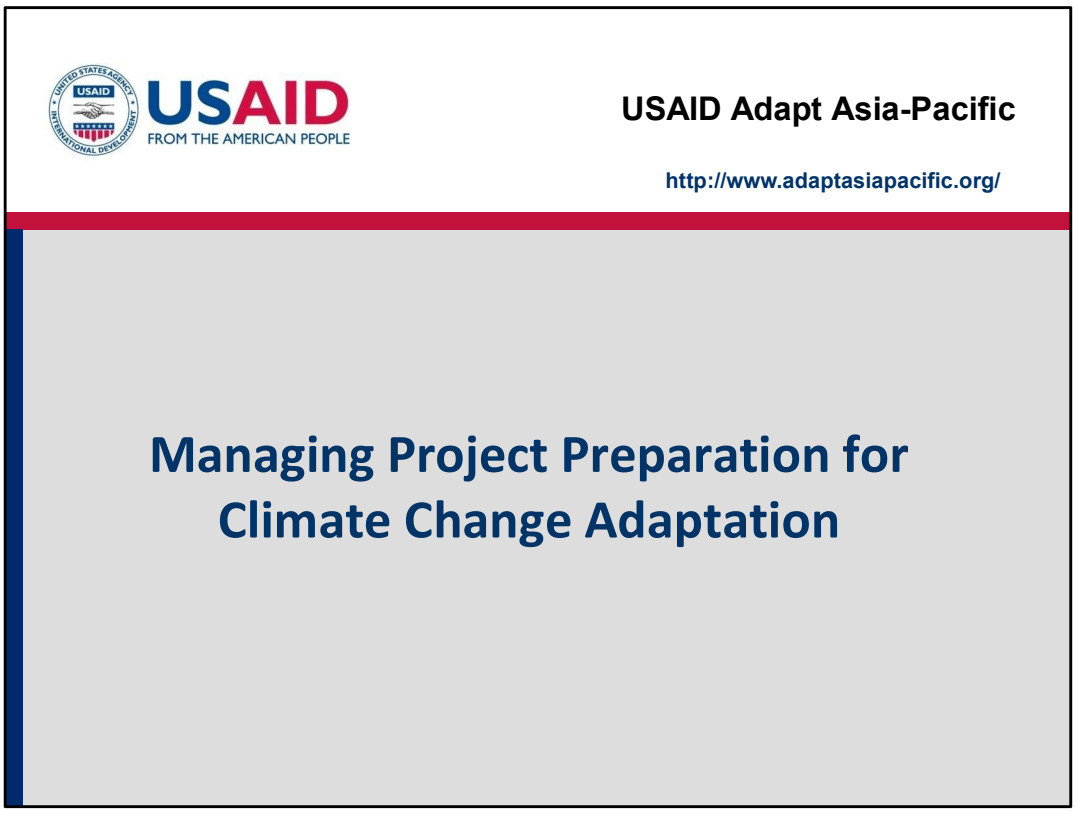


Facilitator: You should introduce yourself: state your name, position, country of origin and/or residence, a little background about yourself either professionally or personally. Keep it short. In many instances your introduction will be incorporated into an opening ceremony.

Mention that the USAID Climate Change Adaptation Project Preparation Facility for Asia and the Pacific Project (**USAID Adapt Asia-Pacific**) is the sponsoring entity of this course and is responsible for its contents, which have been drawn from its own experience and those of many other practitioners in the Asia-Pacific region.

Details about USAID Adapt Asia-Pacific: The financing needs for climate change adaptation in developing countries for 2010-2050 are estimated at $100 billion per year, equivalent to current official development assistance levels across all sectors. As part of the 2009 Copenhagen Accord, Parties to the United Nations Framework Convention on Climate Change agreed to provide eligible countries worldwide $30 billion in "fast-start" financing for 2010-2012, while setting a goal of mobilizing $100 billion per year by 2020.

In the lead up to the COP21 meeting in Paris in late 2015, Governments and agencies pledged new climate finance. ODI estimated that public finance offered by developed countries would result in at least $18.8 billion per year by 2020. In addition, Japan aims to mobilize $10 billion per year in public

and private finance by 2020. New pledges to climate funds, including the Adaptation Fund (AF), Least Developed Countries Fund, and the Green Climate Fund (GCF), added up to more than $1.5 billion (including pledges of $1 million from the city of Paris, and funding from the state government of Quebec). All multilateral development banks have also pledged to scale up climate finance in developing countries substantially by 2020, to more than $30 billion per year. ODI, 2015. Climate finance: what was actually agreed in Paris? 12 December.

Developing countries, however, ***face major capacity challenges in preparing project proposals to access these funds***. An urgent task for the development community, therefore, is to assist developing countries in preparing high-quality adaptation projects.

The principal objective of USAID Adapt Asia-Pacific is to establish a fully functional and self-sustaining adaptation project preparation facility that will not only support preparation of specific projects, but also build the capacity of the region's governments to independently access climate adaptation funds. To establish a sustainable project preparation facility, USAID Adapt Asia-Pacific works closely with funding organizations and government agencies from countries across the region in focused activities in five key areas:

(1) sustainable regional knowledge sharing platform;

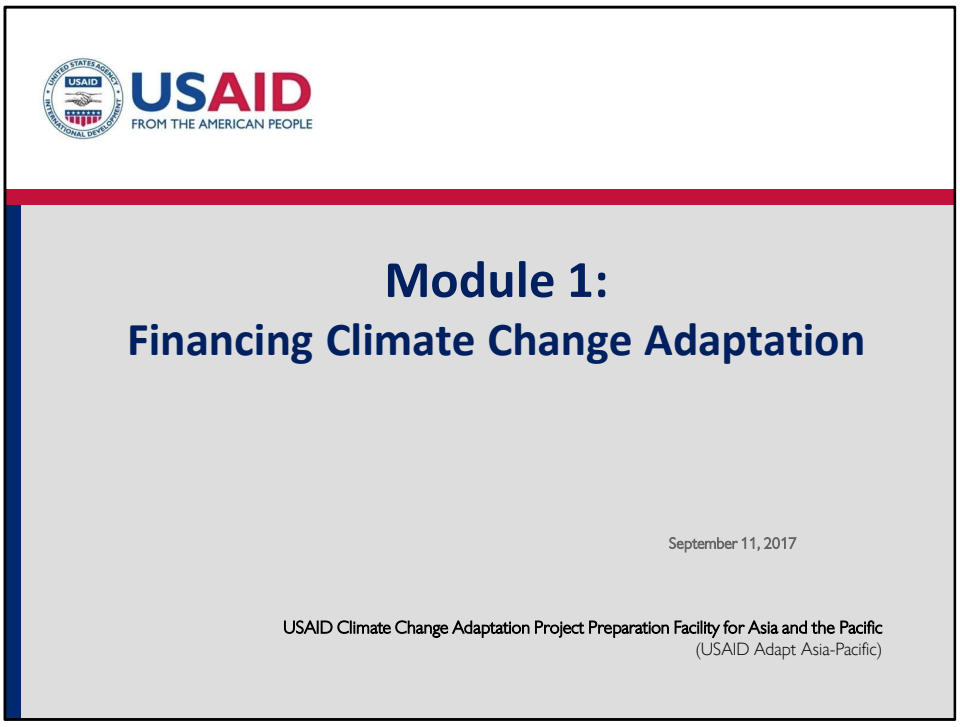
(2) annual forum to bring adaptation funds and project proponents together;

(3) climate change adaptation project capacity building program;

(4) technical assistance in preparing funding proposals; and

(5) overarching program management and coordination for the aforementioned four technical tasks. As cross-cutting themes, USAID Adapt Asia- Pacific will promote regional networking, gender and other social equity issues.

For additional information on the USAID Adapt Asia-Pacific program, refer to the project's website: http://www.adaptasiapacific.org/.



Facilitator: Make sure to change the date on the slide so that it is the correct date.

Estimated Time: 3 hours

The overall goal of this module is to provide you with information that will enable you to develop a strategic plan for financing action on climate change adaptation. As we noted in module 1, adaptation takes many forms and is implemented across sectors and scales. This means that your national adaptation strategy and policy will be implemented through a variety of channels, and these different implementation streams will draw from different financial resources. Coordination, then, is a really critical element of effective adaptation. In this module we'll show you how to determine what kind of adaptation activities are already taking place in your country. We'll describe how to undertake a systematic inventory and accounting of these activities along with the budgetary resources attached to them. Then we'll tell you about external resources that could potentially augment those that have already been committed, and how to access them. Lastly we'll learn about some organizations and institutions that can backstop your efforts.

A key barrier to effective and coordinated adaptation at the national level that has been identified is insufficient awareness as to the need for adaptation as well as sources of funding. Many government officials are not aware of how much finance is available, who

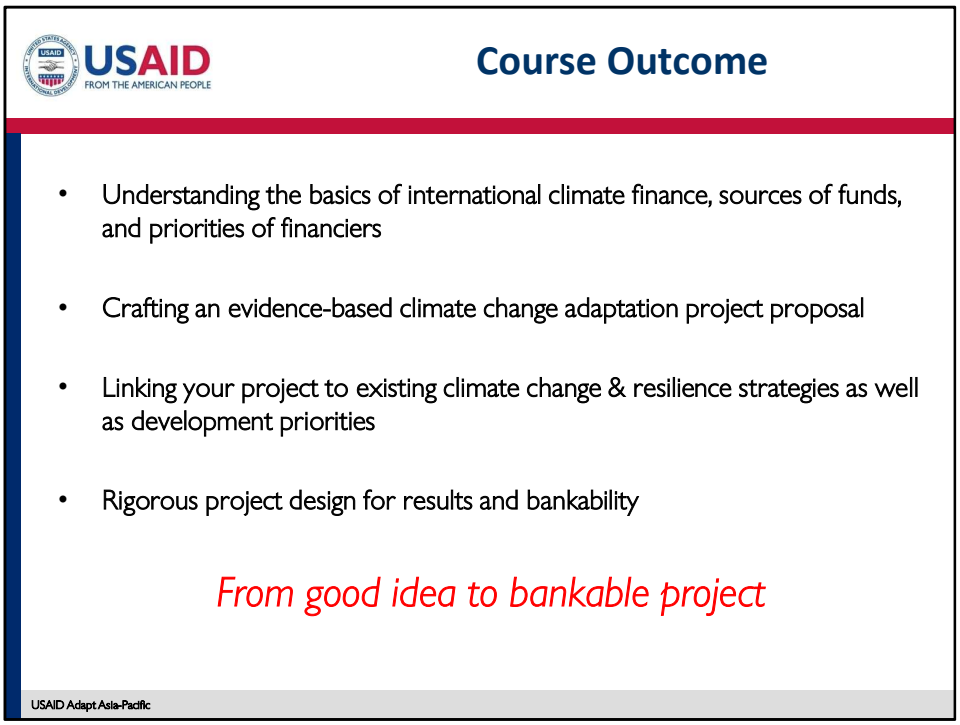
can access it, and how. Moreover, in many cases there are gaps at the national level in terms of understanding financier procedures. Importantly, preparing a project needs to consider from a very early stage where the funding will come from, as the project design will have to follow the format specified by the funding agency. This module will address these critical gaps by:

- Explaining the overall climate financing picture and the forms in which global climate finance takes and how it is delivered
- Explaining *access modalities* and the general structure of international adaptation finance
- Describing the procedures, considerations, priorities and other details of the most relevant international adaptation financiers
- Providing details of regional, multilateral, and non-governmental organizations that provide capacity building and support for accessing adaptation finance.

Another key point to make is that there are some key differences between financing for climate change and financing for standard development projects. Climate change is an unexpected by-product from the process of industrialization that was unintentional and unanticipated. The magnitude of the problem has only recently been realized and broadly accepted, and the more we find out about it, the worse and the more urgent it seems to get. As we pointed out, climate change introduces new problems on top of existing development challenges. It has also been determined that the responsibility for causing climate change rests to a much greater extent on the shoulders of the developed countries than the developing countries, and so the responsibility for addressing it sits with the developed countries as well. At the same time, developing countries, in general, are more vulnerable. So there is a need for developed countries to transfer **additional** financing and resources to developing countries to address climate change so that the developing countries don't have to program resources that are already devoted to addressing development to instead mitigate and adapt to climate change.

As noted in the UNFCCC treaty, "the developed country Parties…shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations….They shall also provide such financial resources, including the transfer of technology, needed by the developing country Parties to meet the agreed full incremental costs of implementing measures that are covered by [this treaty]….The implementation of these commitments shall take into account the need for adequacy and predictability in the flow of funds and the importance of appropriate burden sharing among the developed country Parties".

Another key point to make is that the world of climate finance is changing rapidly, and so all of the information described in this module is changing rapidly and will continue to change in the future.



By the end of this course, the following outcomes will be achieved.

