

# Designing Adaptation Finance for the Green Climate Fund:

## Challenges and Opportunities Drawn from Existing Multilateral Funds for Adaptation

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The views expressed in this working paper are those of the authors and do not necessarily represent those of IGES. Working papers describe research in progress by the authors and are published to elicit comments and to further debate.

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### Lists of Abbreviation

Acronym	Name
CIF	Climate Investment Fund
FSPs	Full Sized Projects
GCF	Green Climate Fund
GEF	Global Environmental Facility
LDCF	Least Developed Countries Fund
MDBs	Multilateral Development Banks
MIEs	Multilateral Implementing Entities
MSPs	Medium Sized Projects
NAPAs	National Action Plans for Adaptation
NIEs	National Implementing Entities
PPCR	Pilot Programme for Climate Resilience (Under the CIF)
PPRC	Project and Programme Review Committee (under the Adaptation Fund)
PFG	Project Formulation Grant (under the Adaptation Fund)
PIF	Project Information Form
PPG	Project Preparation Grant (CIF)
RIEs	Regional Implementing Entities
SCCF	Special Climate Change Fund
SCF	Strategic Climate Fund
SIDs	Small Islands
SMEs	Small and Medium Enterprises
SPCR	Special Programme for Climate Resilience
STAP	Science and Technology Advisory Panel
UNFCCC	United Nations Framework Convention for Climate Change

## 1. Introduction

Supporting adaptation to the adverse effects of climate change and building resilience to future climate impacts by means of finance, technology transfer and capacity building have long been two of the main needs of developing countries since the beginning of the United Nations Framework Convention on Climate Change (UNFCCC).

Responding to such needs, adaptation finance has been provided to developing country Parties by means of the financial mechanisms of the Convention, namely the Global Environmental Facility (GEF), Special Climate Change Funds (SCCF), Least Developed Countries Fund (LDCF), and Adaptation Fund (AF), along with other bilateral and multilateral support channels outside the Convention. Outside of the Convention, Climate Investment Funds(CIF) was established in 2008, initiated by multilateral development banks, especially the World Bank, one of which is composed of the Pilot Program for Climate Resilience (PPCR).

In an effort to further enhance support for adaptation, the Parties have agreed to establish the Green Climate Fund (GCF) as a new operating entity of the financial mechanism of the Convention at the 16<sup>th</sup> meeting of the Conference of the Parties (COP16) in 2010. The governing instrument of the GCF, also adopted as an annex to the Durban agreements the following year, defined its basic support modality to developing country Parties through thematic windows including a mitigation window, an adaptation window and a private sector facility (UNFCCC 2011).

As far as adaptation finance is concerned, given that the Cancun Agreements also exclusively decided that “a significant share of new multilateral funding for adaptation should flow through the GCF” (UNFCCC 2010), the adaptation window of GCF is anticipated to play a significant role in promoting enhanced actions on adaptation now and beyond 2012 on top of existing efforts for supporting adaptation.

While the operational details of such windows are to

be constructed through the series of GCF Board meetings starting this year, and how to secure adequate volume of resources flowing into the funds is another point of contention, the operational design of the adaptation window of GCF should fully incorporate both lessons learned and good practices of existing fund experiences in order to ensure effectiveness of the adaptation measures supported.

Against this backdrop, this paper aims to revisit three existing multilateral funds currently under operation specifically supporting adaptation projects and programmes, namely GEF/SCCF, Adaptation Fund, and CIF/PPCR administered by the World Bank. The paper will then identify operational elements which the adaptation window of the GCF could draw on by comparing and contrasting operational modalities and governance of these funds.

## 2. Methodological Framework/Approach

In conducting comparative analysis of selected existing multilateral funds supporting adaptation projects and programmes, the study focuses on two essential stages of the project / programme cycle, namely, project/programme formulation and implementation stages, which are critical for shaping the adaptation measures in view of generating a tangible outcome on the ground. For each stage, the study identifies both strengths and weaknesses of respective funds to be considered for design of adaptation window of GCF..

For the project/programme formulation stage, analysis focuses on procedural steps for proposal preparation and submission, selection of submitted proposals, approval process including technical review and decision-making, and grant support for project/programme preparation.

Likewise, for the project/programme implementation stage, the study focuses on standards and means of monitoring and evaluation.

While LDCF also contributes to adaptation finance, LDCF is excluded from the scope of this

comparative analysis as its primary focus is to support the formulation of National Action Plan for Adaptation (NAPAs) for LDCs, and so far no support was provided for implementation of concrete projects and programmes.

### 3. Background: Understanding Basic Structure and Features of the Selected Funds

Before proceeding with the comparative analysis, it is crucial to understand how the selected funds for adaptation (GEF/SCCF, Adaptation Fund, CIF/PPCR) are structured. This section summarises the basic structures and features of these selected funds.

