EOIs and selects pilot countries. Alternatively, regional or sub-regional programs can be proposed by a group of countries to the PPCR Sub-Committee.

Phase 1

Once pilot countries are selected, the relevant MDBs and interested development partners visit the recipient country on a joint mission to assist the pilot country establish a clear process for formulating a Strategic Program for Climate Resilience (SPCR). Joint missions are government led, and engage key stakeholders including bi- and other multilateral partners, the private sector and NGOs in order to ensure country ownership and broad participation in PPCR program development.[65] During Joint missions, 'climate resilience stocktaking' is undertaken and broad based consultations. Each pilot program should require no more than two, two week joint missions. In fact, by 2013, less than a third of programs had required only two missions, with the majority requiring three missions, and some four.[66]

Based on the outcome of the joint missions, the recipient country and MDB jointly prepare a request for PPCR funding for the preparation of an SPCR, which must be submitted to the PPCR for endorsement. Up to US $1.5 million is available for the development of an SPCR which should ideally be completed within 12 months, and initial capacity building measures. In fact, of the 19 SPCRs endorsed by 2013, none had been completed in under 20 months, and four had taken over 40 months.[67]

The PPCR Sub-Committee is guided by a structured set of questions in assessing SPCRs. These focus on the following key areas:

[62] Program Concept Note available on CIF website at https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR%20Set%20Aside%20-%20Lurio%20Project%20Mozambique_public_version.pdf

[63] PPCR Design Document, para. 21.

[64] Climate Investment Funds, The Pilot Program For Climate Resilience (PPCR) Template For Country Expression Of Interest, PPCR/SC.1/3, available at https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR_Expression_of_interest_draft_template_Nov_08_TFC_Meeting.pdf

[65] Climate Investment Funds, Guidelines For Joint Missions To Design PPCR Pilot Programs (Phase I), available at https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR_joint_mission_guidelines_final.pdf

[66] ICF International, Final Interim Report (July 2013), Independent Evaluation Of The Climate Investment Funds, Figure 7-9, p.116, available at http://www.cifevaluation.org/cif_interm_report.pdf

[67] Id. Figure 7-7, p.114.

1. Climate Risk Assessment: what are the short, medium and long term economic, social and ecological impacts of climate change?

2. Institutions/ Co-ordination: what are the coordination arrangements to address climate change and what are the existing institutional mechanisms for disaster management?

3. Prioritization: what was the process for prioritizing between sectors, did it take into account existing policies, and how will climate change alter or reinforce existing development priorities?

4. Gaps and Needs Analysis: what are the specific gaps and needs, and how can PPCR support address these?

5. Stakeholder Engagement/ Participation: who was involved in developing the strategic approach, with particular reference to NGOs and vulnerable groups, and how were stakeholders selected?

6. Awareness-raising: How have climate impacts generally and the SPCR in particular been publicized?

7. Monitoring and Evaluation: What are the key results, indicators and baselines, and system for measuring and aggregating these results?[68]

Phase 2

Phase 2 involves the implementation of the SPCR. Following PPCR Sub-Committee endorsement of the SPCR, the MDBs have access to a preparation grant to enable detailed preparation of the projects agreed in the endorsed investment program. Preparation actions include supporting policy reform, institutional capacity building and scaling up investments in key sectors. The preparation and the implementation of the projects follow the respective MDB policies and procedures.

The PPCR Sub-Committee must approve PPCR financing for specific PPCR projects and programs within endorsed SPCRs. The Boards of the MDBs will then approve the projects and programs before funds can be disbursed. As of August 2013, the PPCR Sub-Committee had endorsed US $1.02 billion at the SPCR level across 20 pilots, containing a pipeline of 66 projects and programs. Of those, 32 projects and programs representing US $499 million had received PPCR funding approved by the PPCR Sub-Committee. Twenty-seven of those had also been approved by the Boards of the MDBs, representing US $405 million. However, only eight projects and programs have started implementation, with US $25.6 million disbursed.[69]

2.5 Financing Instruments

PPCR resources are disbursed in the form of grants, concessional loans and guarantees and are accessible to both the public and private sector. Grants are available for preparation activities (Phase 1) including SPCR preparation, and for investment programs/projects (Phase 2).[70] Countries can choose to access only grant resources, and countries at high risk of debt distress are

[68] PPCR Programming and Financing Modalities, Annex 2.

[69] See PPCR Semi-Annual Operational Report, Oct. 29, 2013, PPCR/SC.13/3/Rev.1.

[70] PPCR Programming and Financing Modalities, para. 42.

Table 3: PPCR intervention areas suitable for the use of concessional loans.

EXPECTED OUTCOMES	WATER MANAGEMENT	MICROFINANCE AND RISK INSURANCE	MONITORING AND DATA COLLECTION
Development and dissemination of climate resilient crop varieties and cropping systems for water-logged and salinity-affected coastal areas. Innovation and dissemination of drought tolerant crop varieties. High value crops (HVC) improvement through Biotechnology.	Modernization of existing irrigation schemes and demand management aimed at optimizing physical and economic efficiency in use of water resources and recycled water in water-stressed areas. Sustainable management and control of water resources through payment for environmental services (PES).	Micro-finance in the vulnerable rural areas. Weather based risk insurance and inventory guarantee for crops. Cover the risk of a bank lending to small scale farmers for water conserving irrigation technologies (first loss).	Weather and yield patterns for strategic agricultural crops for which the benefits are both public and private but where only blending with concessional finance would provide a private company with the incentive to invest in the project.

not eligible for concessional borrowing.[71] Private sector grants and loans are available to reduce barriers to financial investment, for example high risk and cost associated with early market entrants. Guarantees are deployed in the public and private sector to reduce risks that lenders and investors would not otherwise be willing to accept. It is expected that PPCR funded projects should be co-financed by MDB loans and grants.[72]

Table 3[73] provides examples of intervention areas identified by PPCR pilot countries as potentially suitable for the use of concessional loans.

As of August 2013, US $1.02 billion of PPCR resources had been *endorsed* at the SPCR stage, with an additional US $1.03 billion in co-financing expected to be mobilized. Of the PPCR resources endorsed, US $678 million (67 percent) are expected to be provided as grants and US $335 million (33 percent) as loans.[74]

Of the US $483 million in PPCR resources *approved* by August 2013, US $338 million (70 percent) were in the form of grants and US $145 million (30 percent) as loans, with US $783 million expected to be mobilized in co-financing.[75] This suggests an expedited approval rate of PPCR funds where a higher proportion of co-financing is available.

As illustrated by Figure 13, the vast majority of PPCR funds go towards public sector projects/programs. Further, as of August 2013, the PPCR funding approval rate for endorsed projects had been slightly higher for public sector operations (52 percent) than for private sector operations (34 percent).[76]

[71] Climate Investment Funds, MDB Policies And Tools Regarding Debt Sustainability And Their Application In The PPCR, PPCR/SC.9/4, available at http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR%204%20MDB%20Tools%20and%20Policies%20DSF.pdf

[72] Climate Investment Funds, The Use of Concessional Finance in the PPCR, available at https://climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR%20_Use_of_concessional_finance_in_the_ppcr.pdf

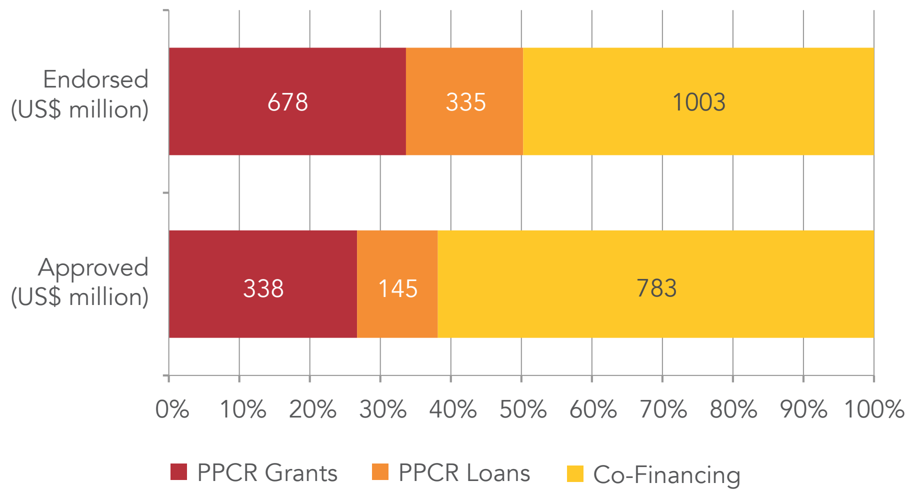
[73] Id. para. 14.