You will know general concepts, basic analytics, what funds are available, what principles, approaches and techniques to use to develop projects

You will know where to get resource material that will help you develop a viable proposal

You will know the "building blocks" of good design and how to get your project approved

You will know the next steps for obtaining support for developing your project. We will provide you with information as to where to go to find ongoing support for developing your project after the completion of these modules. We do not expect that you will be ready to develop bankable projects upon the completion of this course; additional support and mentoring will be necessary to guide you through the process and help you develop your own capacity and the capacity of your staff. We will help you identify sources of support that will eventually enable you to supervise the design of your own projects.

FACILITATOR: Make sure to modify the last point so that it is consistent with the services your program offers. If you are able to provide ongoing mentoring and support, and if that

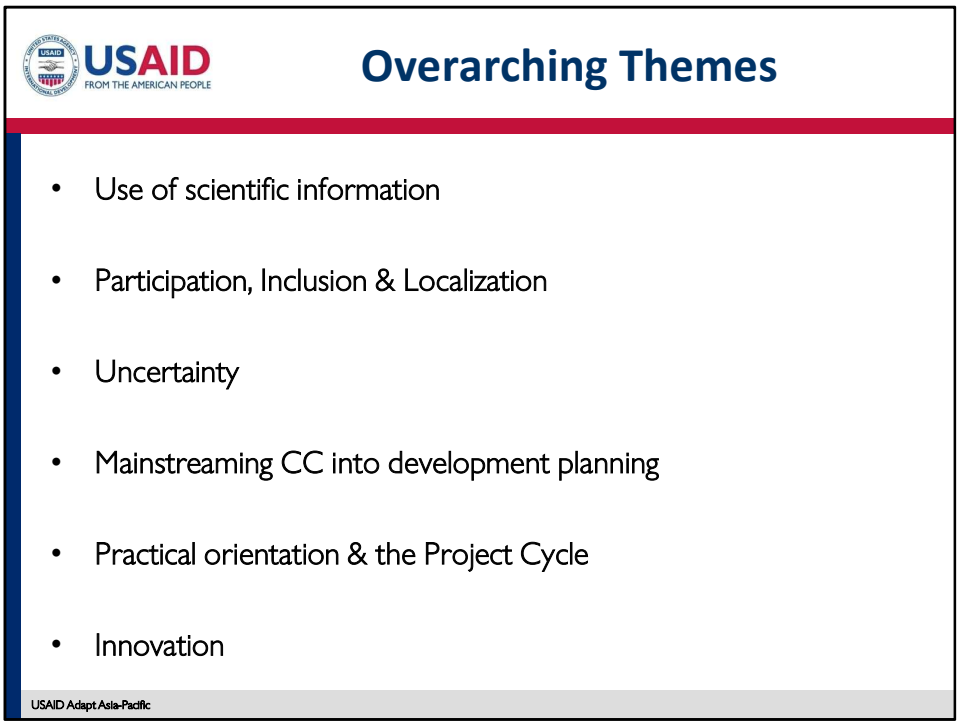
is part of your plan for this course, make sure to change this bullet point accordingly.

Module 2: Finance for Adaptation

This module will cover the main sources of finance for adaptation, focusing on the main international funds, and how to access their resources. If the country in which the materials are being implemented has a domestic fund, the module will cover the domestic fund. Full details for localization of this module can be found in the instructor guide. In addition, the It will include the global Adaptation Fund (AF), Green Climate Fund (GCF), Global Environment Facility (GEF), etc. The aim of the module is to inform participants of the various sources, their requirements for access, an orientation to their formats for project concepts and proposals, and the main features of project proposals that they seek.

Outcomes of module 2: *Trained government personnel who understand the basics of identifying international climate finance for use in future CCA projects in their countries*.

Objective of module 2: Training materials on the various sources of international financing for CCA projects. The materials will be adequate for presenting a one-day module to a group of country officials, including slides, case studies and supporting notes/source information.



This slide discusses some overarching themes of the course. These are concepts that will run throughout the course, broader issues that we will allude to repeatedly over the course of the next few days. These include

Use of scientific information. Scientific rigor is a key element in good project preparation and implementation, and should be a hallmark of every part of the project cycle. An overarching theme is the use of the **latest available science** in providing policy relevant information. Reliable data is crucial for ensuring compliance with best practices as well as for developing successful investments that introduce innovative approaches and obtain exceptional results. One of the key characteristics of climate change adaptation that differentiates it from other development challenges is *uncertainty*, which is described below. This uncertainty applies not only to climate change impacts, but also to future socio-economic trends as these are being affected by climate change. Thus the traditional approach to development, the use of "tried and true" methods and projects, will not be successful in adapting to climate change. Good data, and the capability to effectively interpret and use that data, are important in designing tailored actions for adaptation and for dealing adequately with uncertainty. An important aspect of properly using scientific information includes a general understanding of what climate data is, how to get it and how it is used, as well as the basics of climate modeling and projections, and how global projects are downscaled to the regional and national level.

Participation & Inclusion, & Localization. These two aspects go hand and hand. Climate change has to be relevant to decision makers and stakeholders so that it is taken seriously. In order to develop a localized understanding of climate change, it is necessary to bring to the table a wide range of diverse stakeholders. Addressing climate change also requires utilizing both "top-down" and "bottom-up" sources of information, which again requires the involvement of a wide range of stakeholders.

Another theme related to participation is that it must be inclusive of groups that tend to be marginalized, including women, ethnic minorities, and the urban and rural poor. This is particularly true for climate change adaptation because, as we've noted, the impacts of climate change often fall disproportionately on these groups. Thus effective adaptation involves expanding the reach of participation and planning to include people that are not normally included, such as the aforementioned groups. Involving these groups also enables us to tap into the "bottom-up" information they possess about processes that drive vulnerability, so that effective adaptation strategies can be formulated. Moreover, targeting marginal groups for inclusion in adaptation planning will facilitate the development of strategies that have co-benefits and that help us to achieve other important development goals.

Uncertainty. While we will see that projections of future climate are useful in adaptation planning, the "traditional" way of doing CCA is to conduct spatial analysis based on climate projections (da Silva et al 2012). However, this fails to recognize the inherent uncertainty of climate change data. Moreover, predict and act approaches are not very effective at dealing with "surprise", or unexpected events. Compounding this difficulty is additional uncertainty associated with the trajectory of socio-economic and political processes that interact with climate change; for example, demographic trajectories, trends in economic growth and development, or political changes. Climate change therefore demands us to move from a "predict and act" paradigm to a more flexible, innovative, and open planning process. This paradigm is built on a foundation of systems thinking.

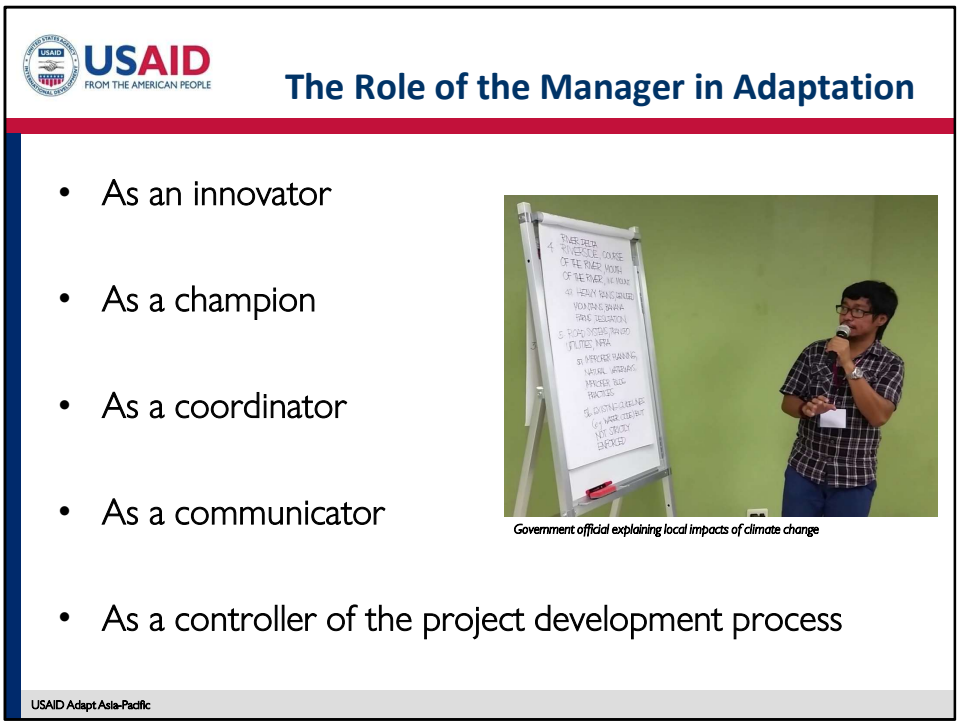
Mainstreaming climate change into development planning. Experience from adaption initiatives, including Rockefeller's Asian Cities Climate Change Resilience Network (ACCCRN) program, indicates that municipalities are only likely to be motivated to sustain and mainstream CCA if the process advances existing agendas, responds to civil society pressure, and/or creates a competitive advantage and opportunity to demonstrate leadership (Kernaghan and da Silva 2014). Mainstreaming also involves moving from the strategy level to the implementation level. Over the past decade there has been a great deal of attention given to increasing resilience and developing plans and strategies to address climate change at all levels of government. And while a great deal of important work has been done, there still exists a gap in many places between developing the strategy and actually implementing it in terms of concrete adaptation projects.

Practical orientation. This module series is designed to help you develop an understanding

of climate change, adaptation strategies, and financing in the context of developing bankable proposals for external funding. Thus throughout the course we will be providing tips and advice based on best-practices and information provided by lenders and donors. In other words, this course is intended to be very practical, and to focus on the challenges and opportunities you encounter as you work to create adaptation strategies. Another aspect of the practical orientation utilized by this course is a step-by-step methodology that entails adequate participation and interaction between local people & experts. We ground our discussion at every step of the way in the **project cycle**, explaining how everything fits into the process of developing a project. We also refer to specific elements of proposal documents from the Green Climate Fund, the Adaptation Fund, and other financiers to illustrate the relevance of the material we are covering.

In addition to this, our practical orientation addresses very real issues related to project development and finance. In general, despite a proliferation in programs, funds, and capacity building materials, in terms of climate change adaptation, so far there has been relatively little success in moving from small-scale, ad hoc adaptation *projects* to more comprehensive and ambitious adaptation *programs.* Moreover, a tremendous amount of effort, learning, and experience has been lost due to a general failure to scale up pilot projects, and to build upon their lessons and replicate their successes. The reasons for this are manifold: lack of capacity, institutional constraints, and limited mindsets, among other factors. Although small projects address critical adaptation needs, the accelerating pace of climate change necessitates greater efficiency and economies of scale to mitigate the always increasing harmful impacts of intensified climate stressors on human systems. This course encourages you to think bigger; to build upon smaller projects and pilot projects and to leverage the experience and knowledge you gain from these to make the shift from rearguard actions that struggle to cope with climate impacts, to more comprehensive solutions that anticipate these impacts before they happen.

Innovation. Whereas climate change mitigation is an established field with many case studies and examples of best practices, adaptation is a relatively new, albeit growing area of policy and practice. In addition, because the impacts of climate change vary from place to place, adaptation is highly dependent on local physical as well as socio-economic conditions. Thus while there are some examples of successful adaptation initiatives, innovation and creativity are essential attributes of successful adaptation.



We understand that as a government official that you probably aren't the one that is actually preparing the project document – even though you may have helped to identify the project concept. But you need to know enough about how a project is prepared and to be able to manage the process to ensure that successful project design is the outcome. This will increase the likelihood the project is funded and successfully implemented. In this slide we discuss some key attributes of an effective manager.

As an innovator. On the previous slide we mentioned that innovation is a critical component of successful adaptation. A good manager is creative and is able to harness the creativity of others to design adaptation strategies. Another aspect of innovation is adopting a **systems approach**. This entails moving behind "silo thinking" (i.e. a narrow focus on sectoral or departmental aspects of a complex issue). A useful quotation to illustrate this point: "…we are interested not just in a coastal waterfront (the system of concern) that has to be better managed in the light of sea-level rise. Rather, we also consider how the actors themselves who manage that waterfront have to change (e.g. their perceptions of or thinking about the environment, use of information, decisions, and interactions with other levels of government). In turn, they may only make these changes if the governance context in which they act also changes (e.g. shaping what is legally or politically feasible, which decision protocols to use, or the timing of certain opportunities to make change in budgeting, planning, or infrastructure replacement schedules). Finally,

the greater context in which both the actor and the system of interest are embedded provides the enabling and constraining contextual conditions that shape adaptive action. Barriers may arise from all three components" (Moser and Ekstrom, 2010). The point here is that an innovator understands the complexity of the issue of adaptation, and the potential role of the manager/executive in facilitating the changes that need to take place.

As a champion. One of the most important lessons from experience in developing adaptation agendas and policies elsewhere is that a major determinant of success is the presence of a leader or sponsor that will take ownership of the issue of adaptation. Champions can shape the direction of an organization and identify opportunities to move adaptation forward in a complex policy environment. One way to do this is to develop a high-level vision statement to guide policy and strategy development. Policy and mission statements can create legitimacy for the project and help to ensure that sectoral strategies are aligned with broader visions.