Starting with the SCCF, the SCCF was established under the UNFCCC in 2001 as a separate trust fund from its core Trust Fund of GEF to finance activities, programmes, and measures relating to climate change (Dec.7/7). SCCF provides financial support to all developing country parties to the UNFCCC for adaptation and technology transfer. The annual budget of SCCF was USD38.8mil in FY2010 (10 projects)<sup>3</sup>, and so far a total of 39 projects and three programmes have been approved for SCCF-A funding (adaptation window) leveraging USD1.25 billion in co-financing, and for SCCF-B (technology transfer window) supporting a total of six projects, which amount to USD26.64 million).<sup>4</sup>

The Adaptation Fund was also established in 2001 based on an agreement at COP7, along with the SCCF and LDCF. It was, however, only operationalised in 2009. The Adaptation Fund gives financial support to concrete adaptation projects and programmes in developing countries that are parties to the Kyoto Protocol and that are particularly vulnerable to the adverse effects of climate change. Over the past two years, the fund has dedicated more than USD166 million to 25 countries.<sup>5</sup>

CIF/PPCR was established in 2008 as an initiative of the Multilateral Development Banks (MDBs), especially the World Bank, outside of the UNFCCC. CIF consists of two trust funds: the Clean Technology Fund (CTF) and Strategic Climate Fund (SCF). The adaptation window for CIF, namely PPCR was established within the SCF. The PPCR provides technical assistance and investments aimed to demonstrate ways to integrate climate risk and resilience into core development planning, projects and programmes of nine countries and two regions. USD1.1 billion has been pledged to the PPCR as of 30 June 2012.<sup>6</sup>

Table 1 captures the structural elements of all three multilateral funds in detail. Despite the observed differences for structural design adopted, all funds are meant to provide financial support to adaptation projects and programmes.

<sup>3</sup> GEF (2010) 'GEF Annual Report 2010'  
<http://www.thegef.org/gef/sites/thegef.org/files/publication/WBAnnualReportText.revised.pdf>

<sup>4</sup> <http://www.thegef.org/gef/SCCF>

<sup>5</sup> <http://www.adaptation-fund.org/about>

[http://www.adaptation-fund.org/funded\\_projects](http://www.adaptation-fund.org/funded_projects)

<sup>6</sup> <http://www.climateinvestmentfunds.org/cif/node/4>

**Table 1: Basic Features of the Selected Funds for Adaptation**

	SCCF	Adaptation Funds	Climate Investment Fund /PPCR
<b>Size of Funds (funds held in trust)</b>	USD 96.77 million (as of 30 September 2011) <sup>7</sup>	USD242.96 million (of which Funds available to support AF Board funding decisions amount to USD 146.57 million (as of 31 December 2011 <sup>8</sup> ))	USD752million (As of 31 March 2012) <sup>9</sup>
<b>Size (actual)</b>	• Ave.USD3.93 million /project or programme <sup>10</sup>	Ave. 7 million USD/project or program	Ave. USD35.9 mil in grant resources and USD26.27 million/per programme or project <sup>11</sup> (request base)
<b>Size (policy)</b>	• Full-sized Projects (over USD 1million) • Medium-sized Projects (USD 1 million or below)	• Regular projects and programmes (over USD1million) • Small-size projects and programmes (up to USD1 million)	USDUS 30-60 million/pilot program <sup>12</sup> (USDUS6-10 million/project, assuming five projects in a pilot programme)
<b>Support area</b>	Adaptation and technology transfer (Projects and programmes)	Concrete adaptation project • programme	Provides incentives for scaled-up action and initiates transformational change for achieving climate resilience at the country level to integrate climate risk and resilience into core development planning and implementation <sup>13</sup>
<b>Eligibility</b>	Non-annex I parties to the UNFCCC	Developing countries that are parties to the Kyoto Protocol	Countries and regions selected by the Expert Group on the basis of systematic climate hazard with vulnerability evaluation framework
<b>Scale of project formulation grant</b>	There is no cap but usually between USD50,000 and USD 350,000 per a project/programme <sup>14</sup>	Up to USD30,000 per project/programme <sup>15</sup>	USD 1.5 mil for maximum total preparation grant Additional USD 1.5 mil for maximum for detailed preparation of the endorsed program for a SPCR <sup>16</sup> .
<b>Area of project formulation grant</b>	Mainly consultant services for the preparation of the project. Some activities such as funding for pilot activities during the preparation are not	Only activities related to country costs are eligible for funding through a PFG <sup>18</sup>	Analysis of Climate Risks , Institutional Analysis, Capacity building, raising awareness, Consultation Process, Definition of Priority Action Needs, including Investments <sup>19</sup>

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<http://www.thegef.org/gef/sites/thegef.org/files/documents/Status%20Report%20on%20the%20Climate%20Change%20Funds%20-%20September%202011%20cover.pdf>

<sup>8</sup>[http://www.adaptation-fund.org/sites/default/files/AFB.EFC\\_.8.7%20Financial%20Status%20of%20the%20AF%20Trust%20Fund.pdf](http://www.adaptation-fund.org/sites/default/files/AFB.EFC_.8.7%20Financial%20Status%20of%20the%20AF%20Trust%20Fund.pdf)

<sup>9</sup> [http://climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/SCF\\_Inf\\_2\\_Trustee\\_Report\\_for\\_May2012\\_meeting.pdf](http://climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/SCF_Inf_2_Trustee_Report_for_May2012_meeting.pdf)

<sup>10</sup> Calculated from the GEF's webpage. <http://www.thegef.org/gef/SCCF>

<sup>11</sup> Calculated from on the draft annual report 2011.

[http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Joint%203%202011%20CIF%20Annual%20Report%20final%20consolidated%20draft\\_0.pdf](http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Joint%203%202011%20CIF%20Annual%20Report%20final%20consolidated%20draft_0.pdf)

<sup>12</sup> approximately half the funds available for grant financing and the other half available as highly concessional loans

<sup>13</sup> CIF • PPCR(Pilot Program for Climate Resilience) supports piloting projects for adaptation and aims at extracting lessons for designing scaled-up adaptation support.