[74] See PPCR Semi-Annual Operational Report, Oct. 29, 2013, PPCR/SC.13/3/Rev.1

[75] Id.

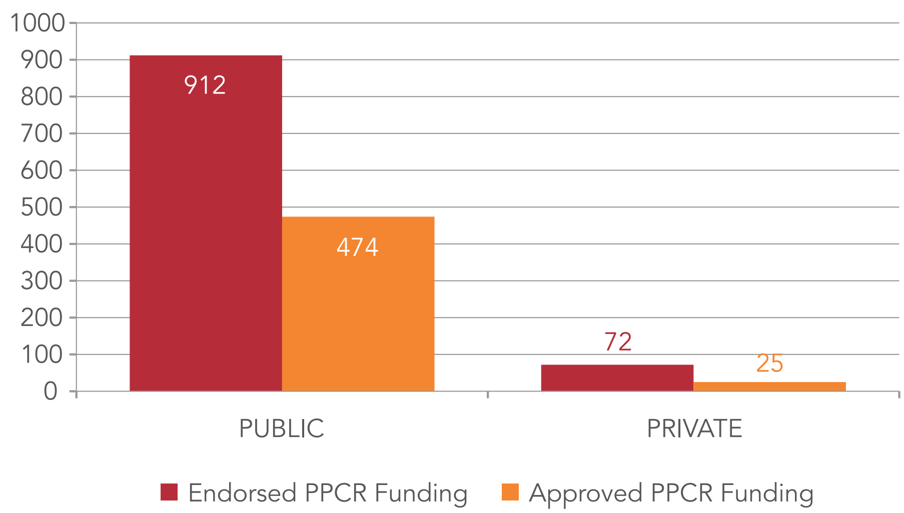
[76] Id.

Figure 12: Ratio of PPCR grants and loans to co-financing.



In funding public sector operations, PPCR seeks to avoid "crowding out" private sector operators or displacing commercial financing by focusing on projects and programs that would not otherwise have taken place and that encourage additional private sector investment. Grants for public sector investment programs are typically used to lower cost through buy-down grants (for example, co-investment for demonstration projects) or to reduce revenue volatility in sectors adversely affected by climate change. Small knowledge management grants are also available to enable lessons from project implementation to be captured.[77]

Figure 13: PPCR public and private sector endorsed and approved funds (US$ millions).



PPCR concessional loans for public sector operations are provided via MDBs in the form of loans to national governments, loans to national governments for on-lending to sub-national entities or loans to sub-national entities. Loans to national governments do not require a guarantee or security, though for sub-national lending the government may have to guarantee the loan. The loan terms proposed for public sector projects are set out in Table 4, with near-zero interest and a grant element of 75 percent (signifying that only 25 percent of the value of the loan at the date of lending will be repaid).[78]

[77] Climate Investment Funds, The Use of Concessional Finance in the PPCR, Annex I.

[78] Ibid.

Table 4: Terms of PPCR loans.

	MATURITY	PRINCIPAL REPAY-MENTS YEAR 11-20	PRINCIPAL REPAY-MENTS YEAR 11-20	PRINCIPAL REPAY-MENTS YEARS 20-40	FY10-11 SERVICE CHARGE	GRANT ELEMENT COLLEC-TION
Credit	40	10	2%	4%	0.10%	75%

In funding private sector investments, PPCR adheres to the principles of minimum concessionality (providing the minimum amount required to make a project happen); avoiding distortion and crowding out; leveraging (maximizing the amount of MDB, bilateral and commercial financing); and financial sustainability (the potential for project/programme viability with reduced subsidies).[79] Both grants and loans are available for private sector investments, with grants used to the same end as in public sector projects (i.e. buy-down grants and volatility reduction), and concessional loans made available for projects with the potential for replication at lower cost in the future.

2.6 Results-management Framework

A revised PPCR *Results Framework* was developed in December 2012 in response to the finding that many developing countries lacked the capacity to establish the complex M&E systems required under the original framework.[80] Under the new results framework, the pilot country has the responsibility to measure and report annually on five 'PPCR core indicators':

1. The number of people supported by the PPCR to cope with effects of climate change;
2. The degree of integration of climate change in national, including sector planning;
3. The extent to which vulnerable households, communities businesses and public sector services use improved PPCR supported tools, instruments, strategies and activities;
4. Evidence of strengthened government capacity and coordination mechanism to mainstream climate resilience; and
5. The quality of and extent to which climate responsive instruments/ investment models are developed and tested.[81]

The CIF Administrative Unit works with the MDBs to review annual progress reports on the above indicators, based on which a synthesis report is prepared and sent to the PPCR Sub-Committee for information.

In March 2010 the CIFs adopted a *Knowledge Management Program* based on the six core principles that knowledge management should be funded,

[79] Ibid.

[80] See Climate Investment Funds, Measures To Improve The Operations Of The Climate Investment Funds, paras. 35-40, available at https://climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Measures_to_improve_operations_of_CIFs_11.18.11.pdf

[81] Climate Investment Funds, Revised PPCR Results Framework, para. 5, available at https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Revised_PPCR_Results_Framework.pdf

stakeholder driven, continuous, encourage the discussion and documentation of failures, be innovative, and combine 'tacit' learning of individuals with 'knowledge products' such as publications.[82]

The *Knowledge Management Framework* contains more specific guidance for the capturing and sharing lessons from phases 1 and 2 of the PPCR, summarized in Table 5 below.

Table 5: PPCR Knowledge Management Framework.

PHASE 1	PHASE 2
Cross-pilot country sharing of early lessons in SPCR preparation. **Output:** Country power point presentations posted on CIF website. IConsolidation of early lessons from joint-missions. **Output:** Informal note on early PPCR joint mission lessons as input to the expanded Pilot country meeting. Upon completion of Phase 1, capturing and documenting lessons learned with respect to (a) country process and (b) application of key design elements for SPCRs. **Output:** Individual pilot country reports on full Phase lessons posted on website. Consolidation of country lessons from SPCR preparation. **Output:** Background paper on consolidation of Phase 1 lessons	Capture and sharing of early experience on integration of learning objectives and activities in the design of PPCR projects. **Output:** Draft PPCR Learning Brief on integration of learning in PPCR project design to be shared with all PPCR task teams through MDB PPCR focal points. Pilot Country Meetings expanded to include other stakeholders. Pilot countries to share early experiences and lessons in PPCR project design through PPCR Pilot Countries meeting. Selective country case studies to enrich the findings from knowledge exchanges at Pilot Country Meetings.

PPCR lessons are also disseminated through the CIF's *Global Support Program* (GSP), which was established in November 2010 with the aim of increasing cooperation and knowledge sharing between pilot countries and regions. Intended GSP activities include biannual pilot country meetings, the design and development of web based tools for communication and information sharing and virtual help desk services to provide governments and project participants with access to experts and practitioners to answer questions.

[82] Climate Investment Funds, CIF Knowledge Management - Creating The Capacity To Act, CTF-SCF/TFC.4/4, March 5, 2010, available at https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CIF_KProgramPaperFinal.pdf

3. Least Developed Countries Fund (LDCF)

The Least Developed Countries was established under the United Nations Framework Convention on Climate Change (UNFCCC) at its seventh session in Marrakech in 2001. The fund addresses the special needs of the 49 LDCs that are especially vulnerable to the adverse impacts of climate change. The LDCF supports the preparation and the implementation of National Adaptation Programs of Action (NAPAs): country-driven strategies that identify urgent and immediate needs of LDCs to adapt to climate change.

3.1 History, Overview and Current Status

The LDCF was launched in 2001 at the seventh session of the Conference of the Parties (COP) in Marrakesh.[83] It is designed to address the urgent and immediate adaptation needs of least developed countries (LDCs), to support the United Nations Framework Convention on Climate Change (UNFCCC) work program for least developed countries (LDCs) and to help the world's LDCs prepare and implement National Adaptation Programmes of Action (NAPAs). The LDCF is operated by the GEF and under the guidance of the COP.