As a coordinator. Climate change, and adaptation to climate change, is a cross-cutting issue. In other words, it doesn't affect one sector, agency, ministry, or department, but rather has complex, systemic impacts, as we will see later in today's module. Therefore, another important role for the manager is being a leader in forging partnerships inside and outside the apparatus of government. This takes place on several levels.

- Interagency coordination, both horizontally, across different agencies and departments, and vertically, across different scales of government, from local to national, and even global.
- Building institutions and structures for effective project management. It has also been shown that a major variable in terms of successful CCA is government institutions and structures. Establishing an appropriate governing structure from the beginning is critical to later implementation actions (Lebel et al 2013). The role of the manager/executive is paramount in addressing governance issues. Here we focus on several characteristics of effective managers in the context of climate change adaptation.
- Balancing interests. We are all aware that policy is a contested process that involves competition and negotiation between actors. It is a process that brings together actors and networks with different viewpoints, values, and objectives. There is room to maneuver with policy, and so policy entrepreneurs combine the roles of champion and advocate to influence and shape policy by balancing competing interests, finding common ground and synergies between them. In other words, aligning interests and motivations with adaptation objectives.

As a communicator. In the previous slide we noted that science is a cross-cutting theme of this course. Good managers understand the potential applications and limitations of scientific data and information. "Adaptation leaders use science as a discursive and symbolic tool to attract interest and commitment from political decision-makers and to communicate the importance of policies and investments as well as to justify their adaptation related

activities" (Carmin et al 2013:229). Managers also need to have a solid understanding of climate change processes and their impacts, as well as the ability to communicate these issues effectively and meaningfully to other stakeholders.

- Communication also involves the creation of spaces/forums/channels where CCA policy is debated, discussed, and shaped, and where the network of diverse actors discussed above is engaged and empowered (Friend et al 2014).
- Effective managers also understand how the ***framing*** of the issue of adaptation can contribute to effective policy making and can improve decision-making, project design, and implementation processes. "Rather than only conveying an abstract scientific phenomenon, or, alternatively, evoking 'gloom and doom' through a focus on big, unavoidable, negative impacts, communicating a positive vision and inviting stakeholders into becoming part of a co-creative process of success is thought to be a more effective approach to public engagement" (Moser and Boykoff 2013:3). Effective framing helps to get adaptation on the policy agenda, to garner high-level support.

As a controller of the project development process. You also need to focus on the more tangible aspects of managing the project or program to ensure that it is conducted according to internationally-recognized best practices and up to the standards expected by funders. This includes ensuring *good governance*, *transparency*, and *accountability*. A good manager understands the measurable aspects of these concepts and monitors the project or program to make sure that the standard of quality remains high. A key part of this is to help ensure accountability and transparency. Some examples of this role include:

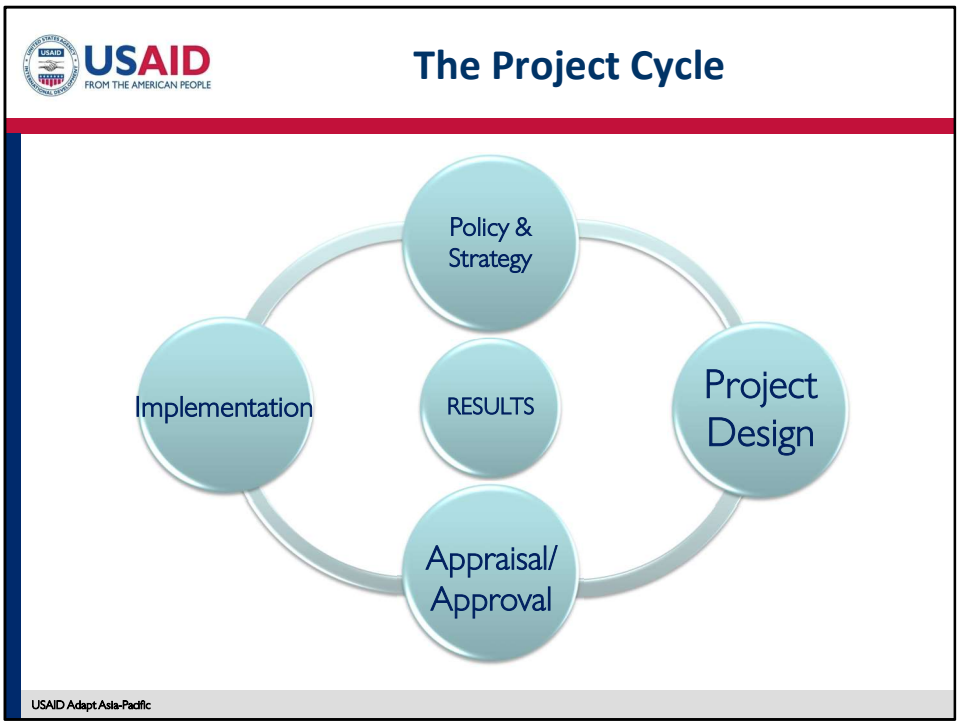
- Transparent shortlisting of qualified firms and experts to be involved in projects
- Recruitment of the best qualified personnel
- Negotiation of contracts allowing adequate budget and following good governance guidelines
- Contract administration and feedback on key reports in a timely manner
- Acting in a way that is supportive of the team and respectful of its role and expertise
- Follow sound principles of appraisal and feedback into design
- Good governance standards throughout all phases of the project cycle.

Another element is a clear understanding of the requirements of funders, and the ability to ensure that these requirements are adhered to through all of the project phases. Not only will this increase the effectiveness and acceptance of the project, but it will help to attract donor support.

Facilitator's note: You may choose to engage the participants in a discussion of the role of the manager in climate change adaptation. Not only will this invigorate the participants and allow them to share, but it also provides an opportunity for you as the facilitator to informally evaluate the level of understanding of the participants, as well as possible needs. Some potential questions for discussion include:

- Ask the participants to share their own experience in managing a climate change adaptation project
- What characteristics make a good manager in your country?
- Do you have a story that you are particularly proud of that illustrates how you overcame political/institutional/financial/cultural or any other kind of barrier to achieve a positive outcome in a project?

The image in this slide shows a government official from Davao City, Philippines, explaining local impacts of climate change at a Urban Climate Change Adaptation and Resilience course, developed and sponsored by USAID's Adapt Asia-Pacific program. Permission has been granted by the individual depicted to use this photograph.



The **project cycle** shows us the main steps in the development and implementation of a project or program, and how each of the steps relate to one another. We can use it here to help envision where climate change and resilience building considerations might be integrated into sector- or city-wide programs of projects. While different agencies and organizations may have slightly different procedures, the project cycle described here should be familiar and comprehensible to most participants. This particular Project Cycle diagram is based on a model developed by **USAID**, and has been adapted for its specific application here on climate change projects.

A good understanding of the project cycle will enable you to manage the entire process so that:

- Projects are supportive of overarching policy objectives and frameworks in your country
- Projects are relevant to an agreed strategy and to the real problem of target groups/beneficiaries
- Projects are feasible, meaning that objectives can realistically be achieved within the constraints of the operating environment and capabilities of the implementing agencies
- Benefits generated by projects are likely to be sustainable.

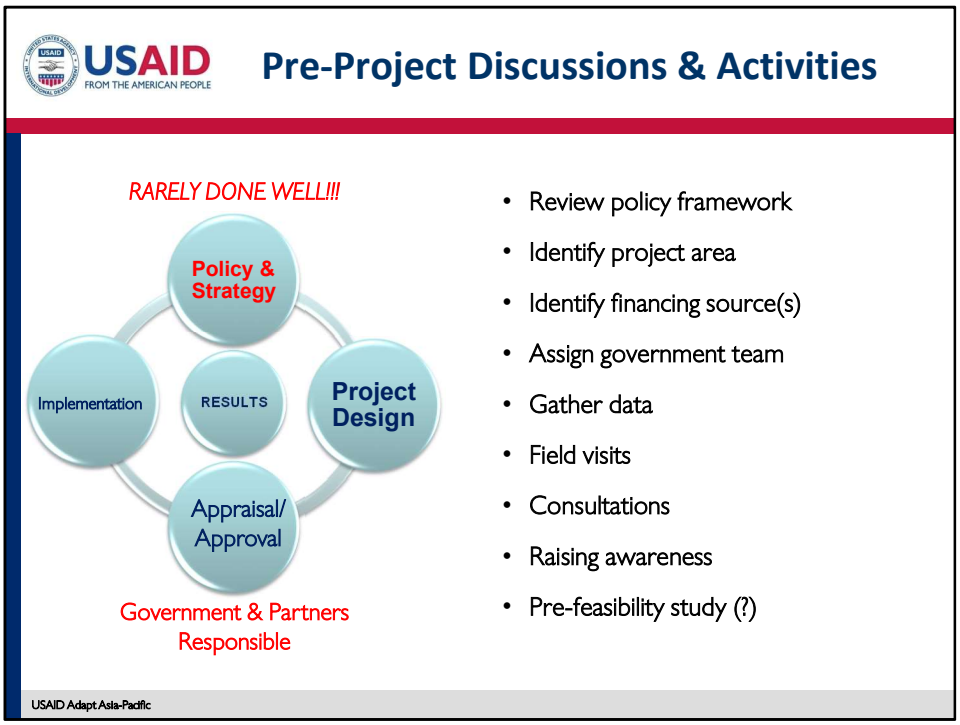
Policy and Strategy. This includes **problem diagnosis**. Here you will address the climate change policies, plans and strategies in your country. The NAP/NAPA provides basic guidance on country priorities. Key tasks will be pre-project discussions, assessing the baseline situation, and screening and scoping.

Project Design. This includes the feasibility study. Key tasks are to identify and assess vulnerabilities, conducting assessments of infrastructure, environment, institutional and social aspects, and exploring alternatives. The outcome of these steps is to select the best option for adaptation. The design team will conduct research, project analysis, and will handle documentation. The government's management team will guide this process and review/appraise draft project documents at key steps along the way.

Appraisal/Approval. This is a rigorous step of verification and feedback and once completed will result in the final project document that is submitted for approval of finance.

Implementation. Implementation is carried out according to the approved design and after financial approval. There may be a comprehensive mid-term review, which in some cases may lead to changes in the project. Monitoring & evaluation is also a part of implementation, and is carried out according to approved indicators and review requirements.

In the next few slides we're going to take a closer look at each of these four stages in the project cycle.



Make sure that adequate time and resources are committed to **project identification**!

Review policy framework. This includes drawing from policy and strategies at country level. The NAP/NAPA is a good first source. This will be covered in module 3.

Identify project area. Based on your review of the policy framework, you will identify the priority area/sector(s) that will be addressed by your project. This will also be covered in module 3.

Identify financing source. This involves understanding the priorities and policies of potential financiers. This will be covered in module 2.

Assign government team. Determine which government agencies and officials will be

responsible for managing the project development process.

Gather data. Compile CC data, project area data, maps that are relevant to the project site(s).

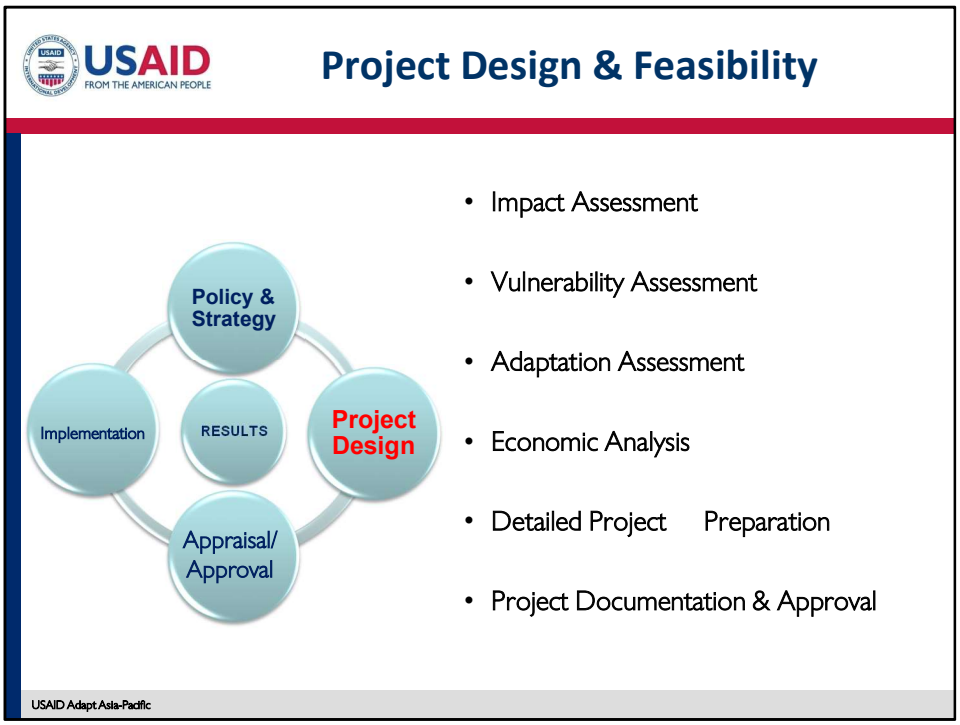
Field visits. This includes field visit(s) to inspect sites, agree upon scope.