<sup>14</sup> Adaptation Fund (2010) Funding for Project Formulation Costs

<sup>15</sup>

[http://www.adaptation-fund.org/sites/default/files/AFB.PPRC\\_.7.3%20Lessons%20learned%20on%20the%20AF%20Project%20Review%20Process.pdf](http://www.adaptation-fund.org/sites/default/files/AFB.PPRC_.7.3%20Lessons%20learned%20on%20the%20AF%20Project%20Review%20Process.pdf)

<sup>16</sup> [http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR\\_Financing\\_Modalities\\_final.pdf](http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR_Financing_Modalities_final.pdf)

<sup>17</sup> Adaptation Fund (2010) Funding for Project Formulation Costs

<sup>18</sup> Decided in the 15<sup>th</sup> AFB.

<http://www.adaptation-fund.org/sites/default/files/AFB%2015%20report.pdf>

	<b>SCCF</b>	<b>Adaptation Funds</b>	<b>Climate Investment Fund /PPCR</b>
<b>Number of Projects</b>	45 projects and 3 programmes by the end of June 2012)	25 projects/programmes (3 NIEs) (as of October 2012)	9 Country Programme 2 Regional Programme (9 countries) <sup>20</sup>
<b>Financing form</b>	Grant (full adaptation cost) <sup>21</sup>	Grant (full adaptation cost)	Provide grant, concessional loan and guarantee
<b>Project/Programmes</b>	Projects and programmes	Project and Programme ( currently limited to country level, no support at regional level <sup>22</sup> )	Programme (both at country and regional level)
<b>Involvement of implementing agency</b>	One implementing agency involved in one project/programme	One implementing agency (NIE, RIE, MIE) involved in one project/programme	Several MDBs involved in one SRPC
<b>Access modality</b>	Indirect access	Direct access Indirect access	Indirect Access
<b>Fund Sources</b>	Contributions from governments	Mainly from sales of two percent of the value of CERs issued for CDM projects. Contributions from governments, the private sector, and individuals.	Contributions from governments
<b>Relevance to NAPA</b>	Several items including NAPAs are to be considered by projects and programmes <sup>23</sup>	Directly related to NAPA implementation e.g. Senegal	Directly related to NAPA implementation

<sup>19</sup> [http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR\\_Programming\\_and\\_Financing\\_Modalties.pdf](http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR_Programming_and_Financing_Modalties.pdf)

<sup>20</sup> Country program includes Bangladesh, Niger, Tajikistan, Cambodia, Mozambique, Nepal, Zambia, Yemen, Bolivia. Pacific regional program includes Papua New Guinea, Samoa and Tonga and Caribbean region includes Dominica, Grenada, Haiti, Jamaica, Saint Lucia, Saint Vincent and the Grenadines

<sup>21</sup> [http://www.thegef.org/gef/sites/thegef.org/files/publication/23470\\_SCCF.pdf](http://www.thegef.org/gef/sites/thegef.org/files/publication/23470_SCCF.pdf)

<sup>22</sup> Adaptation Fund has been considering accreditation of Regional Implementing Entity (RIE) and supporting projects by RIE and thus it will provide a transboundary project.

<sup>23</sup> [http://www.thegef.org/gef/sites/thegef.org/files/publication/23470\\_SCCF.pdf](http://www.thegef.org/gef/sites/thegef.org/files/publication/23470_SCCF.pdf)

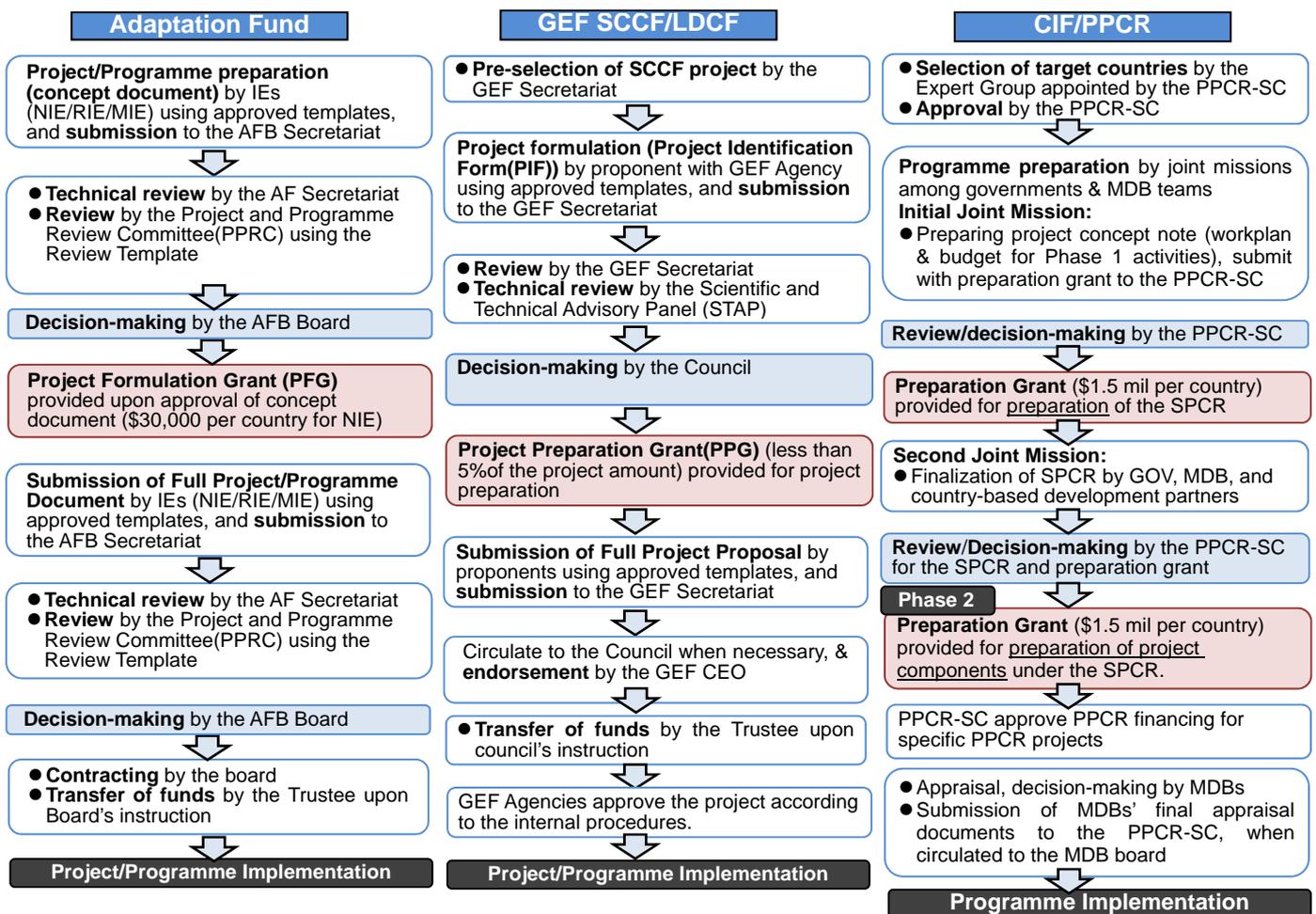
#### 4. Comparative Analysis of GEF/SCCF, Adaptation Fund, CIF/PPCR