NAPAs provide a process for LDCs to identify priority activities that address their urgent and immediate needs to adapt to climate change –those for which further delay would increase vulnerability and costs.[84] The first phase of the LDCF – funding NAPA completion - is largely concluded, with 50 of the 51 LDCs to have received funding for NAPA completion having submitted their NAPAs to the UNFCCC.[85] Implementing NAPAs – the second phase of the

[83] Decision 7/CP.7 para.6, U.N. Doc. FCCC/CP/2001/13/Add.1.

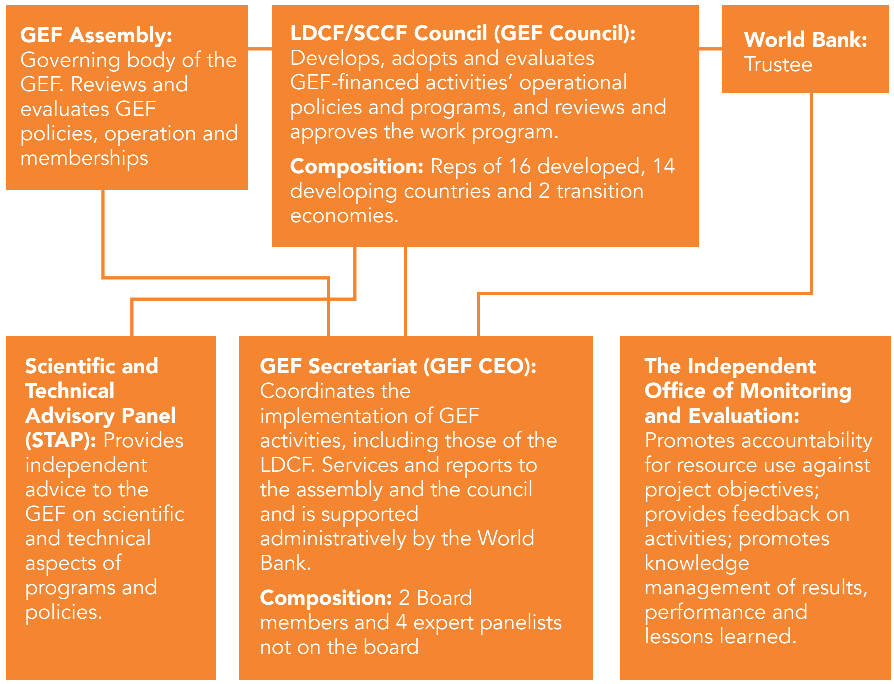
[84] Decision 28/CP.7, Annex, para.2, U.N. Doc. FCCC/CP/2001/13/Add.4.

[85] NAPAs are posted on the UNFCCC website available at http://unfccc.int/adaptation/workstreams/national_adaptation_programmes_of_action/items/4585.php

LDCF – is well underway, with 48 LDCs having accessed funds for projects that address these urgent and immediate needs.[86]

The LDCF governance structure is set out in Figure 14.

Figure 14: LDCF governance structure.



The LDCF is financed by voluntary contributions, which count as official development assistance from Annex I countries. As of February 28 2014, 25 contributing participants had pledged a total of US $879.12 million to the LDCF.[87] As illustrated by Figure 15,[88] almost two-thirds of LDCF resources were mobilized between 2012 and 2014. Equally, the vast majority of project fund approvals have been made between 2012 and 2014. This reflects the time lag between NAPA completion (42 NAPAs had been completed by 2009) and the approval of projects for NAPA implementation.

3.2 Allocation

Eligibility for the LDCF is limited to those countries identified by the UN as Least Developed Countries (LDCs), of which there are currently 48 (the number varies as new countries are added and existing LDCs 'graduate').[89] Any LDC which is party to the UNFCCC and has completed their NAPA can receive project funding. The LDCF provides LDCs up to US $200,000 to assist with NAPA preparation.

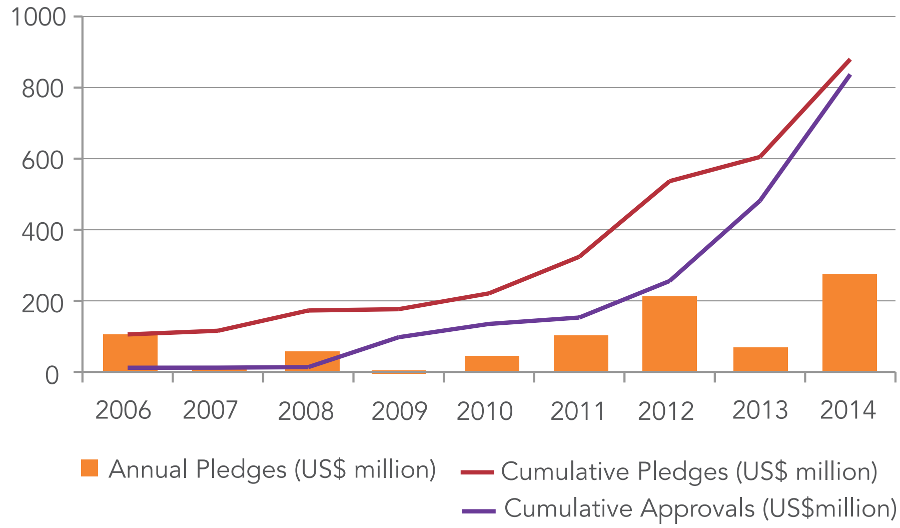
[86] See GEF, Progress Report On The Least Developed Countries Fund And The Special Climate Change Fund, May 1, 2014, GEF/LDCF.SCCF.16/04 [Hereinafter LDCF/SCCF Progress Report], available at http://www.thegef.org/gef/sites/thegef.org/files/documents/GEF.LDCF_.SCCF_.16.04%2C%20Progress%20Report%20on%20the%20LDCF%20and%20the%20SCCF%2C%2004-30-14.pdf

[87] Ibid.

[88] Figure 15 generated with data from LDCF/SCCF progress reports available on GEF website.

[89] For an up to date list of LDCs see http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_list.pdf

Figure 15: LDCF pledges and approvals (US$ millions).



The LDCF funds medium-sized projects (MSPs) under US $2 million and full-sized projects (FSPs) over US $2 million.[90] As of May 2014, 136 out of 146 approved projects were FSPs.[91] In addition to project grants, a grant is available to assist with the partial costs of project preparation prior to submission of the project proposal.

The LDCF does not identify priority sectors for fund allocation, as project selection is driven by country NAPAs. Nevertheless, the LDCF/SCCF Council have noted that priority sectors are likely to include: water resources; food security and agriculture; health; disaster preparedness and risk management; coastal zone management and infrastructure; natural resource management; and community based adaptation.[92]

A review of the LDCF conducted in 2014 found a high degree of alignment between LDCF projects and recipient country NAPAs, with 63 percent of LDCF projects addressing the primary priority outlined in the recipient country's NAPA, with the remaining 37 percent of projects addressing one or more of the other priorities outlined in the recipient country's NAPA.[93]

UNFCCC COP guidance states that the LDCF should operate according to the principle of equitable access.[94] Accordingly, the GEF have developed the concept of 'balanced access',[95] which imposes a ceiling on the maximum amount of resources each country may access to ensure that funding for

[90] GEF, Accessing Resources Under the Least Developed Country Fund, p.8, available at http://www.thegef.org/gef/sites/thegef.org/files/publication/23469_LDCF.pdf

[91] Data accessed from GEF website, Project and Funding, available at http://www.thegef.org/gef/gef_projects_funding

[92] GEF, Updated Results-Based Management Framework For The Least Developed Countries Fund (LDCF) And The Special Climate Change Fund (SCCF) And Adaptation Monitoring And Assessment Tool, Oct. 20 2010, GEF/LDCF.SCCF.9/Inf.4, available at https://www.thegef.org/gef/sites/thegef.org/files/documents/LDCFSCCF-RBM-UpdateFramework-Oct%202010%20final.pdf

[93] GEF Independent Evaluation Office, The Least Developed Countries Fund:Review of the Implementation of NAPAs (unedited), April 2014, Table 1, available at http://www.thegef.org/gef/sites/thegef.org/files/documents/LDCF%20Implementation%20of%20NAPA.pdf

[94] Decision 6/CP.9, para. 3b. U.N. Doc. FCCC/CP/2003/6/Add.1.