Consultations. This task involves identifying key stakeholders, agree their involvement, including financial commitment to design stage and project implementation.

Raising awareness. Ensure cities, towns, rural areas are aware of the broad objectives and key features that are being planned.

Pre-feasibility study. The government may/may not commission its own pre-feasibility study for a project. If it does, adequate budget, TOR and supervision is needed. For a large project, financial support for a pre-feasibility study may be available from a donor – but this is rare. If no PFS is done, then dependency on the financing agency's processes increases.

Once these steps are completed, the government may screen the project according to its own priorities, but detailed design will normally be left to consultants engaged by the financing agency.



The second step is the **Project Design** phase, which is prepared by the project proponent.

In this phase, the objectives, desired outcomes, outputs, activities, and inputs (with targets and deadline dates) are identified and described, in accordance with the policies and strategies set at the local, sector, national, and even international levels.

A results framework (also called a project framework or a project design and monitoring framework) is prepared by the project design team that summarizes the project's design, the baseline situation, targets to be met, means of verification, assumptions and risks. It should clearly set out how the outcomes and outputs will be achieved through various activities (grouped in components as needed) to be implemented by the project and within an allocated budget. A "causal chain" is shown of how the project's outcomes and outcomes will be achieved, and at what cost. A "standard" 6 column format is suggested. The results framework "drives" the write up of the project description – each output is achieved by one or more activities grouped by components – and their number and titles in the framework are used consistently in the text.

During the project design the potential climate change (and disaster) risks and potential

impacts on the area being analyzed should be assessed in terms of reducing its vulnerability. This vulnerability is a function of the "adaptive capacity" of the populations, areas, and types of assets (such as public infrastructure) at risk from the identified threats. The vulnerability assessment procedure will be discussed in module 3. Screening to prioritize projects to reduce climate (and disaster) risk at this stage provides the **opportunity** to avoid excessively risky or ineffective ("high regret") projects or programs, to build in appropriate climate risk reduction and mitigation measures, and identify potential sources of available climate financing. This screening procedure should be institutionalized within local organizations both within and outside of the government.

Economic and Financial Analysis, Social Analysis. These will be covered in module 4.

Impact Assessment. What are the current and historical trends in climate? How is climate projected to change in the future and in what ways? How will this affect natural and human systems of interest? Root causes. Assumptions about CC and impacts.

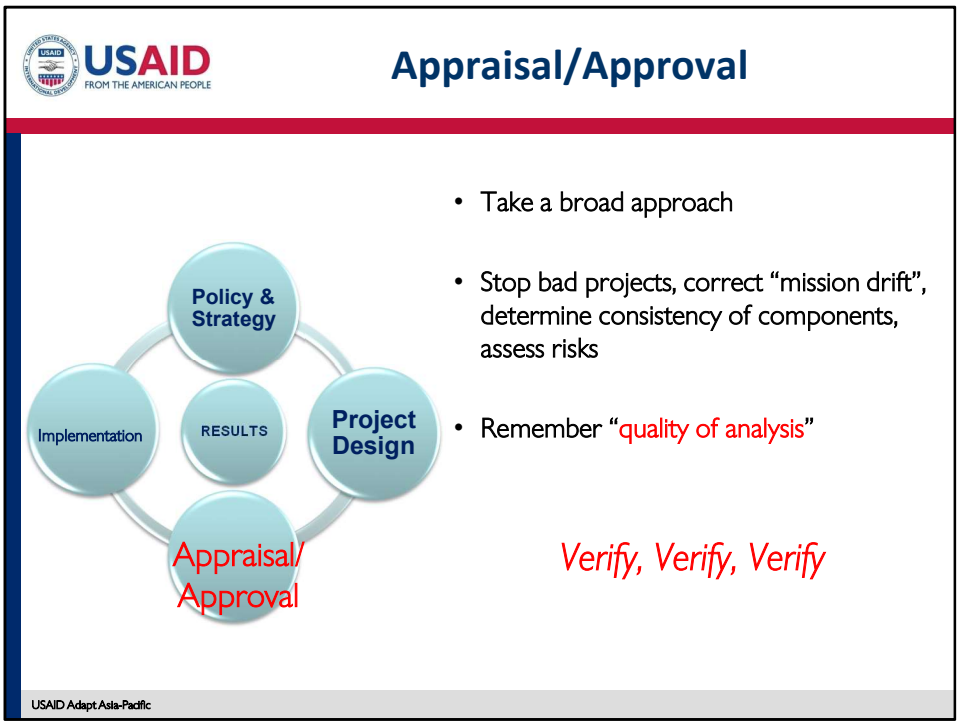
Vulnerability Assessment. How many people have historically coped with heavy rain, floods, landslides, drought, storm surges, other weather events. Most vulnerable areas and groups.

Adaptation Assessment. What adaptation solutions are technically feasible to address projected vulnerabilities. CBA, cost-effectiveness analysis. Preferred option identified

Detailed Project Preparation using participatory processes for design and monitoring framework – outcomes, outputs, activities. Detailed project costs. Resilient livelihoods. Safeguards. Procurement plan. M&E system designed, emphasis on CCA indicators. These aspects are covered in module 5.

Project Documentation & Approval – show the templates of the AF & GCF and discuss how the sections are laid out.

Gender considerations – how does the problem affect women and men differently, do the proposed solutions affect women and men differently, how are these differences observed and documented, is it important to have women members of the project design team, are there specific activities that could be included in the project design to address some of the gender differences, how should fundamental issues like empowerment be addressed in the project design?



The third step is the **Project Appraisal** phase when each discrete part of the project is formulated and analyzed in more detail by the donor or lender, in which the viability of the project is evaluated against multiple criteria. Project viability is assessed in terms of economic and financial analysis, environmental and social impacts, health and safety considerations, and the inherent internal or external complexity and difficulty of implementing the proposed activities. During this stage, mainstreaming CCAR would involve undertaking forward-looking climate risk assessments. However, this information might be provided by higher-level organizations both inside and outside of the local or national government. This step provides the **opportunity** to reduce the various risks facing the project, and to take advantage of any opportunities or co-benefits that might arise from tackling them. Here the project parameters, such as its objectives and targets & deadlines within the Logical or Results Framework, its overall budget and specific loan amounts & sources, implementation arrangements, and anticipated risks and conditions for approval are finalized before implementation. Several factors that need to be considered during this stage include (i) justification of the project within the larger strategic and policy context; and (ii) description of the CCAR measures to be taken, their estimated costs & benefits, and the feasibility or viability of those proposed measures.

Government has a key role to play in appraisal. Always think "verify, verify & verify".

Take a broad approach. Project appraisal should take a broad perspective and be thorough to help develop the best and most efficient CCA projects.

Stop bad projects, correct "mission drift", determine consistency of components, assess risks. Appraisal should exercise authority to (i) stop poor projects being developed; (ii) correct or redirect good projects that may be off-track in preliminary design; (iii) determine if project components are consistent; (iv) assess the sources and magnitudes of risk; and (v) to determine how to reduce and share risks.

Remember "quality of analysis". Quality of analysis ("quality at approval or at entry") is a key determinant of the success of a project's performance. A thorough appraisal might cause the project to be redesigned so that it is less likely to fail. Evaluation studies after completion have shown that poorly prepared projects (e.g. those with inadequate appraisal) fail far more often than well-prepared projects.

PROJECT PREPARATION: APPRAISAL ASPECTS (KEITH, IT SHOULD BE EXPLICITLY NOTED THAT THE FOLLOWING MATERIAL IS DRAWN FROM ADAPT'S NABARD GUIDELINES FOR AF FINANCING.)

Project appraisal is an integral part of the design phase for all projects. It is a consistent process of reviewing a given project and providing feedback to the executing entity (EE) so that improvement can be made in the initial design. Appraisal inputs can be made at one time in a formal review or over various inputs depending on the need and the circumstances surrounding project preparation. Detailed design follows appraisal and takes place when findings from the appraisal are reflected in the project design, and the bulk of the project parameters are finalized before implementation.

Role of appraisal: Sound project appraisal should take a broad perspective and be thorough so as to help develop the best and most efficient climate change adaptation projects. It should also exercise authority to (i) stop poor projects being developed; (ii) correct or redirect good projects that may be off-track in preliminary design; (iii) determine if project components are consistent; (iv) assess the sources and magnitudes of risk; and (v) determine how to reduce and efficiently share risks.

Impact of appraisal: Quality of analysis (also called "quality at approval or at entry") has been found to be a key determinant of the success of a project's performance. A thorough appraisal will cause the project to be redesigned so that it is less likely to fail. Evaluation studies after completion have shown that poorly prepared projects (e.g. those with inadequate appraisal) fail far more often than well-prepared projects.

Scope of appraisal: The scope of project appraisal consists of a review of all the materials provided by the EE in the initial project design paper, and identification of any incomplete or overlooked tasks that should be completed to meet the AF requirements. The basic

requirement of each AF project is set out in their template and guidance for its completion – sections 4 and 5 of these Guidelines provide details of these requirements and examples of good quality project analysis. The template requirements provide a useful checklist for appraisal.

Key principles of appraisal are outlined in below:

Table 1 shows general principles of appraisal (adapted for NABARD), and **Table 2** shows the **AF's basic review criteria** and key questions that are used in reviewing submissions as part of their contribution to project appraisal.

Principles of appraisal: General principles have long been applied to project appraisal and selected principles of relevance to AF-financed pilot projects are summarized.

Selected Principles

Comments: Importance of initial project screening. Initial project screening is crucial. Experience shows that rejection of a project proposal is rare, once major project preparation has started.

Table 1: Checklist for NABARD on Shortlisting Pilot Projects

- *Clear specification of objectives (impact, outcome, outputs, etc.)*: Careful specification of the project's objectives (impact, outcome, outputs, activities, inputs) is of critical importance for effective appraisal and successful implementation. It is also essential for evaluation. The quality of the Project Results Framework needs close attention at appraisal.
- *Contribution of sector analysis and co-ordination:* Government's sector priorities, objectives, policies and legal framework help identify logical areas for support, as does the experience of past initiatives. Co-ordination with on-going projects and programs helps avoid duplication.
- *Projects with major impacts:* Special care is needed for projects that have major financial, economic, social and environmental impacts on the economy of a specific region or sector. However for the typically small-scale nature of the AF-financed pilot projects, this is not likely to be a concern.
- *Project Results Framework:* The clarity of the assumptions, targets, indicators and input-output, cause-effect relationships are essential features of the PRF.
- *General purpose of appraisal:* The purpose of appraisal is to make rational choices and contribute to good project design. In view of this dual function the appraisal process cannot be clearly separated from project design. Technical experts will have a major role in project design, but the various forms of appraisal are an integral part of design. The consideration of options during project design is an example of the interaction between design and appraisal. At the decision stage, appraisal will also enable those concerned to ensure the soundness of a project, the superiority of its design to alternatives means of

meeting its objectives and its readiness for implementation. For AF projects appraisal will cover technical, financial, economic, institutional, social, and environmental aspects – with major emphasis on the adaptation required for greater resilience to climate change.

- *Sustainability:* Sustainability has proved to be a useful test in judging a project. The following are essential: a conducive policy environment; clear and realistic goals and objectives; design corresponding to the managerial and technical capacity of beneficiaries and stakeholders; economic soundness and sustainability; affordability in terms of initial costs of operations and maintenance; active stakeholder involvement, including by the poorest and most vulnerable, and gender aspects are adequately covered; appropriate choice of technologies; realistic timeframes; environmental sustainability; compatibility with the socio-cultural context; and adequate capacity to sustain the project benefits after external assistance is completed.
- *Technical appraisal:* Technical appraisal is the basis for all other aspects of appraisal. Technical experts need to show the project can meet its objectives using technologies and standards that are appropriate.
- *Financial appraisal:* Careful financial analysis is needed of the unit costs and capacity of the institution(s) to sustain relevant expenditures to support project benefits after AF funding is completed. Financial analysis of each of the proposed rural livelihood activities is required as these have marketable outputs and quantified costs and benefits. Transparency and consistency of basic assumptions and standards are needed. Sensitivity analysis should test the viability against different market price and cost assumptions. Greater emphasis should be placed on "robust" livelihood activities with strong demand. At appraisal the assumptions and methodology underpinning the cost-benefit analysis should be thoroughly checked and any areas requiring changes should be indicated.
- *Economic appraisal: cost effectiveness analysis:* Cost effectiveness analysis is a requirement of the AF template. This is a form of economic analysis for projects for which economic benefits cannot be quantified in monetary terms but all relevant costs and benefits are taken into account through systematic analysis. In assessing the costs and benefits important tests are: the number of people reached ensuring a reasonable spread of resources; the comparative cost per beneficiary; the unit cost of the services; and the standard and cost of the benefits. The AF advises: *For a fully developed proposal, a clear description of alternative options to the proposed measures should be provided, to allow for a good assessment of the project cost effectiveness. The proposal should compare to other possible interventions that could have taken place to help adapt and build resilience in the same sector, geographic region, and/or community. Quantitative estimates of cost-effectiveness are required only where feasible and useful.*
- *Institutional assessment*: Management and the capabilities of the stakeholder institutions should be considered at appraisal. As improvement of institutional capacity of stakeholders is often a project design feature, adequate assessments of capacity gaps should be identified and a strategy for addressing these should be clearly outlined.
- *Effective maintenance:* Project design should consider practical asset maintenance responsibilities and requirements (financial requirements and skills required), both during implementation and for longer-term sustainability.
- *Target groups and social aspects:* The target groups intended to benefit from the project

and the key local institutions in its implementation should be clearly identified at the outset. Socio-economic and demographic data and analysis of the target groups is required. Attention to gender aspects, vulnerability and equity in distribution of costs and benefits should be priorities in accordance with the AF's Environmental and Social Policy.