Bearing in mind the basic structure of the existing multilateral funds for adaptation, this section provides a comparative analysis on both project/programme formulation and implementation stages.

#### 4.1. Project Formulation Stage

The formulation stage of a project involves a series of steps including project/programme identification, proposal preparation and submission, review and approval process for finance acquisition. Diagram 1 summarises the specific operational steps and procedures required for project formulation for the three funds.

Figure 1. Project Formulation Process of the GEF/SCCF, Adaptation Fund and CIF/PPCR



### **Step-wise Process for Submitting Proposals**

As shown in Diagram 1, each fund adopts a two-step procedures for project/programme preparation.

Both GEF/SCCF and Adaptation Fund require submission of the concept PIFs (Project Identification Form) and concept documents as a first step by applicants interested in acquiring support for their adaptation activities, followed by submission of fully developed PIFs and full proposal documents respectively. In case of SCCF, the eligible developing country, along with GEF agencies and partner agencies, submits a proposal to the GEF Secretariat, whereas accredited implementing agencies (National Implementing Entities(NIEs)/Multilateral Implementing Entities/Regional Implementing Entities) submit proposals to the Adaptation Fund Secretariat. For proposals of smaller scale projects/programmes, both SCCF (project USD 1 million or below) and Adaptation Fund (project less than USD1 million) also offer a one-step, simplified submission and approval procedure.

CIF/PPCR adopts a different procedure for proposal submission from SCCF under GEF and Adaptation Fund. Because CIF is structured to support a “pilot” programme, and pre-selects the countries and the regions to be supported based on systematic climate hazards, it does not go through a competitive selection process such as that carried out by SCCF and the Adaptation Fund. Instead, the country or region to be supported by CIF/PPCR goes through two different phases for programme formulation

through development of the Strategic Programme for Climate Resilience (SPCR) followed by implementation.

### **Review of Submitted Proposals and Approval**

Upon receiving the concept documents or fully developed proposals, all the Funds conduct a screening process to review their contents.

One of the unique features of SCCF which is not observed in other Funds is its pre-selection process whereby the GEF Secretariat streamlines the list of submitted PIFs for further consideration at the beginning of the review process. It introduces this practice to balance out the increasing volume of proposals by project applicants and the amount of financial pledges by donors.

The secretariats of the Funds commonly engage in logistical screening to make sure the submitted proposals meet the requirements. Regarding the technical review CIF/PPCR and SCCF utilise external technical experts to review the quality of the submitted proposals from a technical perspective. For example, the SCCF utilises the Science and Technological Advisory Panel (STAP) to provide comments to the submitted PIFs from thematic experts. In the case of the Adaptation Fund, the Secretariat composed of the GEF staffs engages in a technical review of the submitted proposal documents CIF/PPCR also undertakes a technical review by one or two roster expert(s).

**Table 2. Comparison of external experts related to the three funds**

	<b>GEF/SCCF</b>	<b>Adaptation Fund</b>	<b>CIF/PPCR</b>
Name of Expert Team	Scientific and Technical Advisory Panel (STAP)	No external experts are systematically involved in each project cycle. Technical review is conducted by the Adaptation Fund Secretariat	Roster of Experts
Roles	To provide strategic scientific and technical advice to GEF Council.		To review the draft stage and final document that reflected the reviewer's comments is submitted to SPRC Sub-Committee <sup>24</sup>
Composition	7 expert advisers, headed by the Chair. Others include adviser to the Chair and experts at each theme: climate change, adaptation biodiversity, POPs and Ozone Depletion, Land Degradation and International Waters.		Normally, 1 expert reviewer will be appointed from a roster of experts.

Logistical screening by Fund secretariats and technical reviews by expert teams are eventually consolidated into a recommendation to the upstream decision-making body of the Funds, which becomes the basis for consideration for approval.

In the case of SCCF, STAP screens all the projects over USD1 million to advise the GEF Agency and Council of STAP's concerns and suggest improvements, if any. The STAP's report will include one of three possible advisory responses: no significant concerns; minor revision recommended; and, major revision recommended.