[95] GEF, Programming Paper For Funding The Implementation Of NAPAs Under The LDC Trust Fund, May 12, 2006, GEF/C.28/18, available at http://www.thegef.org/gef/sites/thegef.org/files/documents/GEF.C.28.18.pdf

NAPA implementation will be available to all LDCs. The ceiling can be increased depending on the overall availability of funds, and currently stands at US $30 million.

As illustrated by Figure 16 and Figure 17, over two-thirds of project funding has been allocated to African countries, with the largest share of resources spent in the agricultural sector.

As of May 2014, approximately US $824 million has been allocated in grants (including Agency fees) between 146 projects.[96] As illustrated by Figure 18, grants commonly fall in the US $3-6 million range, with an average grant size of US $5.6 million. This is US $1.4 million higher than SCCF average grant size.

Figure 16: LDCF funding by region.

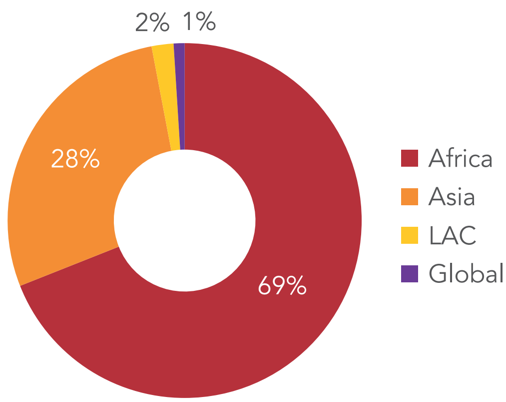
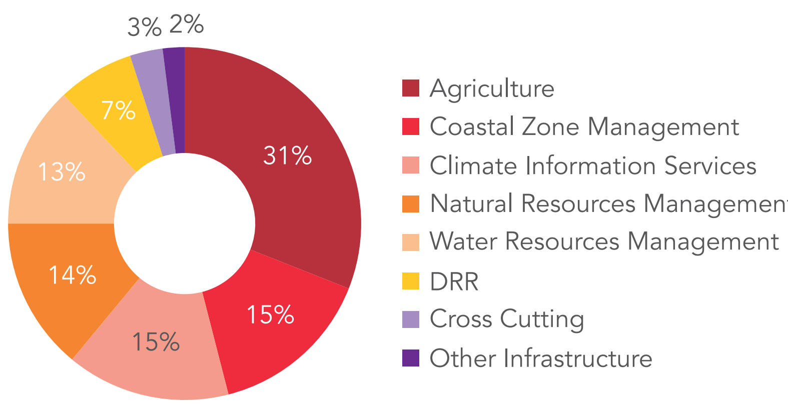


Figure 17: LDCF funding by sector.



3.3 Access Modalities

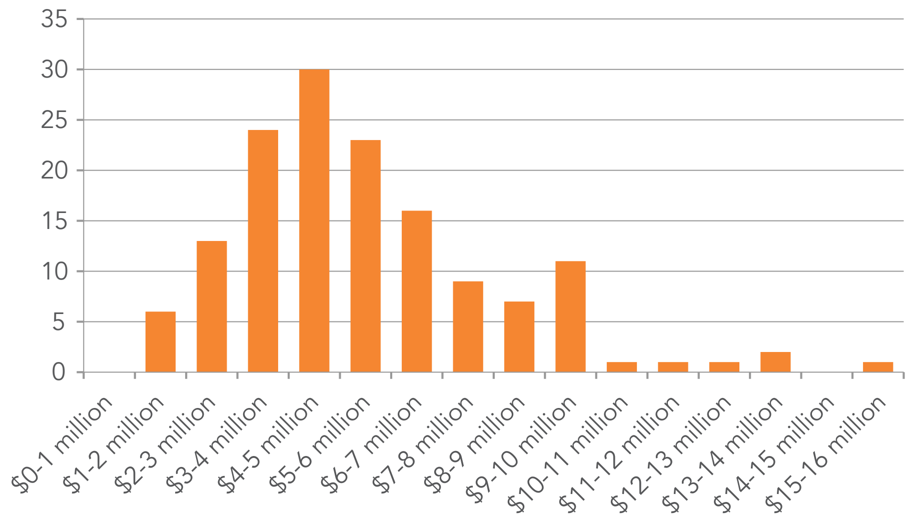
Access to LDCF resources is exclusively through multilateral implementing entities (the GEF Implementing Agencies), which receive cash transfers from the Trustee (The World Bank) in order to meet their disbursing requirements. The same project cycle applies to the LDCF as for other projects and programs financed under the GEF Trust Fund.

Project concepts are developed jointly by country-based 'project proponents' and one of 10 GEF Implementing Agencies. Project proponents are typically governmental, though can be NGOs or CBOs.[97] The GEF Agencies comprise

[96] LDCF/SCCF Progress Report

[97] A list of the GEF Implementing Agencies can be accessed on the GEF website, available at http://www.thegef.org/gef/gef_agencies

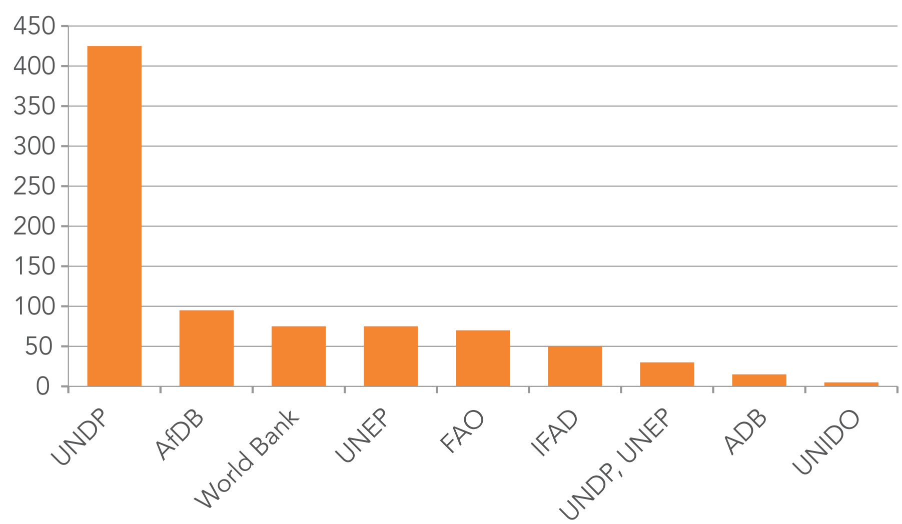
Figure 18: LDCF allocations by size.



MDBs, MFIs and UN Agencies. As illustrated by Figure 19, as of April 2014, UNDP was channeling the largest share of LDCF resources (51 percent), followed by the African Development Bank (11 percent).[98]

Project concepts must be endorsed by the GEF Operational Focal Point before they can be submitted to the LDCF Secretariat. GEF Focal Points are government officials designated by member countries to ensure that GEF projects, including SCCF-funded activities, are country-driven and based on national priorities. Eighty-five percent of GEF Operational Focal Points are located within environment ministries, with the remainder based in finance, foreign affairs or other ministries.[99]

Figure 19: LDCF financing by GEF implementing agency (US$ millions).



3.4 Programming and Approval Process

The LDCF selection process is set out in Table 6 below. During the GEF-4 period (2006-2010), a target of 22 months was set for the average elapsed

[98] LDCF/SCCF Progress Report, Figure 5.

[99] A list of GEF Operation Focal Points can be accessed on the GEF website, available at http://www.thegef.org/gef/focal_points_list

Table 6: LDCF selection process.