- *Environmental assessment and climate change aspects:* Clear identification and assessment of local environmental aspects, especially the key vulnerabilities and hazards, climate change aspects relating to the need for adaptation responses in agriculture and natural resources, trends in rainfall and temperature, etc. Compliance with the AF's Environmental and Social Policy is required.
- *Monitoring and evaluation*: Establishing a practical information system to track implementation performance, quantitative indicators of project progress, assigning responsibilities for monitoring and reporting; appropriate record keeping following generally accepted accounting principles to allow for period auditing; and adequate baseline data for eventual project evaluation are required. Evaluation feedback of results to relevant authorities is an essential function for potential upscaling of pilot projects into broader-based adaptation efforts.

Source: Adapted to suit AF projects from OECD, Paris 1992: Development Assistance Manual – DAC Principles for Effective Aid.
http://www.oecd.org/dac/evaluation/dcdndep/35019650.pdf

WHO APPRAISES PROJECTS?

NIE: The NIE has a key role to play in appraising project proposals. At the project appraisal and detailed design stage, an in-depth climate risk assessment, followed by the identification and selection of adaptation options should be conducted to pinpoint the most appropriate adaptation measures. Beyond this, NABARD HQ staff can provide specific assistance in governance requirements and implementation arrangements, reporting, monitoring and evaluation as required by NABARD's own procedures – specific inputs for Part III of the AF template require such assistance from NABARD. Review comments and feedback on initial design and advice during preparation are also given to the EE by the NIE and the AF to improve design quality (as part of appraisal). It is the EE's responsibility to take in these comments and to fully comply with gaps in the analysis or design changes requested by the AF. For NABARD's provincial staff their role can be more "hands on" with the EEs – e.g. in cost and technical norms, livelihood activity viability, cost effectiveness and cost-benefit analysis, and visits to project sites. For example, DRCSC received such assistance from NABARD staff based in Kolkata in the final stages of the preparation of their project.

Adaptation Fund: The AF Secretariat's reviews of project concepts or full project proposals and feedback of summary comments, are a vital part of the appraisal process for all projects. If the initial full submission is well prepared, the Secretariat's review may identify only minor points that will need correction or amplification. In such cases progress towards approval will normally be quite fast. On the other hand, if a large number of points are raised then multiple reviews are normally required and progress will be slower.

Typical questions asked by the AF as part of its appraisal are as follows in **Table 2.3:**

Table 2: AF Review Criteria and Some Key Questions –
Questions

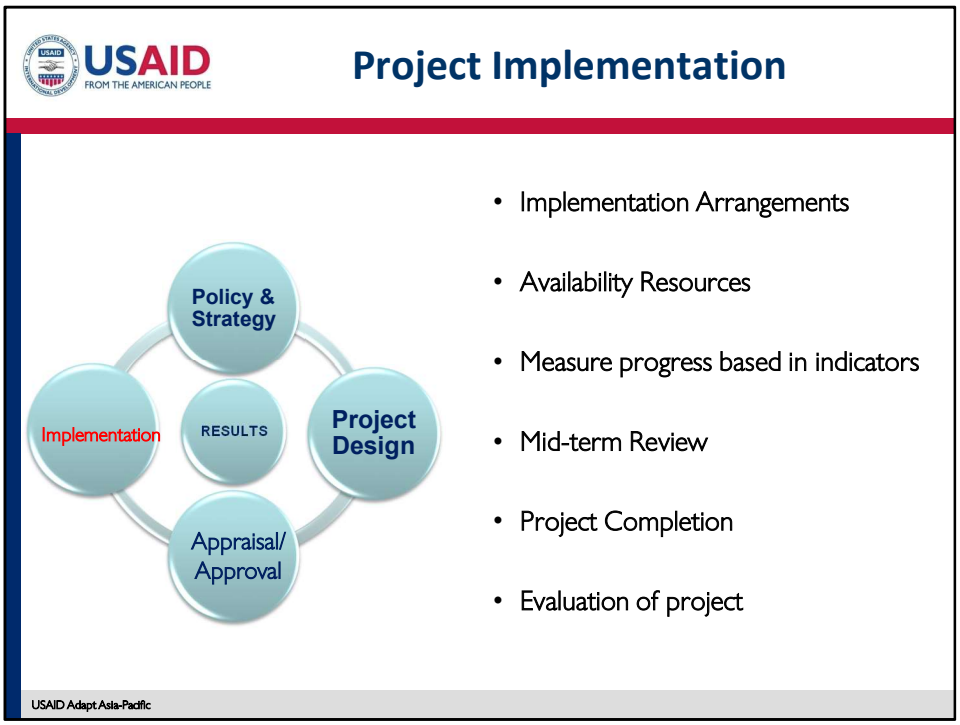
- *Country Eligibility:* Is the country party to the Kyoto Protocol?
- *Project Eligibility:* Has the designated government authority for the Adaptation Fund endorsed the project/programme?
- *Does the project / programme* support *concrete adaptation actions* to assist the country in addressing adaptive capacity to the adverse effects of climate change and build in climate resilience?
- *Does the project / programme provide economic, social and environmental benefits*, particularly to vulnerable communities, including gender considerations, while avoiding or mitigating negative impacts, in compliance with the Environmental and Social Policy of the Fund?
- *Is the project / programme cost effective?*
- *Is the project / programme consistent with national or sub-national sustainable development strategies*, national or sub-national development plans, poverty reduction strategies, national communications and adaptation programs of action and other relevant instruments?
- *Does the project / programme meet the relevant national technical standards*, where applicable, in compliance with the Environmental and Social Policy of the Fund?
- *Is there duplication* of project / programme with other funding sources?
- *Does the project / programme have a learning and knowledge management* component to capture and feedback lessons?
- *Has a consultative process taken place*, and has it involved all key stakeholders, and vulnerable groups, including gender considerations?
- *Is the requested financing justified* on the basis of full cost of adaptation reasoning?
- *Is the project / program aligned with AF's results framework*?
- Has the *sustainability* of the project/programme outcomes been taken into account when designing the project?
- *Does the project / programme provide an overview of environmental and social impacts / risks identified?*
- *Resource Availability*: Is the requested project / programme funding within the cap of the country?
- Is the Implementing Entity Management Fee at or below 8.5 per cent of the total project/programme budget before the fee?
- Are the Project/Programme Execution Costs at or below 9.5 per cent of the total project/programme budget (including the fee)?
- *Eligibility of IE:* Is the project/programme submitted through an eligible Implementing Entity that has been accredited by the Board?

Implementation Arrangements

- Is there *adequate arrangement for project / programme management*?

- Are there measures for *financial and project/programme risk management*?
- Are there measures in place for the *management of for environmental and social risks,* in line with the Environmental and Social Policy of the Fund? Proponents are encouraged to refer to the draft Guidance document for Implementing Entities on compliance with the Adaptation Fund Environmental and Social Policy, for details.
- Is a budget on the Implementing Entity Management Fee use included?
- Is an explanation and a breakdown of the execution costs included?
- Is a detailed budget including budget notes included?
- Are arrangements for *monitoring and evaluation* clearly defined, including budgeted M&E plans and sex-disaggregated data, targets and indicators? Does the M&E Framework include a break-down of how implementing entity IE fees will be utilized in the supervision of the M&E function?
- *Does the project/programme's results framework align with the AF's results framework*? Does it include at least one core outcome indicator from the Fund's results framework?
- Is a disbursement schedule with time-bound milestones included?
- Technical Summary
- A brief comment drawing together all the requirements.

Source: Adaptation Fund Review Sheet.



The fourth step is **Project Implementation** including on-going, systematic **Monitoring** during the project and **Evaluation (M&E)** after implementation. For new projects yet to be implemented, indicators, targets and deadlines need to be selected. For ongoing projects, carry out interventions of previous stages and then implement additional adaptation options. M&E involves the collection, analysis, communication, and use of information about the project's progress. There are four major functions of M&E:

1. Identify successes and problems during implementation;
2. Enable informed and timely decision-making by project managers to support "adaptive management" practices to adjust to changing circumstances;
3. Assess the accountability for the resources and time spent in terms of the results achieved; and
4. "Structured Learning" process to improve future project/program designs and implementation results achieved.

Implementation Arrangements. Focus on implementing the activities under the project. Ensure capacity building is implemented. Identify any other stakeholders.

Availability Resources. Ensure timely availability of staff, counterpart funds, co-financing and all commitments made to implement the project as per design and approval. Timely

procurement of essential items for project implementation.

Measure progress based in indicators. Measure progress according to agreed indicators. Report in a timely manner. Review project progress in a timely manner.

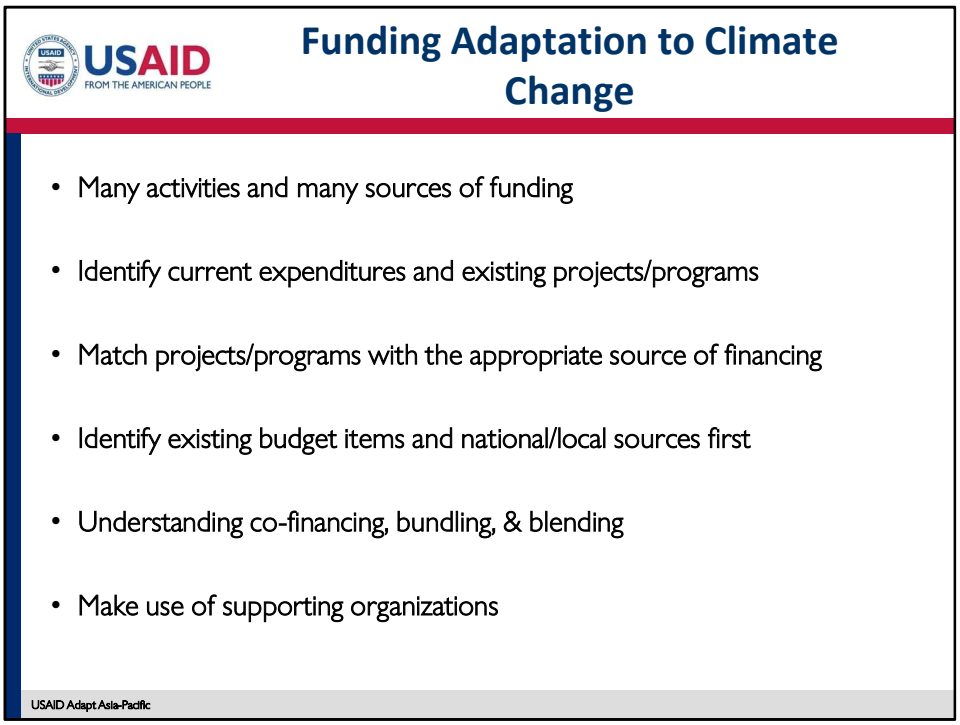
Mid-term Review. Mid-term review (comprehensive) and make changes as/if required.

Project Completion: Completion of project activities within period agreed. Project completion report and use of project outputs (especially knowledge management) in design of future projects.

Evaluation of project. This is generally conducted by an independent team.

The monitoring and evaluation stage is an excellent **opportunity** to learn by doing; to operationalize an important resilience characteristic (**learning systems** and **iterative learning**). However, sometimes M&E for adaptation presents challenges because the benefits may not be directly measurable (for example those designed to reduce vulnerability to low frequency events). In these cases the use of proxies and alternative indicators may help. An example of this would be examining school enrollment rates or livestock sales for a measure aimed at increasing the drought resilience of poor households, since these households often pull children out of school or sell livestock as a coping strategy.

Measuring shocks and stressors: Resilience measurement requires understanding the types, frequency, duration, and severity of shocks and stresses that are occurring, how households and communities perceive these and react, and their capacity to recover. Comprehensive and accurate measurement of resilience, requires data from multiple sources and at multiple levels. In the project context, this means significant interaction (participatory approach) with the stakeholders in design of the project and during implementation.