In case of the Adaptation Fund, the Fund Secretariat<sup>25</sup> i.e. GEF staff conducts technical review, review then forwarded for review to the Project and

Programme Review Committee (PPRC) of the Adaptation Fund Board. Based on the recommendation submitted by PPRC, the Adaptation Fund Board then decides whether the submitted document should be endorsed, not endorsed, or rejected. In case of the concepts decided but not endorsed, the implementing entity concerned could re-submit the concept after having reflected the comments by the Board, and revising the overall content. Rejected concepts are not subject to re-consideration by the Board. Endorsed documents are granted permission to proceed to the next step, and then work must be done to elaborate the concepts into full project / programme documents for consideration by the technical review by PPRC and approval by the Fund Board.

In case of CIF/PPCR, the submission and approval process differ from SCCF and the Adaptation Fund. Under the phased approach adopted by PPCR, the proponent government and MDBs conduct a joint

<sup>24</sup> Climate Investment Funds. 2011. 'Procedures for the Preparation of Independent Technical Reviews of PPCR and SREP Investment Plans.'

<sup>25</sup> The secretariat consists of 7 staff and 3 of them are adaptation officers or associates.

mission to prepare a concept document including the activity plan and budget, and then submit it to the PPCR Sub-Committee (PPCR-SC). PPCR-SC then conducts a review and determines the suitability for approval.

Having approved the concept, the target country governments are then asked to develop SPCR on the basis of a second joint mission by the government, MDBs and domestic stakeholders. Upon receiving the SPCR submitted by the target country government, the SPCR is once again reviewed by the PPCR-SC.

The approval of SPCR by the PPCR-SC enters into a second phase (investment) where the target country or the region develops the details of programme components under the approved SPCR. Approval by the PPCR-SC is required before the introduction of an appraisal process for each programme component under the SPCR by the MDBs. Appraisal documents are circulated to PPCR-SC.

### **Provision of Support for Project Formulation**

Provision of financial support to assist the project proponent which is formulating project proposals is observed to be common practice among all the three funds, although their scope, eligible entity and volume vary.

In the case of SCCF, after the concept PIFs have been successfully approved by the LDCF/SCCF Council to be included in the GEF Work Program for further consideration, SCCF provides a Project Preparation Grant (PPG) in the range of USD50,000 to USD350,000 per project. PPGs are provided to all GEF agencies upon approval of the request. In this case, GEF agencies involved in the project are required to submit fully-developed PIFs within 18 months after the approval of GEF.

In the case of the Adaptation Fund, Project Formulation Grants (PFG) of USD30,000 are provided to all the endorsed concept

project/programme documents of NIEs. MIEs and RIEs are not eligible to receive PFGs. The provision of PFGs selectively to NIEs is to provide extra incentives for nurturing national ownership through project/ programme formulation, and address any financial capacity gaps with non-NIEs under the limited financial resources of the Fund. NIEs are requested to submit full project / programme documents within 12 months after the acquisition of PFGs (only activities related to country costs would be eligible for PFG funding<sup>26</sup>).

In the case of CIF/PPCR, upon receiving the endorsement of PPCR in Phase 1, a grant of up to USD1.5 million is provided to the target countries. This grant is provided mainly as seed money for preparing a country or regional SPCR which serves as the foundation document for a target country to transition to Phase 2. The scope of the usage of the grant is broad, including domestic capacity building and awareness activities. Under Phase 2, the CIF also provides an additional USD1.5 million for preparation of individual components under the approved SPCR. The second round of financial support, however, is not limited to grants. It is a mixture of different support tools including grants and concessional loans.

#### **4.1.1. Observed Strengths and Weaknesses at the Project / Programme Formulation Stage**

Based on the above procedures for project / programme formulation adopted by the SCCF, the Adaptation Fund and CIF/PPCR, procedural strengths and weaknesses have been identified. Table 3 summarises the observed strengths and weaknesses.

<sup>26</sup>

[http://www.adaptation-fund.org/sites/default/files/AF\\_B\\_12-Report.pdf](http://www.adaptation-fund.org/sites/default/files/AF_B_12-Report.pdf)

**Table 3. Strengths and Challenges at the Project / Programme Formulation Stage of the SCCF, Adaptation Fund and CIF/PPCR**

	<b>GEF/SCCF</b>	<b>Adaptation Fund</b>	<b>CIF/PPCR</b>
<b>Strengths</b>	<ul style="list-style-type: none"> <li>Quality of proposals is to a certain extent ensured by 1) two-step application process, 2) fair volume of support for project formulation</li> <li>STAP utilised for technical review of proposals</li> </ul>	<ul style="list-style-type: none"> <li>Quality of proposals is to a certain extent ensured by two-step application process</li> <li>More transparency of approval process with Board's comments</li> <li>Able to respond to immediate needs with relatively shorter time for approval</li> </ul>	<ul style="list-style-type: none"> <li>Quality of SPCR ensured by 1) phased approach for programme formulation</li> <li>Diverse needs accommodated by extensive support</li> <li>Technical expertise (roster of experts) harnessed directly for SPCR formulation stage</li> </ul>
<b>Challenges</b>	<ul style="list-style-type: none"> <li>Competitive process: more challenges for approval of countries with less capacity</li> <li>Less transparency of approval process</li> </ul>	<ul style="list-style-type: none"> <li>Competitive process: more challenges for approval of countries with less capacity</li> <li>Much fewer numbers of approved NIEs projects</li> <li>Limited volume/role of PFGs for project formulation</li> <li>Relatively less technical expertise of PPRC during review of proposals</li> </ul>	<ul style="list-style-type: none"> <li>Longer time required for programme formulation</li> <li>Benefits only shared by selected countries and regions</li> <li>Full involvement and large support of MDBs in programme formulation might induce donor dependency</li> </ul>

● **Two-step project/programme formulation process**

Adoption of a two-step process by GEF/SCCF and Adaptation Fund is considered a strength as this gradual, step-wise process enables reviewers to check whether submitted PIFs and proposal documents are adequately framed in accordance with national adaptation priorities and needs at an early stage of the project/programme cycle. Such a process also enables proponents (implementing agency, host government) to reflect any necessary modifications and revisions in the process. The phased approach adopted by CIF/PPCR for SPCR formulation stage also serves as a basis for ensuring the quality of the programme to be developed under the Fund.