	FULL SIZE PROJECT (OVER US $2 MILLION)	MEDIUM SIZED PROJECT (UNDER US $2 MILLION)	
1.	The project proponent develops a concept in partnership with one of 10 GEF Implementing Agencies.	OPTION 1 Project concept developed.	OPTION 2 Project concept developed.
2.	The GEF Operational Focal Point endorses the project concept.	GEF Operational Focal Point endorsement.	GEF Operational Focal Point endorsement.
3.	The project proponent submits the project concept as a Project Identification Form (PIF) to the GEF Secretariat, which should review the PIF within 10 business days. A request for a project preparation grant (PPG) may simultaneously or subsequently be submitted.	Submission of PIF and PPG request to GEF Secretariat.	Submission of full project document to GEF CEO (a PPG is not available where PIF is not completed).
4.	The GEF Secretariat can either request revisions to the PIF, reject the PIF, or forward the PIF for approval either to the LDCF/SCCF Council.	GEF CEO can request revisions, reject or approve PIF and PPG.	GEF CEO endorses the project. Disbursement and implementation follow.
5.	The LDCF/SCCF Council should review the FSP PIF within four weeks. Approval is granted on a no objection basis.	Project proponent and GEF Implementing Agency have prepare a full project proposal within 12 months.	
6.	The project proponent and GEF Implementing Agency have to prepare a full project proposal, within 18 months.	The GEF processes the proposal within 10 business days.	
7.	The GEF processes the proposal within 10 business days. The GEF circulate the proposal to the LDCF/SCCF Council if, at the time of PIF review, a Council Member requested the opportunity to review of the final project document prior to endorsement.	GEF CEO endorses the project. Disbursement and implementation follow.	
8.	GEF CEO endorses the project. Disbursement and implementation follow.		

Table 7: PIF and Full Project Proposal review criteria.

PIF REVIEW CRITERIA			
Basic project idea (additional cost argument)	Fit with NAPA priorities	Implementation set-up	Indicative budget and co-financing
What is the likely baseline development for the targeted sector without LDCF investment? What are the climate change vulnerabilities? What are the specific additional activities to be implemented to make baseline development more climate-resilient?	Does the project respond to the highest priority/ies identified in the NAPA, and if not, why?	Who will implement the project and why (including comparative advantage of Implementing Agencies and Executing Agencies)? Is the project being coordinated with related projects and programmes to avoid duplication of activities?	How will the project components be weighted in terms of budget and why? What levels and sources of co-financing is the project expecting to leverage?

Full Project Proposal review criteria			
Project idea (additional cost argument)	Monitoring an evaluation framework	Implementation set-up	Indicative budget and co-financing
Similar criteria to PIF stage above, but with more detail regarding specific adaptation activities.	Is a clear, timetabled description of the M&E process provided? Does the strategic results framework provide clear impact indicators, as well as baseline and target values, for each of the project's outcomes and outputs?	As above, but with more detail on implementation and coordination arrangements.	As above, but with detailed, itemized budget. Are letters of endorsement included for all co-financing?

time from PIF approval to endorsement by the CEO.[100] The first handful of projects to be endorsed significantly overshot that target, taking on average 42 months,[101] though over the GEF-4 period as a whole, of those projects endorsed, 75 percent were endorsed within the 22 month target. [102] For the GEF-5 period (2010-2014), the target was lowered to 18 months, though only 61 percent of endorsed projects met this standard.

A 2009 review of the PPCR found that the average process time from final PIF submission to approval was 31 days, three times longer than the stipulated 10

[100]GEF, Summary of Document GEF/C.31/7

[101]LDCF Project Cycle Process Time

[102]GEF, Fy13 Annual Monitoring Review Of The Least Developed Countries Fund And The Special Climate Change Fund, para. 56, May 1, 2014, GEF/LDCF.SCCF.

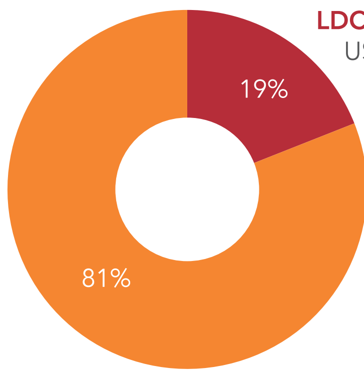
days.[103] Table 7 summarizes the criteria applied by the GEF in reviewing the PIF and the Full Project Proposal:[104]

3.5 Financing Instruments

LDCF funds are disbursed as grants and cover, for the most part, the full cost of adaptation for NAPA projects. Smaller project preparation grants (PPGs) can also be accessed by project proponents. The 'full cost of adaptation' is understood to mean the additional cost that climate change adds to business as usual (BAU) development.[105] For example, if a BAU project would have cost $10 million (the project 'baseline'), but due to climate change costs $11 million, LDCF will cover the 'full additional cost' of $1 million. Resources that cover BAU project costs are referred to as 'co-financing', and can include multilateral, governmental or NGO contributions in the form of grants or loans. The LDCF can fund projects for which there is no co-financing so long as the project is not related to BAU development.

As illustrated by Figure 20, as of April 2014, the ratio of grants to co-financing for all approved projects is approximately 1:4, with US $836 million in grants and US $3.6 billion in co-financing.[106] All NAPA project grants have been co-financed, with the ratio of LDCF grants to co-financing ranging from 1:0.2 to 1:15. Of the NAPA preparation grants, 34 out of 51 have been co-financed, with the proportion of co-financing mobilized for NAPAs typically lower than for project grants.

Figure 20: LDCF ratio of grants to co-financing.



Unlike the GEF Trust Fund, the LDCF does not have a private sector set aside and to date, the role of the private sector has been limited. Private sector and community-based organizations constitute only four percent of national executing agencies, and only seven percent of co-financing has been provided by private sources.[107] Nevertheless there is some degree of private sector engagement with the LDCF portfolio. Thirty-two percent of projects have

[103] Evaluation Department, Ministry of Foreign Affairs of Denmark, Operation Of The Least Developed Countries Fund For Adaptation To Climate Change, Sept. 2009, Annex, available at http://um.dk/en/~/media/UM/English-site/Documents/Danida/Eval/978-87-7087-232-4/Annex_IX_LDCF_project_cycle.ashx

[104] See GEF, StepbyStep Guide to the LDCF Project Cycle, available at https://www.thegef.org/gef/sites/thegef.org/files/documents/Step-by-Step%20Guide%20to%20the%20LDCF%20Project%20Cycle.pdf and GEF, Accessing Resources Under the Least Developed Country Fund, available at http://www.thegef.org/gef/sites/thegef.org/files/publication/23469_LDCF.pdf

[105] Accessing Resources Under the Least Developed Country Fund, p.14.

[106] LDCF/SCCF Progress Report, Table 1.

[107] GEF Independent Evaluation Office, The Least Developed Countries Fund:Review of the Implementation of NAPAs, p.16.

indicated private sector partnerships, with the private sector most involved with urban water projects and infrastructure development.[108] For example, in a project to strengthen the resilience of small scale rural infrastructure and local government systems to climatic variability and risk in Timor Leste, the role of the private sector was to deliver the infrastructure development and advise on the improvement of infrastructure designs.[109]

The LDCF/SCCF Council has identified technology transfer and insurance as the two areas with the most potential for private sector involvement.[110] Further, The GEF have developed the following strategies to expand private sector engagement:

1. Awareness raising, including of potential risks and response measures;
2. Capacity building to help private entities manage climate change risks;
3. Efforts to improve policy and regulatory environments and institutional infrastructure;
4. Public-private partnerships that promote private sector responses to climate change; and
5. Entrepreneurship development to open and seize emerging private sector opportunities to reduce climate change vulnerabilities.[111]

3.6 Results-management Framework

In November 2009 the LDCF/SCCF Council agreed on a process and framework for results-based management (RBM) during the GEF-5 period (2011-2014).[112] The five focus areas of the RBM implementation strategy are described below.

1. Portfolio Outcome Monitoring

At the fund level, GEF Agencies are responsible for results measurement and reporting against targets and indicators set out in the Result-Based Management Framework. At a higher level, the GEF Secretariat measure progress towards achieving LDCF/SCCF objectives.