This slide presents an overview of the practical issues that we are going to cover today. In yesterday's module, our discussion focused on ***understanding*** the problems associated with climate change and making the case for adaptation. In other words, we now understand that we need to adapt to climate change. In this module we will discuss financial tools and resources that are available to support adaptation in your country. The general goal is to establish a knowledge base that will facilitate planning for adaptation projects and programs. This will set us up for module modules 3, 4, & 5, which will take you through most of the project cycle and will guide you through the process of managing project development.

Please take note of each of these points, as they highlight the relevance of today's material.

Many activities and many sources of funding. As we learned yesterday, adaptation takes many forms, and so adaptation to climate change in your country will consist of a variety of projects and programs. Some of these may focus on infrastructure, while others may build the resilience and adaptive capacity of the most vulnerable and marginal groups. Other projects and programs may aim to strengthen institutions. No one single source of funding will cover all of these activities; financial resources will come from existing budgets, dedicated national funds, international funds, and even the private sector. Part of your responsibilities as a manager is to keep track of all of these different activities and sources

of funding.

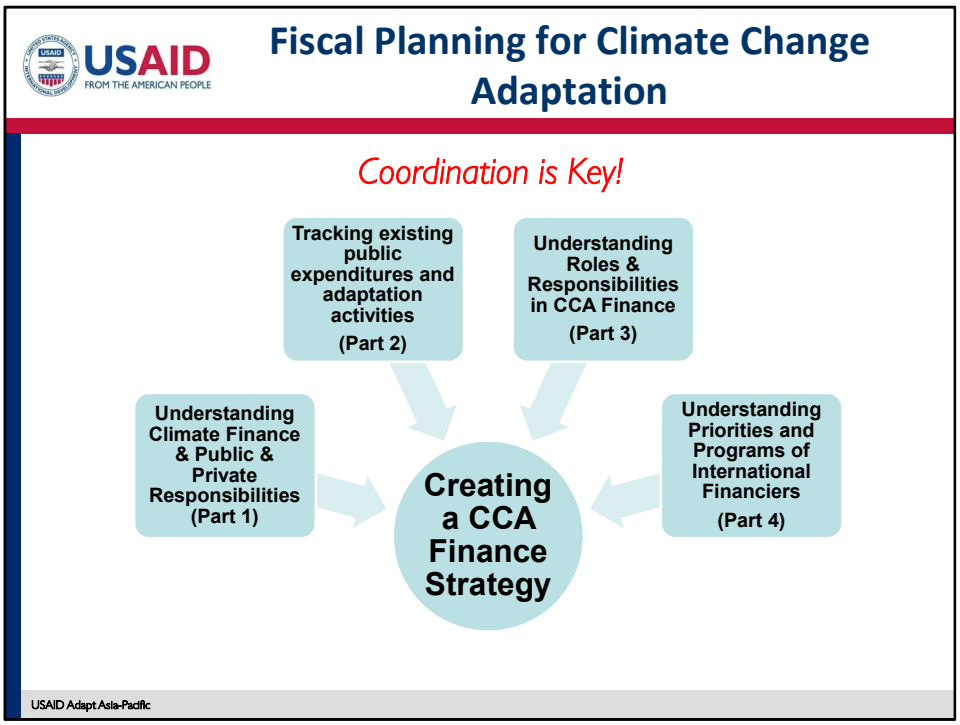
Identify current expenditures and existing projects/programs. We also noted yesterday that some adaptation activities are not classified as "adaptation", but they still achieve adaptation goals. These activities may be taking place under the auspices of different ministries and agencies, and at different levels of government, from the national level on down to the local or municipal level. However, in most cases there is no single coordinating entity or mechanism to track these expenditures. To avoid duplication of effort and inefficient use of scarce public resources, it is important to identify these existing streams. In this module we will discuss a tool, known as Climate Public Expenditure and Institutional Review (CPEIR), that helps governments to track activities and expenditures related to climate change.

Match projects/programs with the appropriate source of financing. Not all funding sources are created equal. Different activities, projects, and programs will be suited for different funding sources. An important skill for managers is to know what sources of funding are most appropriate for the different projects and programs that will be undertaken. In this module we'll discuss the funding priorities of a variety of international and national financiers.

Identify existing budget items and national/local sources first. It is a good idea to exhaust national and subnational funding prior to seeking international funding. This serves at least two purposes 1) it shows international financiers that your country is already endeavoring to address climate change and that international funds will complement existing efforts; and 2) it helps to make the case that additional public resources are needed to address urgent adaptation needs.

Understanding co-financing, bundling, & blending. In terms of international climate finance, many financiers prefer for their resources to be used to leverage additional resources from other financiers, the national government, or the private sector. Understanding how this works will enable you to identify multiple funding sources for different parts of your adaptation programs and get "more bang for your buck".

Make use of supporting organizations. Finally, there are a number of organizations out there that provide technical support for developing projects, programs, and proposals. Knowing about these organizations and the types of services they offer will help you to efficiently manage the project development process and achieve maximum results.



This slide describes how each section in this module contribute to your ability to develop a **climate change adaptation finance strategy**.

In part 1 we'll provide a broad overview of the global landscape of climate finance. This will help you to understand general trends in domestic and international finance related to climate change mitigation and adaptation. We'll cover private and public financial resources so that you can understand the general types of activities that are funded by each. This will help you to develop realistic expectations about how international resources can assist with addressing your adaptation needs, as well as how public and private sector finance can work synergistically to meet adaptation goals.

In part 2 we'll talk about how adaptation fits in within the broader national budget and national project pipeline. We'll discuss some tools for tracking and coordinating climate-related expenditures and activities in the national budget. This is really important for a number of reasons; it will enable you to achieve synergies across sectors, making the most efficient use of public funds. It is also the first step in actually developing bankable project proposals and will help you "make your case" to financiers that external support is warranted for your adaptation projects. The information in this section will also help you think about making complementary use of domestic and international sources of public finance to resource a climate change response.

Part 3 will help you understand how international climate financiers and funds work in terms of administration and breakdown of responsibilities between the financier and the government. There are different administrative setups for different funds and financiers, and this has a direct bearing on the tasks you will be responsible for. An understanding of access modalities for different financiers will help you allocate appropriate administrative and human resources across projects. At some point (if you are not already there), you will be managing several adaptation projects at various stages of the project cycle, which will require you to assign staff to different tasks associated with these projects. The information in this section will help you put your people in the positions where they are most efficient, and will help you identify opportunities for developing the capacities of your staff.

In part 4 we'll discuss several important international climate financiers. We'll tell you their priorities and provide an overview of the types of activities these organizations support. This will be very useful in helping you link your adaptation projects and programs with funding sources, since each financier has its own priorities, requirements, and procedures. Understanding these will give you a "leg up" when you are managing the project development process.

THIS SECTION HAS BEEN REMOVED FOR THE TIME BEING. In part 5 we'll provide a general overview of some organizations that can help you in identifying priorities and developing project proposals.

Coordination is key. Coordination at every step of the way is critical. You as a manager of the process of project development will need to ensure coordination among relevant ministries and agencies, between the government and international financiers, and between the government and other supporting institutions.

Other Domestic Sources

- Existing budget items
- Taxes and fees
- Budget surpluses
- Green bonds
- Contingency reserve funds
- Contingency lines of credit
- Insurance and reinsurance

This section should take approximately 30 minutes.

The general topics covered in this section include:

- Actors and instruments in global climate finance
- Flows and magnitude in global climate finance
- Trends in climate finance and the results & significance of the COP21 meetings in Paris at the end of 2015
- The role of public sector funds in climate adaptation and the need to justify the use of public sector funds.

GOALS: This section aims to equip participants with an understanding of the global landscape of climate finance. Participants will understand the magnitude of climate finance flows as well as trends, which will help in terms of planning for future projects and programs. The section also describes the role of public and private sector finance, as well as the breakdown in terms of adaptation and mitigation finance.

IMPORTANCE: This section is important because it helps participants to understand how much money is currently available at the international level to support adaptation to climate change. Although there are significant resources available, current and pledged funds do not meet the increasing demands for adaptation finance, and likely will not in the

future. Thus participants should understand that prioritizing urgent adaptation needs is critical, and targeting the right funds for the right projects will need to be complemented by the use of domestic resources. Moreover, this section also explains some appropriate uses for public as it relates to climate change. The point is to understand the role of public funding and the government's responsibility; the government is not able and should not attempt to address every adaptation need. This helps participants to understand how to make the most of scarce public resources, and also how to potentially catalyze private sector resources to augment public funds in addressing adaptation needs.

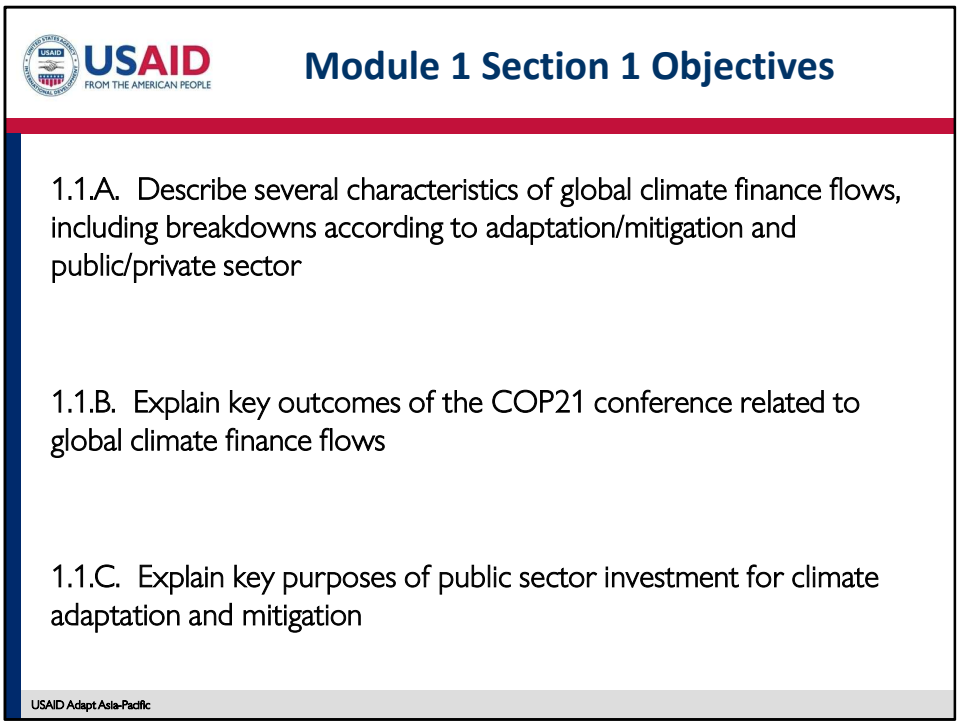
OBJECTIVES:

2.1.A. Describe several characteristics of global climate finance flows, including breakdowns according to adaptation/mitigation and private/public sector

2.1.B. Explain key outcomes of the COP21 related to global climate finance flows

2.1.C. Explain key purposes of public sector investment for climate adaptation and mitigation

OVERALL FIT: This section and all of the sections in this module enable participants to match adaptation projects and programs with the most appropriate sources of funding, which informs the project development process.



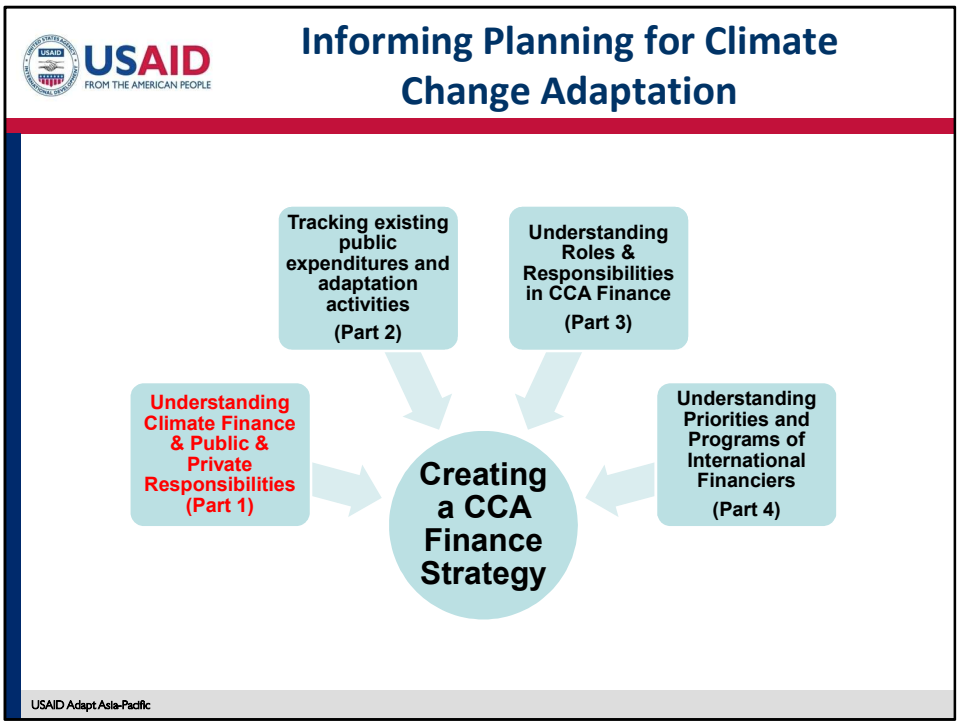
These are the objectives for section 1.