● **Project formulation support**

A much larger volume and wider scope of support (USD1.5 million for each Phase) provided by CIF/PPCR contributes to ensure the quality of the country / regional programme, while at the same time meeting various needs of recipient countries during the formulation stage. While ownership of recipient countries are respected by means of their active engagement in the programme formulation stages, including joint missions, there is a concern that provision of a large volume of financial support and full involvement of MDBs throughout the process might induce donor dependency of recipients. In the case of GEF and AF, a limited volume and scope of support provided may have a limited role in contributing to project formulation and thus some countries with low

capacity may have difficulties in project formulation for a larger project.

- **Role and contribution of external technical experts**<sup>27</sup>

While CIF/PPCR and GEF utilise external technical experts during the project and programme formulation stage,, the scope of their roles is different. Direct engagement of a roster of experts under the CIF/PPCR to advise on programme formulation certainly strengthens each individual component of country/regional SPCR in view of the anticipated outcome and sound process of project formulation e.g. environmental impact assessment. However, they do not necessarily represent the in-house technical capacity of CIF/PPCR. In fact, GEF's STAP institutionally resides within the GEF thereby representing the in-house technical capacity of the Fund. STAP indirectly engages in project formulation by providing technical comments to the submitted PIFs and advice to the GEF Council. Regardless of the different ways that technical experts can be used, they do contribute to improving the quality of the project / programmes. However, GEF may face difficulties in securing a wide range of adaptation sectoral experts and accommodate the ever-changing number of PIFs for comments. In case of the Adaptation Fund, it does not utilize external technical expert and substitutes its own secretariat i.e. GEF staffs..

- **Disclosure of comments for non-approved projects/programme**

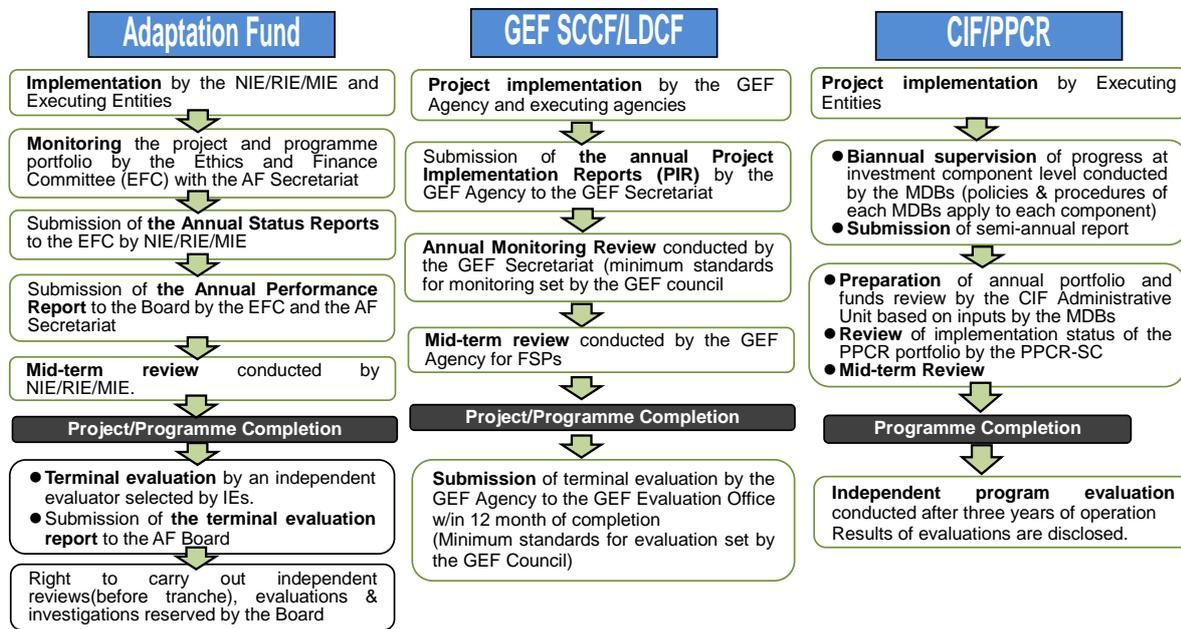
While all the Funds observe disclosure of the approval status on submitted proposals by means of council/board documents, treatment of non-approved project/programme is also observed only in the AF. Disclosure of such non-endorsed/non-approved project/programme proposals with specific comments for improvements by the Adaptation Fund Board is regarded as a strength, as it provides transparency to the decision-making process, and also provides an opportunity for the applicant to absorb lessons learned towards revision and re-submission of proposals. GEF/SCCF, on the other hand, does not observe such disclosure for PIFs that are not approved, which may undermine the transparency and opportunity for revision by applicants. In case of CIF/PPCR, disclosure of approval is less relevant as PPCR pre-identifies the countries and the region that it intends to support and the Fund does not have a competitive fund acquisition process.<sup>28</sup>

#### 4.2. Project Implementation

Upon the approval of projects/programmes by the respective governing body of the funds, they move on to the next stage of the project cycle: implementation. Diagram 2 summarises the operational steps and procedures required for the project implementation stage for each fund.