For example, a key objective of the LDCF/SCCF is to "reduce vulnerability to the adverse impacts of climate change, including variability, at local, national, regional and global level." An expected outcome associated with achieving this objective is a strengthened awareness and ownership of adaptation and climate risk reduction processes at the local level, which can be indicated by the percentage of the targeted population aware of predicted adverse impacts of climate change and appropriate responses. The associated output

108 Ibid.

109 Id. p.17

110 GEF, Private Sector Engagement in Climate Change Adaptation: Prepared by the GEF Secretariat in Collaboration with the International Finance Corporation, paras. 20-21, May 9, 2012, GEF/LDCF.SCCF.12/Inf.06, available at http://www.thegef.org/gef/sites/thegef.org/files/documents/Note%20on%20Private%20Sector.pdf

111 GEF, Draft Gef Programming Strategy For Adaptation To Climate Change Under The Least Developed Countries Fund (LDCF) And The Special Climate Change Fund (SCCF), para. 29, March 8, 2013, GEF/LDCF.SCCF/Inf. 02, available at http://www.thegef.org/gef/sites/thegef.org/files/documents/LDCF-SCCF-Financing-DRAFT%20Programming%20Strategy%20Adaptation_April_2013.pdf

112 GEF, Implementation Of Results-Based Management Under The Least Developed Countries Fund And The Special Climate Change Fund, Oct. 15, 2009, GEF/LDCF.SCCF.7/4, available at http://www.thegef.org/gef/sites/thegef.org/files/documents/LDCF.SCCF_.7.4_RBM%20implementation%20paper_v.7.pdf

would be adaptation and risk reduction awareness activities, something indicated by the number and type of adaptation actions or strategies introduced at local level.

2. Fund Process Monitoring

In order to measure whether LDCF/SCCF portfolios are being implemented as intended and resources used efficiency, the GEF conduct fund process monitoring according to a *Level Effectiveness and Efficiency Results Framework*. This tracks fund financing mechanisms (for example the ratio of total LDCF/SCCF resources to co-financing), project cycle efficiencies (for example the time taken from PIF submission to Council approval), quality of entry (for example the percent of projects with outcomes aligned to country programs) and results driven implementation (for example the percent of projects on track to reach stated objectives).

3. Learning and Knowledge Management

The GEF Secretariat is responsible for developing and disseminating 'knowledge products' to ensure that lessons learned can be captured and assimilated into future project delivery. Knowledge products are shared through the *Adaptation Learning Mechanism*, a collaborative knowledge sharing platform supported in part by the GEF. Learning objectives include building understanding of how adaptation can be integrated into policy making, understanding the causal relationships between adaptation measures and local community welfare, understanding the catalytic effect of LDCF/SCCF financing with the aim of scaling up or replicating best practices and understanding the effectiveness of Community-Based Adaptation (CBA) to climate change.

In 2011 the LDCF/SCCF Council developed a *Knowledge Management Strategy* for the LDCF/SCCF.[113] This proposed a knowledge management framework with a two year implementation plan setting out general learning objectives and guiding principles for knowledge management in LDCF/SCCF operations and stakeholder interactions. Concrete outputs include reorganizing all public project/program documentation to be made available on the GEF website, undertaking targeted learning missions to project sites on a semi-annual basis, systematically extracting lessons, good practices and innovations from project terminal evaluations and promoting these on the GEF website, and emphasising knowledge management processes in staff training and recruitment at the GEF.

4. Reporting

The GEF Secretariat produce an Adaptation Annual Progress Report describing outcome indicators at portfolio and fund level that contribute to the overall objectives of the LDCF and SCCF. At the project level, GEF Agencies must submit a Project Implementation Report describing implementation progress and the likelihood that project objectives will be achieved. In addition, the GEF Agencies should use the Adaptation Annual Tracking Tool to measure quantitative outputs.

[113] GEF, Knowledge Management Strategy For The Least Developed Countries Fund And The Special Climate Change Fund, April 22, 2011, GEF/LDCF.SCCF.10/Inf.4/Rev.1, available at http://www.thegef.org/gef/sites/thegef.org/files/documents/LDCF.SCCF%20Council%2010%20Knowledge%20Management%20info%20doc.rev_.1.pdf

5. Evaluation

Mid-term and terminal project evaluations are conducted by the GEF Implementing Agencies. At a higher level, portfolio evaluations of overall fund impact are conducted by the GEF Evaluation Office. The LDCF was last evaluated in 2014, and the SCCF in 2012.

A 2012 evaluation of the SCCF noted that effective results based management was often hindered by weaknesses in the formulation of indicators in project documents.[114] Highlighted problems were confusion between outputs and outcomes, noncompliance with SMART criteria (in particular indicators lacking measurability and specificity), vague formulation of indicators and doubtful linking between 'proxy' indicators and project activities. The evaluation acknowledged that the use of binary indicators (those for which the answer is either yes or no) and scale and results chains (the use of multiple indicators, qualitative and quantitative, for the same outcome) proposed by the Adaptation Monitoring and Assessment Tool (AMAT) have the potential to strengthen indicators, but added that the AMAT had not been widely shared with Agencies.

[114] GEF Evaluation Office, Evaluation of the Special Climate Change Fund, pp.48-53, April 2012, available at http://www.thegef.org/gef/sites/thegef.org/files/documents/sccf-vol1.pdf

4. Special Climate Change Fund (SCCF)

The SCCF was established to support adaptation and technology transfer in all developing country parties to the UNFCCC. The SCCF supports both long-term and short-term adaptation activities in water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems, including mountainous ecosystems, and integrated coastal zone management.

4.1 History, Overview and Current Status

The SCCF was established under the United Nations Framework Convention on Climate Change (UNFCCC) at the seventh meeting of the Conference of the Parties (COP) in 2001, to finance and implement activities, programs and measures in non-Annex I countries that increase national development sectors' long-term resilience to the impacts of climate change.[115] The SCCF is meant to serve as a catalyst to leverage and maximize complementary resources from bilateral and other multilateral sources.[116]

The SCCF's priority is funding adaptation activities to address the adverse impacts of climate change (SCCF-A window). Projects on technology transfer and its associated capacity-building activities also receive funding (SCCF-B window). Other activities eligible for SCCF funding relate to energy, transport, industry, agriculture, forestry, waste management (SCCF-C window) and economic diversification of fossil fuel dependent countries (SCCF-D window).[117] To date, only the adaptation and technology transfer windows are active, with 81 percent of funds directed towards adaptation projects.[118] The first SCCF project was approved in 2006.

Like the Least Developed Countries Fund (LDCF), the SCCF is operated by the Global Environment Facility (GEF), under COP guidance. GEF operational

[115] Decision 7/CP.7 para. 2, U.N. Doc. FCCC/CP/2001/13/Add.1.

[116] Decision 5/CP.9 para. 1a, U.N. Doc. FCCC/CP/2003/6/Add.1

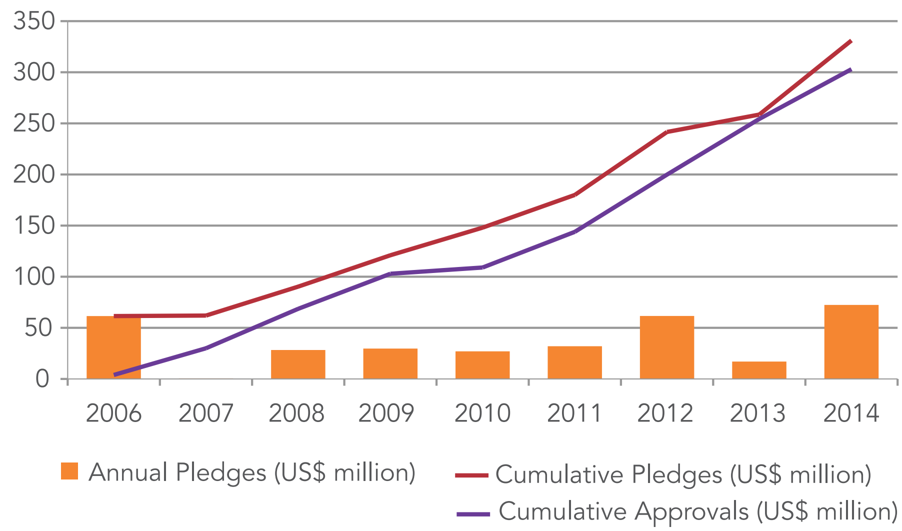
[117] Decision 7/CP.7.

[118] LDCF/SCCF Progress Report, p.14.

policies, procedures and governance structures (council, assembly, secretariat, implementing agencies, Scientific and Technical Advisory Panel, and Independent Office of Monitoring and Evaluation) applicable to both the SCCF and the LDCF, can be found in Annex III.