Section 1.1: The Practical Question

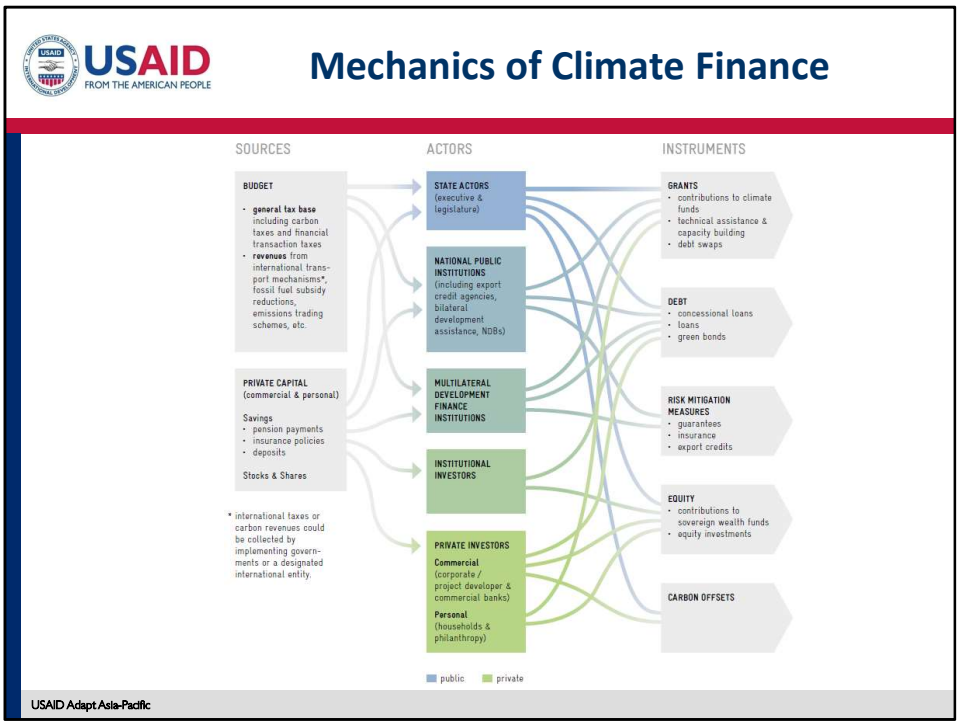
What is the justification for using public funds for your project?

GCF B.2.B: ***Please provide economic and financial justification…for the concessionality that GCF is expected to provide, particularly in the case of grants.***

GCF D.1: ***Please specify why the GCF involvement is critical for the project/programme in consideration of other alternatives***



This slide describes how each section in this module contribute to your ability to develop a climate change adaptation finance strategy.



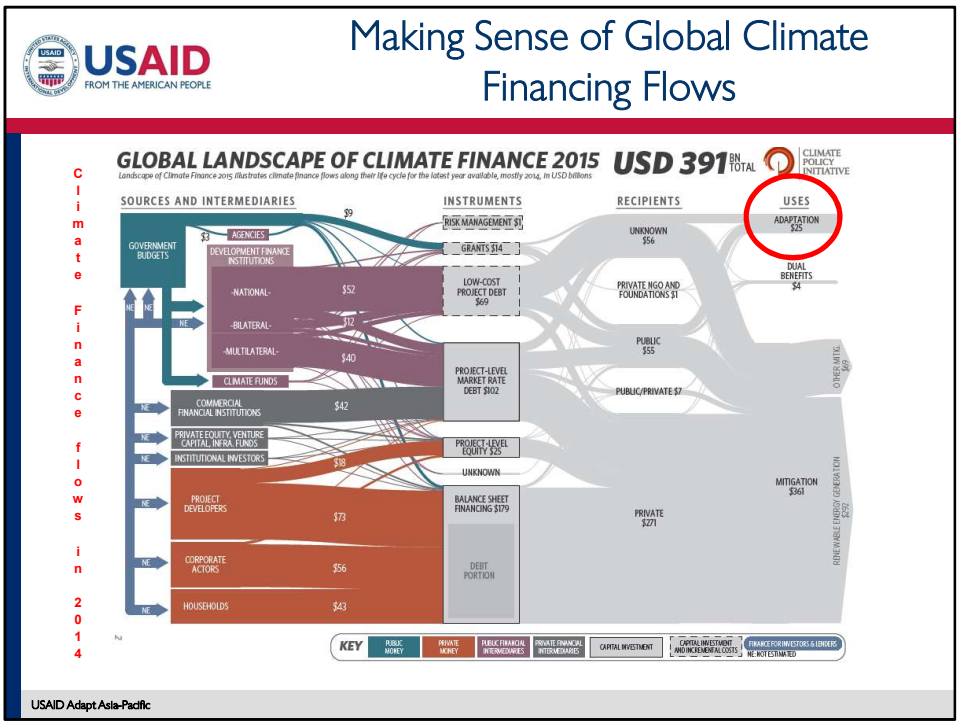
This slide presents a general overview of how climate finance works. There are several things to highlight on this slide. On the left, under **sources**, the general point to be made is that climate finance originates from both the **public sector** and the **private sector**. There are some key differences in private and public sector finance which will be covered in this module. Then in the middle of the diagram, we have the actors and institutions involved in getting climate finance from the source to the destination. In the first and second sections of today's module, we'll look at some of the characteristics of these actors and their roles in the landscape of climate finance. Then on the right side of the diagram we see the **instruments** of climate finance. In this course we are focused primarily on **grants** and **loans**. Note that there are several types of grants, including contributions to climate funds (e.g. Adaptation Fund, which will be discussed in today's module) as well as technical assistance and capacity building, which many of the participants will be familiar with. We also see highlighted here debt swaps, which include debt for nature swaps and other renegotiations of debt owed by a country to fund a conservation, mitigation or adaptation purpose. Loans include concessional, or below-market rate loans, and market-rate loans, both of which are available from major multilateral banks such as the ADB and World Bank. Green bonds, which are bonds that are issued specifically to fund adaptation or other green infrastructure and green growth projects, are most relevant at the municipal level, but represent an innovative way to tap into private sector finance. Other instruments, including risk mitigation measures and private equity, are not the focus of this course since

they are primarily private sector instruments, but it is extremely important to be aware of them because they constitute the vast majority of climate finance, and although they originate in the private sector, government at all levels can play a significant role in catalyzing and mobilizing these assets.

In this section we will provide a general overview of how this architecture relates to adaptation finance, along with the magnitude and channels for adaptation finance.

The material on this slide addresses **learning objectives 2.1.A & 2.1.C**.

The graphic in this slide is sourced from “Background Report on Long-Term Climate Finance”, CICERO and CPI 2015. Download at http://www.g8.utoronto.ca/summit/2015elmau/2015-G7-climate-finance.pdf. Also included in participant resource pack.



Note to Facilitator: This diagram, from the Climate Policy Initiative's 2015 Global Landscape of Climate Finance analysis shows us global climate finance flows for **2014** (Note that CPI publishes these reports every year, but they are generally released around November or December; hence 2015's numbers will be reflected in a report released around November of 2016). We will "unpack" this very complicated graph in the following slides to better understand it. Explain that to participants and don't worry about it being overwhelmingly complex. The key points to make here include:

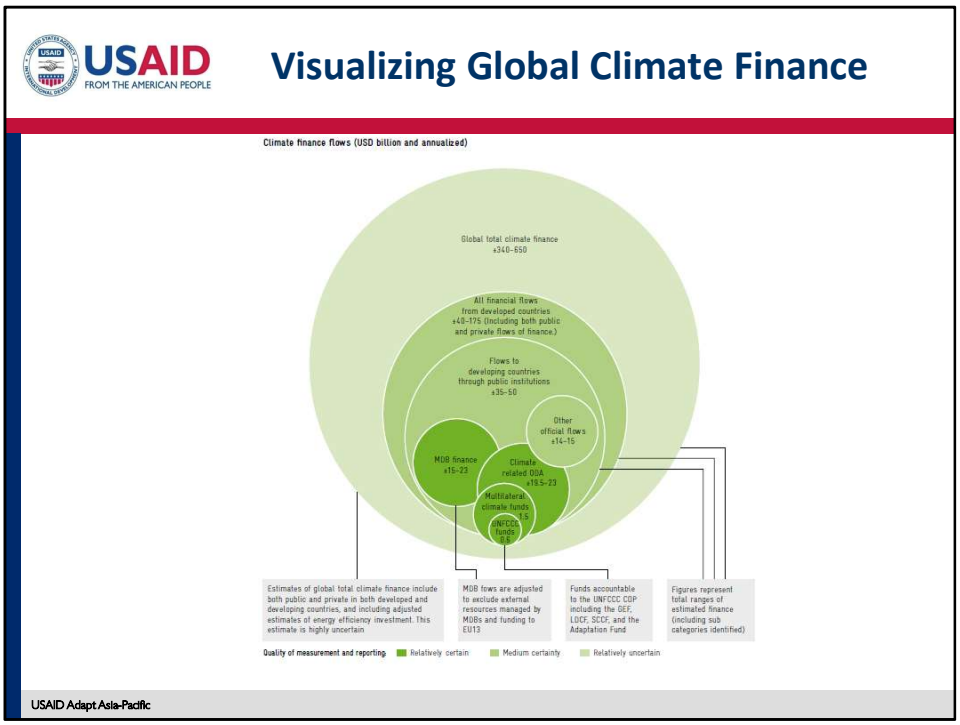
- Total amount of adaptation finance in all forms and all sources for both adaptation and mitigation: US$391 Billion, an increase of 18% from 2013's US$331 billion. The significant increase is due to steadily rising public finance as well as record private investment in renewable energy technology.
- Public climate finance contributions by governments and intermediaries reached at least US$148 billion, an increase of 8% over 2013. "Public actors are increasingly recognizing the benefits of climate action for achieving their goals, and that managing climate change is in their national economic interest" (CPI 2015:1).
    - Public actors include governments, bilateral aid agencies, climate funds, multilateral, bilateral, and national development finance institutions.
- The majority of funds (US$361 billion) went to mitigation, reflecting heavy investments in renewable energy. Adaptation finance reached US$25 billion, or 17% of all public

climate finance in 2014, roughly equivalent to its proportion in 2013.

- Private sector invested approximately US$243 billion in 2014, mostly in renewable energy and energy efficiency. Private investment remained the largest source of financing, at 62% of the total. "Policy and market signals, predictable and stable profits, and the strategic potential of investments are key determinants of private actors' financing behavior" (CPI 2015:1).
- 74% (75% in 2013) of total climate finance flows, and 92% of private investments were raised and spent within the same country.
- East Asia and the Pacific remained the largest destination for climate finance flows, accounting for 31% of the total or US$119 billion, up by 22% from 2013.
- Virtually all of the adaptation funding is through public funds. One of the reasons for this is that recognition of the need to adapt to climate change is a relatively recent phenomenon when compared to mitigation. Another reason is that most adaptation does not have clear financial returns, and so the private sector tends not to fund adaptation activities beyond those initiatives meant to protect the company's bottom line.

The material on this slide addresses **learning objectives 2.1.A & 2.1.C**.

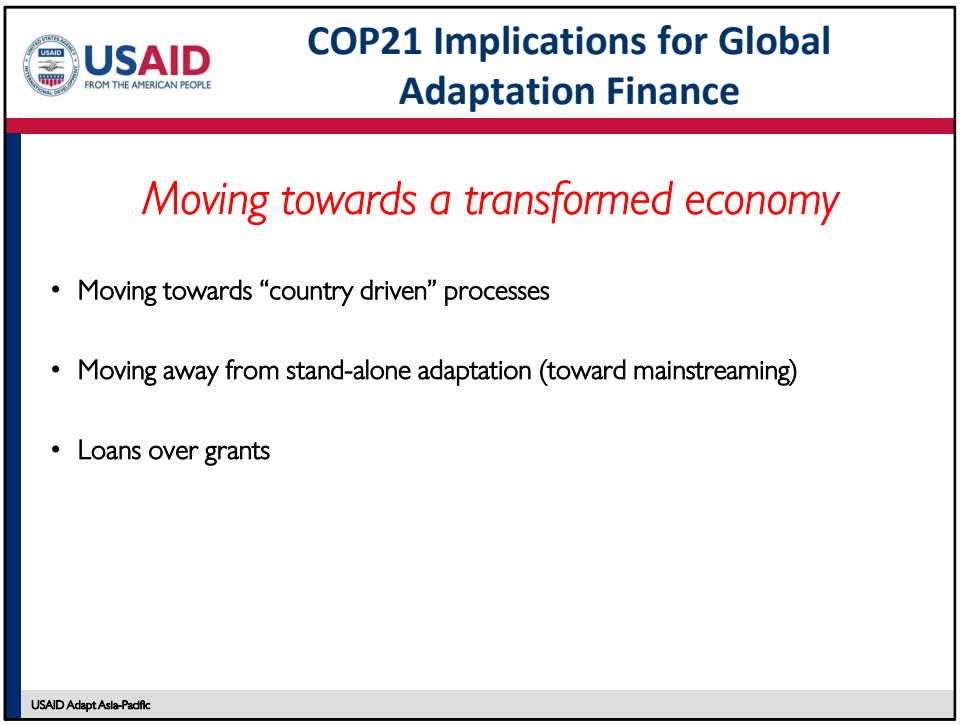
The landscape of global finance report can be downloaded at http://climatepolicyinitiative.org/wp-content/uploads/2015/11/Global-Landscape-of-Climate-Finance-2015.pdf. It is also included in the participant resources pack.