<sup>27</sup> There is a COP decision regarding use of experts: 'in carrying out its functions the Board will develop mechanisms to draw on appropriate expert and technical advice, including from the relevant thematic bodies established under the Convention, as appropriate' (FCCC/CP/2011/9/Add.1) <http://unfccc.int/resource/docs/2011/cop17/eng/09a01.pdf>

<sup>28</sup> In practice, no case can be found where SPRC was declined by the PPCR Sub-Committee as of October 2012.

**Figure. 2 Project/Programme Implementation Process of the SCCF, Adaptation Fund, CIF/PPCR**


### Monitoring the Progress

Monitoring the progress of the approved projects/programmes serves as the essential element to ensure the quality and anticipated impacts.

For SCCF, approved projects and programmes are implemented by GEF agencies and GEF project agencies (GEF partners). GEF has Minimum Requirements for Project M&E in ‘The GEF Monitoring and Evaluation Policy 2010’ for guiding GEF partners to conduct monitoring. In this process, GEF partners first conduct on-site monitoring of the on-going projects and programmes, and report the progress back to the GEF agencies. The GEF agencies then develop an annual Project Implementation Report (PIR) to be submitted to GEF Secretariat, and they in turn conduct annual monitoring and review based on the submitted PIR. The result of the review by the Secretariat is summarised into a report to be submitted to the GEF Council. In case of full-sized projects (FSP), mid-term review is also conducted during the implementation phase.

For the Adaptation Funds, housing direct and indirect access modality allows NIEs, RIEs and MIEs to

implement concrete adaptation projects and programmes. Because the accreditation process of the implementing entities includes monitoring and evaluation criteria, certain level of monitoring and evaluation capacities are said to be ensured. During the implementation stage, these implementing entities conduct monitoring and submit an Annual Performance Report to the Ethics and Finance Committee (EFC) of the Fund. At this stage, EFC conducts an overall review of the project and programme portfolios, and reports the results to the Adaptation Fund Board. Implementing entities also conduct mid-term reviews during the implementation stage.

For CIF/PPCR, monitoring is conducted at the programme component level by MDBs in charge, in accordance with the banks’ in-house procedures for monitoring and evaluation, and MDBs report the results to the PPCR Sub-Committee semi-annually. Upon receiving the report by MDBs, the administrative unit of the CIF Secretariat prepares a review of the documents along with the programme portfolio, for submission to the Sub-Committee. The PPCR Sub-Committee then conducts an overall review, to be eventually reported back to the

overseeing body of SCF. MDBs also annually reports to the Trust Fund Committee for their SCF targeted programmes. During the monitoring stage, it is one of the characteristics that it provide technical assistance, unlike SCCF and Adaptation Fund.

### Project / Programme Evaluation

In terms of the evaluation process of the completed projects and programmes, SCCF follows its Guidelines for GEF Agencies in Conducting Terminal Evaluations. The guidelines require the evaluation department of the GEF agencies to conduct post-evaluation within 12 months after project completion, the results of which are to be submitted to the GEF Evaluation Office. On-sight surveys during the review process by the GEF Evaluation Office, however, only play a limited role.

For the Adaptation Fund, in the case of regular size projects and programmes, independent evaluation nominated by the implementing entities is conducted, and the results are summarised in a report to be submitted to the Fund Board. On top of this

evaluation procedure, the Board reserves the right to carry out independent reviews, evaluations or investigations of the projects and programmes as and when deemed necessary.<sup>29</sup> Nonetheless, there is no evidence that this right is executed on existing portfolios so far.

As for the evaluation process of CIF/PPCR, independent evaluation is to be conducted after three years of operations of the Trust Funds, looking at the impacts of the activities. Results achieved through the funds are to be made publicly available. Overall, CIF/PPCR provides a greater degree of autonomy in programme management by MDBs; each MDBs will follow its own procedures for monitoring and evaluation<sup>30 31</sup>

#### 4.2.1. Observed Strengths and Weaknesses in the Implementation Stage

Based on the above implementation procedures adopted by the SCCF, the Adaptation Fund, and CIF/SCCF, procedural strengths and weaknesses have also been identified. Table 3 summarises the observed strengths and weaknesses of each Fund.

**Table 3. Strengths and Challenges over the Implementation Stage of the SCCF, Adaptation Fund, and CIF/PPCR**

	GEF/SCCF	Adaptation Fund	CIF/PPCR
Strength	<ul style="list-style-type: none"> <li>Consistency ensured by in-house M&amp;E policy</li> </ul>	<ul style="list-style-type: none"> <li>Consistency ensured by in-house M&amp;E policy</li> </ul>	<ul style="list-style-type: none"> <li>Technical assistance for project implementation</li> <li>Discretion of MDBs in monitoring and evaluation</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>Lack of technical support for project implementation</li> <li>Strong reliance on written materials by the Fund during evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Lack of technical support for project implementation</li> <li>Strong reliance on written materials by the Fund during evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Possible inconsistencies in level of monitoring and evaluation among programme components</li> <li>Lack of on-site visits by the Fund during evaluation</li> </ul>

<sup>29</sup>

<http://www.adaptation-fund.org/sites/default/files/OPG%20Revised%204.4.12%20with%20annexes%29.pdf>

<sup>30</sup> CIF(2010) 'Pilot Program for Climate Resilience (PPCR) Results Framework

<sup>31</sup>

[http://climateinvestmentfunds.org/cif/monitoring\\_and\\_evaluation](http://climateinvestmentfunds.org/cif/monitoring_and_evaluation)

- **Technical support during implementation stage**

Technical support during the implementation stage of approved programme provided by the CIF is considered a strength as it further improves project implementation and enhances the effectiveness of the supported programme. Such support might be requested by those developing countries with less capacity<sup>32</sup>. Provision of support by GEF/SCCF and Adaptation Fund, on the contrary, is limited to the project / programme formulation stage, but is not carried out in the implementation stage.