The SCCF is financed by voluntary contributions, which count as official development assistance from Annex I countries. As of February 28, 2014, 15 contributing participants had pledged a total of US $333.10 million to the SCCF.[119] As illustrated by Figure 21,[120] average annual contributions were greater in 2012-2014 than 2007-2011, when concerns were expressed around fund mobilisation.[121] Nevertheless, as all non-Annex I countries can apply to the SCCF, there remains significant pressure on SCCF resources. This is indicated by the fact that cumulative approvals have tracked closely to cumulative pledges.

Figure 21: SCCF pledges and approvals.



4.2 Allocation

The UNFCCC COP decided that the SCCF should provide funding for "developing country Parties",[122] which for the purposes of SCCF eligibility, the GEF has interpreted as synonymous with all Non-Annex I Parties. Within that group, preference is given to "the most vulnerable countries and those within a country with the greatest need."[123]

The SCCF funds medium sized projects (MSPs) under US $1 million and full sized projects (FSPs) over US $1 million. As of May 2014, 49 out of 56 approved projects were FSPs[124] In addition to project grants, a grant of up to

[119] Id. p.1.

[120] Figure 21 generated with data from LDCF/SCCF progress reports available on GEF website.

[121] See UNDP Evaluation Office, Evaluation Of UNDP Work With Least Developed Countries Fund And Special Climate Change Fund Resources, July 2009, p.8, available at http://web.undp.org/evaluation/documents/thematic/ldcf/LDCF-SCCF_Evaluation.pdf

[122] Decision 7/CP.7 para.1c.

[123] GEF, Programming To Implement The Guidance For The Special Climate Change Fund Adopted By The Conference Of The Parties To The United Nations Framework Convention On Climate Change At Its Ninth Session, para. 41, Oct. 15, 2004, GEF/C.24/12, available at http://www.thegef.org/gef/sites/thegef.org/files/documents/C.24.12.pdf

[124] Data accessed from GEF website, Project and Funding, available at http://www.thegef.org/gef/gef_projects_funding

US $200,000 is available to assist with the partial costs of project preparation prior to submission of the full project proposal.

SCCF projects must be country-driven; be cost-effective; be integrated into national sustainable development and poverty-reduction strategies; and take into account national communications, NAPAs, and other relevant studies and information provided by parties. They must focus on long-term planned response strategies, policies and measures, and should include:

1. Implementation of adaptation activities where sufficient information is available to warrant such activities, inter alia, in the areas of water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems, including mountain ecosystems, and integrated coastal zone management;

2. Improving the monitoring of diseases and vectors affected by climate change, and related forecasting and early warning systems, and in this context improving disease control and prevention;

3. Supporting capacity-building, including institutional capacity, for preventive measures, planning, preparedness and management of disasters relating to climate change, including contingency planning, in particular, for droughts and floods in areas prone to extreme weather events; and

4. Strengthening existing and, where needed, establishing national and regional centers and information networks for rapid response to extreme weather events, utilizing information technology as much as possible.

Demand for SCCF resources, at around $100 million per year,[125] has consistently exceeded availability, with annual contributions to the SCCF frequently below $50 million. This has led to the introduction of pre-selection criteria to help identify and prioritize the projects most suitable for formal consideration by the GEF. The pre-selection phase is designed to ensure the following:

1. Project or program quality: The proposal must meet the primary criteria set out above;

2. Balanced distribution of funds in the eligible countries: Priority will be given to vulnerable Non-Annex I countries that have not yet accessed SCCF funds;

3. Equitable regional distribution

4. Balanced support for all priority sectors: Priority will be given to projects in priority sectors which have received less funds to date;

5. Balanced distribution among GEF Agencies based on comparative advantage.[126]

[125] GEF, Strategy on Adaptation to Climate Change for the Least Developed Countries Fund (LDCF) and The Special Climate Change Fund (SCCF), p.31, available at http://www.thegef.org/gef/sites/thegef.org/files/publication/GEF-ADAPTION%20STRATEGIES.pdf

[126] GEF, Pre-Selection Criteria for Projects and Programs Submitted under the Special Climate Change Fund, May 7, 2012, GEF/LDCF.SCCF.12/Inf.05, available at http://www.thegef.org/gef/sites/thegef.org/files/documents/Pre-Selection%20Criteria%20SCCF%20Inf.05%20May7.pdf

As illustrated by Figure 22 and Figure 23, SCCF funds have been allocated relatively evenly between Asia, Africa and LAC regions, with water resources management and agriculture receiving the largest share of resources by sector.

Figure 22: SCCF funding by region.

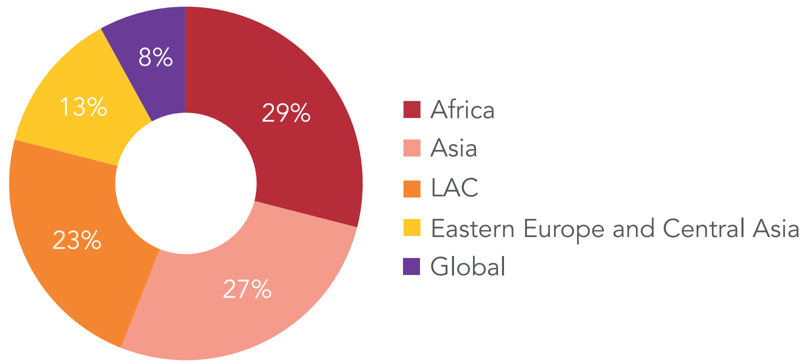
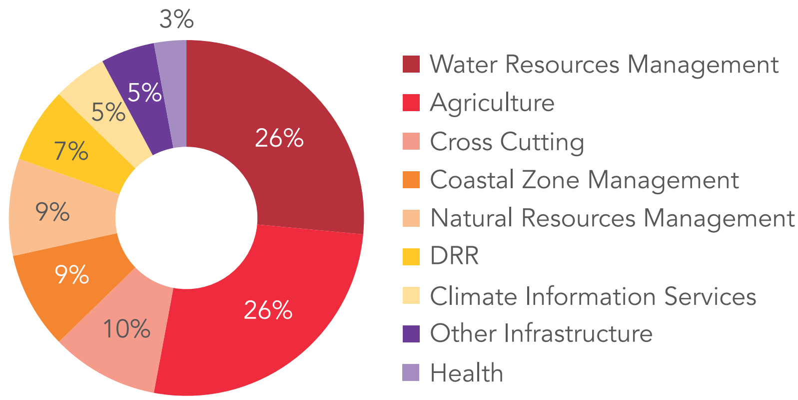
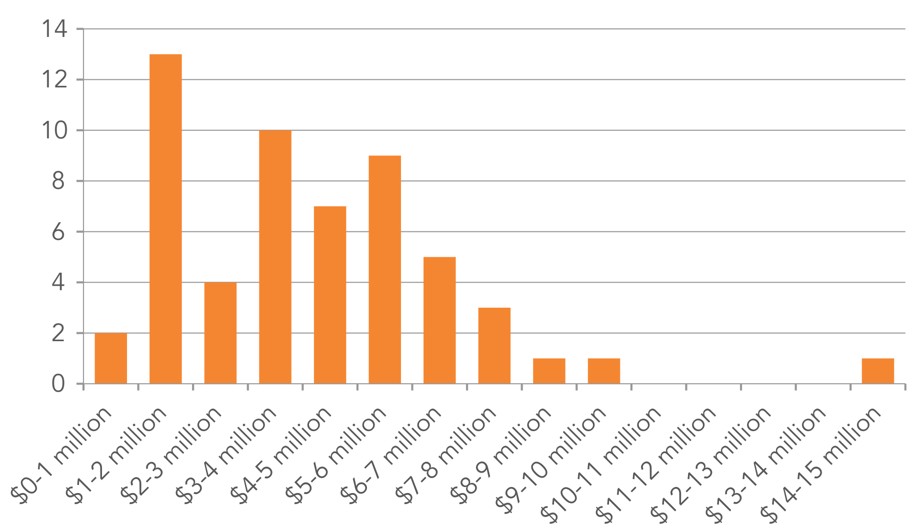


Figure 23: SCCF funding by sector.



As of May 2014, approximately US $236 million has been allocated in SCCF-A grants (including Agency fees) between 56 projects. As illustrated by[127] grants are spread relatively evenly within the US $1 - 6 million range, with an average grant size of US $4.2 million.

Figure 24: SCCF allocations by size.



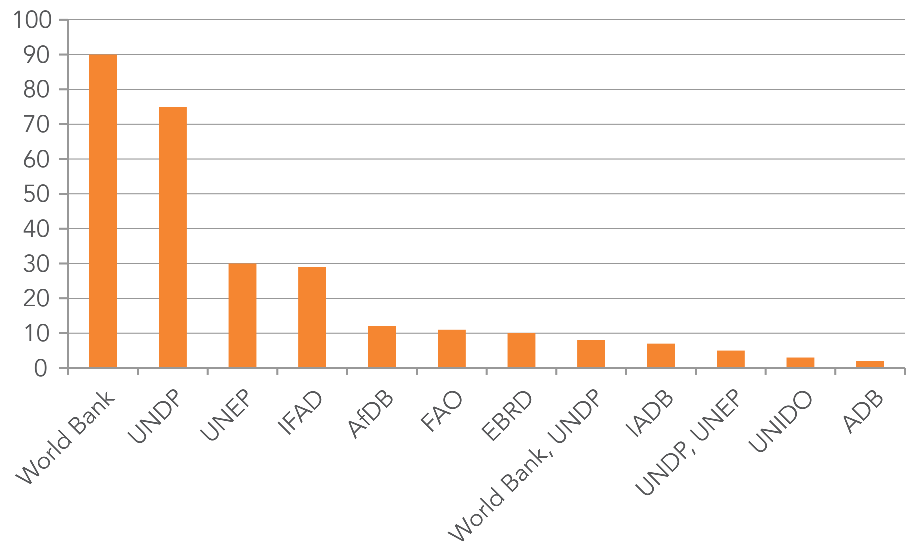
[127] LDCF/SCCF Progress Report

4.3 Access Modalities

Access to SCCF resources is exclusively through multilateral implementing entities. The same project cycle applies for the SCCF as for other projects and programs financed under the GEF Trust Fund.

Project concepts are developed jointly by country-based 'project proponents' and one of 10 GEF Implementing Agencies. Project proponents are typically governmental, though can be NGOs or CBOs. The GEF Agencies comprise MDBs, MFIs and UN Agencies. As illustrated by Figure 25, as of April 2014, the World Bank was channeling the largest share of SCCF resources (31 percent), followed by UNDP (26 percent).[128]

Figure 25: SCCF financing by GEF implementing agency.



Project concepts must be endorsed by the GEF Operational Focal Point before they can be submitted to the SCCF Secretariat. GEF Focal Points are government officials designated by member countries to ensure that GEF projects, including SCCF-funded activities, are country-driven and based on national priorities. Eighty-five percent of GEF Operational Focal Points are located within environment ministries, with the remainder based in finance, foreign affairs or other ministries.

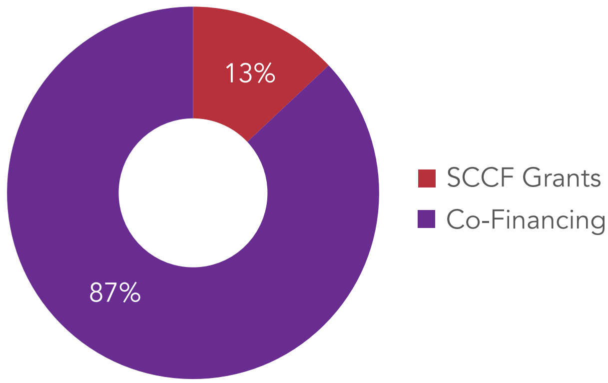
4.4 Financing Instruments

SCCF-A funds are disbursed as grants and cover the full cost of adaptation projects. The 'full cost of adaptation' is defined, as with the LDCF, as the additional cost that climate change adds to business as usual (BAU) development. For example, if a BAU project would have cost $10 million (the project 'baseline'), but due to climate change costs $11 million, SCCF will cover the 'full additional cost' of $1 million. Resources that cover BAU project costs are referred to as 'co-financing', and can include multilateral, governmental or NGO contributions in the form of grants or loans. The SCCF can fund projects for which there is no co-financing so long as the project is not related to BAU development.

[128] Id. Figure 10

As illustrated by Figure 26, as of April 2014, the ratio of grants to co-financing for all approved projects is approximately 1:7, with US $236 million in grants and US $1.6 billion in co-financing.[129] This is higher than the rate of co-financing for LDCF (1:4). All approved project grants have been co-financed, with the ratio of SCCF grants to co-financing ranging from 1:0.5 to 1:37.

Figure 26: SCCF ratio of grants to co-financing.



The SCCF does not have private sector set-aside and the private sector cannot access SCCF resources directly. However, it has been recognised that private sector adaptation measures have strong potential to compliment SCCF objectives, for example in the development sector by contributing to adaptation-related biotechnology innovation.[130] Further, the SCCF is increasingly engaging the private sector at the project level. For example, an SCCF project in Eastern Europe has sought to increase access to catastrophe and weather risk insurance products, thereby transferring the risk of weather related disasters from the public to the private sector. This has been achieved through engaging locally licensed private insurance companies to issue catastrophe and weather risk insurance policies to homeowners, farmers and the enterprise sector.[131]

4.5 Programming and Approval Process

The approval process for the SCCF is the same as for the LDCF set out in Annex III, with the difference that the SCCF contains an additional pre-selection process.

A 2012 evaluation of the SCCF by the GEF Evaluation Office noted that an informal pre-selection process had been included by the SCCF prior to PIF submission in order to manage limited funds more efficiently.[132] The evaluation recognized that pre-selection was necessary to reduce the number

[129] Id. Annex II, Table 10.

[130] GEF, Private Sector Engagement in Climate Change Adaptation: Prepared by the GEF Secretariat in Collaboration with the International Finance Corporation, para. 15, May 9, 2012, GEF/LDCF.SCCF.12/Inf.06, available at http://www.thegef.org/gef/sites/thegef.org/files/documents/Note%20on%20Private%20Sector.pdf

[131] See Project Identification Form (PIF), Southeastern Europe and Caucasus Catastrophe Risk Insurance Facility, available at http://www.thegef.org/gef/sites/thegef.org/files/gef_prj_docs/GEFProjectDocuments/Climate%20Change/Regional%20-%20(4515)%20-%20Southeastern%20Europe%20and%20Caucasus%20Catastrophe%20Risk/04-13-2011%20ID4515%20PIF%20revised-%20SCF.pdf

[132] Evaluation of the Special Climate Change Fund, p.44.

of unsuccessful PIF submissions, and was instrumental in bringing down the average time taken for PIF clearance from 59 months in 2004 to 4 weeks in 2011, and enabling the SCCF Secretariat to meet the 10 day standard for responding to PIF submissions.

However, the evaluation noted that pre-selection criteria were not formally determined or published, and the pre-selection process was often undocumented, lacking transparency and predictability.[133] Further, guidance adopted at COP 17 requested the GEF to "enhance the transparency of the project review process throughout the project cycle". [134]

In response, the GEF have published pre-selection criteria according to which projects can be prioritized. Further, the GEF Secretariat have agreed to communicate the results of the pre-selection process to the Agencies at Adaptation Task Force (ATF) meetings, and to email the minutes of ATF meetings to all GEF agencies.[135]

4.6 Results-management Framework

The results-management framework for the SCCF is the same as for the LDCF set out in Annex 3.

[133] Id. p.47.

[134] Decision 11/CP.17 para.1b, U.N. Doc. FCCC/CP/2011/9/Add.2

[135] GEF, Pre-Selection Criteria for Projects and Programs Submitted under the Special Climate Change Fund, May 7, 2012, GEF/LDCF.SCCF.12/Inf.05, available at http://www.thegef.org/gef/sites/thegef.org/files/documents/Pre-Selection%20Criteria%20SCCF%20Inf.05%20May7.pdf

"Developing countries have a range of needs and country circumstances. Multilateral adaptation funds should allow for a diversity of approaches to ensure that all eligible countries are able to access adaptation finance."

"At this formative stage in international adaptation finance, bilateral and multilateral funds should be willing to take risks. Trying different approaches will be essential to gain experience in what works and what does not work before financial flows are fully scaled-up."

"Future adaptation funds, including the GCF, should avoid the establishment of entirely new mechanisms and processes in the design of their adaptation windows, and seek to build on and improve existing systems for adaptation finance."

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