- **Monitoring and Evaluation Policy**

Because multiple MDBs are usually engaged in one programme under CIF/PPCR, CIF provides only loose guidelines for monitoring and evaluation, and provides a large degree of freedom for MDBs to utilise their own monitoring and evaluation policies to be applied to a particular programme component. This practice, however, indicates that different monitoring and evaluation policies are introduced for different programme components within the same programme. On the other hand, GEF/SCCF and Adaptation Fund adopt an in-house monitoring and evaluation policy, which ensures consistency across different projects and programmes. Another challenge facing the Adaptation Fund, for example, is the capacity of project/programme proponents e.g. governments and SMEs of LDCs, to implement such in-house policies. Although monitoring and evaluation ability is checked in the accreditation process for the implementing entity, further capacity building may be needed to properly adopt and implement such in-house policies.

- **Insufficient on-site visit by funds during Monitoring and Evaluation**

None of the three funds usually make a visit to project/programme site during monitoring and evaluation stage. While ultimate responsibility for monitoring and evaluation fall to the proponents side, lack of visits to the project/programme site might induce a divergence of what is being reported and the actual impacts on the ground.<sup>3334</sup>

### **Recommendations for Design of Adaptation Window of GCF based on Existing Funds Operations and Structures**

While multiple multilateral funds for supporting adaptation measures of the developing countries are currently underway, the Cancun Agreement adopted in 2010 stipulates the establishment of GCF as a new operating entity for financial mechanisms for the UNFCCC. The COP decisions at COP17 held in Durban the following year, also adopted the Governing Instrument for the GCF (UNFCCC 2011).

Based on the progress made thus far, financial support for adaptation area is provided through the so-called adaptation window of GCF, which accommodates the following structural features:

- Significant multilateral adaptation finance flows through GCF
- Introduction of direct access modality
- GCF to support project and programme
- Mechanisms to draw on appropriate expert and technical advice in carrying out functions
- Establishing a framework for the monitoring and evaluation
- Provide resources for readiness and preparatory activities and technical assistance,

<sup>32</sup> MDBs usually provide technical assistance to borrowers during implementation stage. For instance, Asian Development Bank provides its technical support to the supplementary environmental impact assessment to the Southern Transport Development Project, as there was route change of highway after the board approval.

<sup>33</sup> Tarek Rouchdy BA ACIB FCCA AMCT (5 November, 2001) 'Review of the Interim Arrangements of the Adaptation Fund'

<sup>34</sup> Ministry of Foreign Affairs of Finland, Belgian Development Corporation, World Food Programme, Global Environment Facility (May 2009) 'Peer Review The Evaluation Function of the Global Environment Facility (GEF) Final Report'

- A streamlined programming and approval process to enable timely disbursement. The programmes and projects, as well as other activities, funded by the Fund will be regularly monitored in line with rules and procedures established by the Board.
- Development of an information disclosure policy
- Development of mechanisms to draw on appropriate expert and technical advice.

In order to ensure the quality of the project/programmes to be implemented under the adaptation window of the GCF, this paper draws on the comparative analysis of the GEF/SCCF, Adaptation Fund, and CIF/PPCR and lessons learned from existing practices for adaptation finance, and provides the following recommendations for operational elements to be included in designing adaptation window.

#### **Financial Support for Project Formulation**

- A) Setting a broad scope of financial support to be made available for project/programme formulation to accommodate diverse needs of proponents during the project formulation stage (i.e. capacity building, EIA, institutional setup)
- B) Special consideration for resource allocation to the most vulnerable (i.e. LDCs) to supplement their low competitiveness for fund acquisition
- C) Voluntary access to various financial support tools to respond to projects which necessitate a large amount of cost for project formulation (i.e. concessional loans, co-financing etc).

#### **Utilisation of Independent Expert Teams**

- D) Securing a broad composition of independent experts to cover all the

relevant adaptation sub-sectors (i.e. coastal management, agriculture/food security, ecosystem, disaster risk reduction, water resources management, community development, infrastructure)

#### **Transparency of the Approval Process**

- E) Transparency of the decision-making of the proposed project/programme documents by the Board (i.e. regardless of result of the Board's decision) from the perspective of distribution of lessons learned and providing room for improvement

#### **Reinforced Modality for Monitoring and Evaluation**

- F) Resource allocation and provision of technical support for implementation stage, on top of resource allocation for project/programme formulation stage.
- G) Adoption of in-house Monitoring and Evaluation Policy is a must, as the GCF accommodates variety of implementing entities through different access modality.
- H) Adoption of project/programme site visit by the Fund during the evaluation stage. In view of cost efficiency, this could be done through a) setting a certain criteria for the amount, b) when a problem arises in the project, and c) selecting a particular project for monitoring and evaluation as a sample for a year or two years.

### **5. Conclusion**

In the final analysis, this paper revisited three existing multilateral funds for supporting adaptation projects and programmes, namely GEF/SCCF, Adaptation Fund, and the CIF/PPCR, and conducted a comparative analysis of these funds to identify operational elements and lessons learned which could be reflected into designing an adaptation

window for the GCF.

Throughout the analysis, various best practices have been extracted both at project/programme formulation stage and implementation stage of fund operations, including scope of financial support for project formulation, securing of technical experts for both review of proposals and project formulation, transparency over approval process, provision of technical support during implementation and reinforcing monitoring and evaluation through in-house policy and site visits.

While this paper considers the adaptation window of GCF purely from an operational perspective, some elements are left untouched possible overlaps and fragmentation of financial resources among different Funds, which could be further explored by future research.

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