Here is another way to visualize total global climate finance flows, though this graphic does not break down flows according to mitigation and adaptation. Note that the total amount of climate finance dwarfs the amount provided by grants and loans provided through bilateral and multi-lateral assistance. This underscores the point that most finance is private sector, and stays within the country of origin. Thus in terms of adaptation and mitigation, we need to be able to see beyond grants and loans to the entire economy-wide picture. Over the long term, what will be required is "a transformation of the global economy from a high-carbon, high climate risk system to a low-carbon and climate resilient one requires the redirection of trillions of dollars of public and private finance….Achieving this transition requires the full range of public, private, international and domestic financial resources" (CICERO 2015:5).

The material on this slide addresses **learning objectives 2.1.A & 2.1.C**.

The graphic in this slide is sourced from "Background Report on Long-Term Climate Finance", CICERO and CPI 2015. Download at http://www.g8.utoronto.ca/summit/2015elmau/2015-G7-climate-finance.pdf. Also included in participant resource pack.



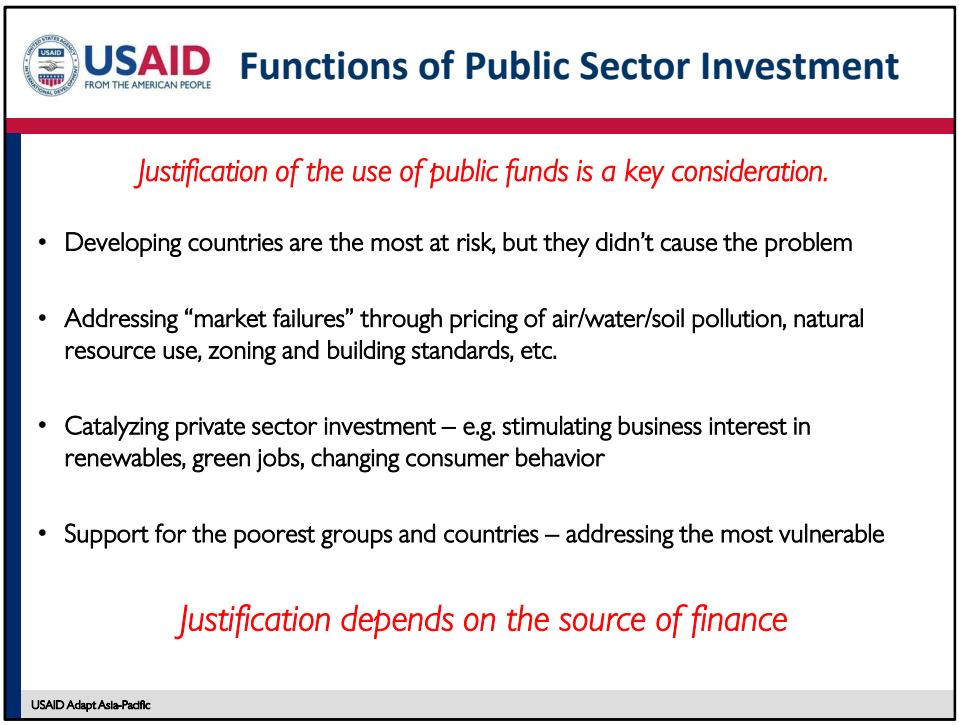
This last point, about a "transformed economy", was a key point at the COP21 meeting in Paris. Virtually all of the delegations in attendance recognized the overarching need to move towards a "decarbonized" economy overall. However, there were also a number of important results that are more specifically related to funding for adaptation projects, including the following.

Moving towards "country driven" processes. Country driven processes, ideally, will help to correctly identify CCA priorities and the best way of arriving at appropriate solutions. The country driven approach includes the direct access funding modality, which we have alluded to and which will be described fully in section two of this module.

Moving away from stand-alone adaptation (toward mainstreaming). As noted, "**Mainstreaming**" is a term used to describe the process of integrating climate change concerns and considerations into normal, regular local planning, programming, and budgeting processes, decisions, and capital investments. *Mainstreaming* of CCA activities into national budgets is the ideal outcome, with support from innovative internationally financed projects for new ideas/approaches. Although mainstreaming has started in many countries, there is less of a sense of urgency than the requirement, meaning that "at risk" areas are receiving less attention than is needed. Using proven pilot approaches has not been up-scaled in most instances.

Loans over grants. More than half of public financing of climate change comes in the form of low cost loans and grants, however, grants have a relatively small share overall. Concessionary loans constituted 47% of public finance (US$69 billion), whereas grants were 10% of the total (US$14 billion). Over the past three years, the contribution of grants to total public sector finance has hovered around 9% on average. Grants accounted for more than half of climate fund commitments, with most of this money going to projects in low- and lower-middle income countries. The preference of climate financing agencies for loans over grants is unfortunate for the most "at risk" countries, especially those in the Pacific. It is likely that there will be more country pressure for grants. In the wake of COP21, big banks have pledged to scale up investments in renewable and clean energy, green bonds, low-emissions transport, and agriculture. However, these are all private sector initiatives and hence expect a return on investment. Many investment funds have also pledged to move away from investments in carbon as a way to support the move towards a transformed economy. In fact, there is an ongoing "divestment campaign" in which many major institutional investors, including many university endowments in the U.S. (which can reach into the hundreds of billions of dollars) have liquidated investments in fossil fuel companies.

The material on this slide addresses **learning objective 2.1.B.**



In this course we are most concerned with public sector finance. In 2014, development finance institutions (DFIs) accounted for US$131 billion in total climate finance. This accounts for 33% of all climate finance flows, representing the highest 1-year total since mapping of global climate finance began in 2011. US$66 billion of this came from national DFIs, mainly in the form of concessional loans, whereas multilateral DFIs contributed US$47 billion. Bilateral DFIs accounted for almost US$17 billion. These numbers signal an upward trend in DFI commitments, though year to year fluctuations may exist. Climate finance also is a growing share of DFI portfolios, which indicates that CC considerations are increasingly important and integrated into their operations. Some DFIs have announced more ambitious targets, and one multilateral DFI even reported that investments in renewables actually overtook those for thermal power generation for the first time in 2014. Public actors "drive the global climate finance system by reducing the costs and risks of climate investment, strengthening knowledge and technical capacity, and building the track record needed to enhance confidence in such investments" (CPI 2015:2).

Overall, public sector finance is scarce, and we reiterate here that **justifying the use of public funds is a key consideration in developing adaptation projects**. This justification needs to be coherent, valid and convincing, and should be included in project submissions to financiers. Here we describe some justifications for the use of public sector funds.

Developing countries are the most at risk, but they didn't cause the problem. This is in line with "polluter pays" principle, developed countries should be held responsible for meeting costs of adapting to climate change in developing countries. This is a very strong argument in favor of increased public sector support for adaptation on the part of developed countries. Still, developed countries are not able to and will never be able to provide all of the finance required for climate adaptation. They have made some financial contributions, and pledged more at COP21.

Addressing market failures through pricing of air/water/soil pollution, natural resource use, zoning and building standards, etc.

Catalyzing private sector investment. In addition, government has an important role to play in supporting and increasing private sector activity. This is sometimes referred to as "crowding in". There are several aspects to this.

"Concessional loans by public development finance institutions can reduce financing costs below the commercial rates available in many developing countries and play a catalytic role in triggering climate friendly investment without crowding out private actors. Loans by public institutions with tenors that match the financing requirements of projects can absorb part of the risks and costs of international adaptation, renewable energy and energy investments while attracting private expertise, innovation and investment" (CICERO 2015: 7).

"Deficient frameworks can inhibit the incentives for investment by, for instance, sending unclear or uncertain policy signals or by failing to put an adequate price on the risk of inaction on climate change" (CPI 2015: 11). "Experience shows that stable enabling environments that offer business certainty and predictable regulatory and economic frameworks are essential to mobilizing finance at scale. Investors seek clear and enforceable legal rights and sound fiscal policies to help them balance costs and risks. There are many examples of mitigation policies and targets as well as economic instruments that have sent clear price signals, to successfully unlock low-carbon investments. Consistent policies and incentives support climate action on one hand, while reducing motivation for continuing brown or maladaptive more low-carbon and climate resilient investments. Adaptation policies lag behind, but mainstreaming climate-resilience across development plans and investment portfolios presents multiple opportunities to achieve co-benefits and better value for money" (CICERO 2015:7).

"Public concessional or lower-than market-rate finance, including loans with longer tenors and grace periods, play a catalytic role by supporting the establishment of policy frameworks, strengthening technical capacity, lowering investment costs, and reducing investment risks for the first movers in a market. Country macroeconomic and institutional conditions and the existence and level of project-level revenues are key determinants of the appropriate combination of grants versus loans" (CPI 2015: 7).

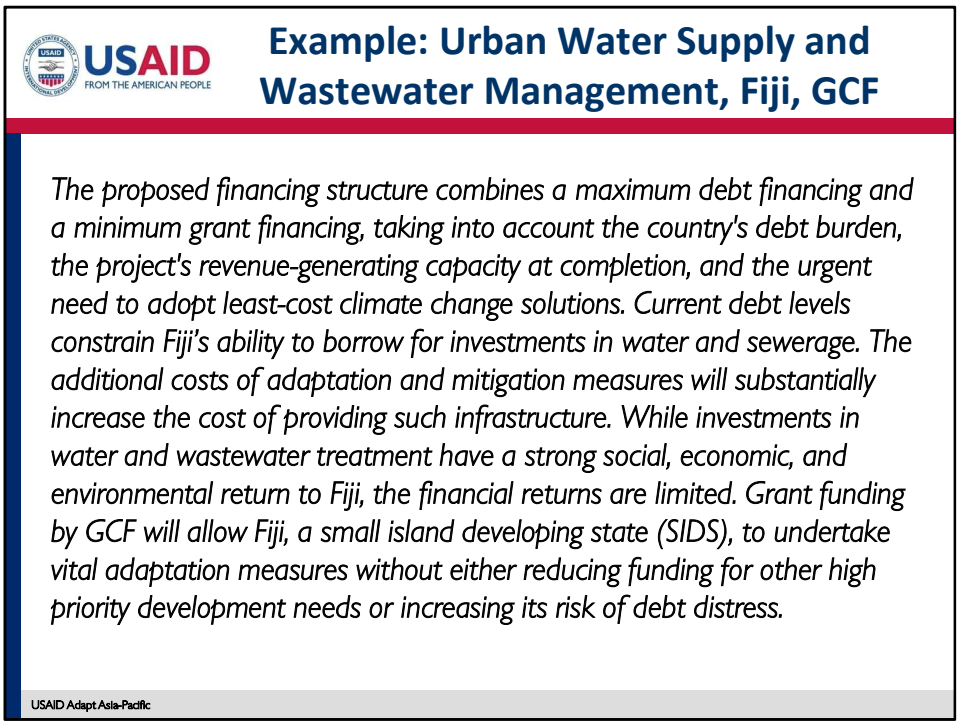
"Governments have a strong toolkit of policies, public institutions and financial instruments that together can drive economic transformation at scale. Concrete measures are available to support the mobilization of climate finance by reducing the costs and increasing the

returns of low-carbon, climate-resilient investments, addressing risks for investors in such projects and closing knowledge gaps. Recent experience and analysis highlight that different measures have different effects on the overarching climate finance system and that there are different avenues to deliver on the commitment to mobilize USD 100 billion a year by 2020 and towards the needed transformation towards a low-emission and climate-resilient development. Getting the mix right is crucial to build a system capable of addressing diverse needs and circumstances" (CICERO 2015:7)

Another element related to catalyzing the private sector is by helping to change consumer behavior to encourage movement towards a transformed economy. This includes identifying the appropriate incentives, and in some cases offering subsidies to foster green development and economic growth. Subsidies to encourage the use of solar panels are an example. In the early days of photovoltaics, solar technology was much more expensive than other forms of power generation. Therefore significant subsidies were needed to encourage consumers to buy in to solar. This allowed the solar industry to develop and for new technologies to be developed and improved, and now in many places solar technology is the cheapest alternative, even without subsidies. However, without subsidies the market would not have made this shift on its own.

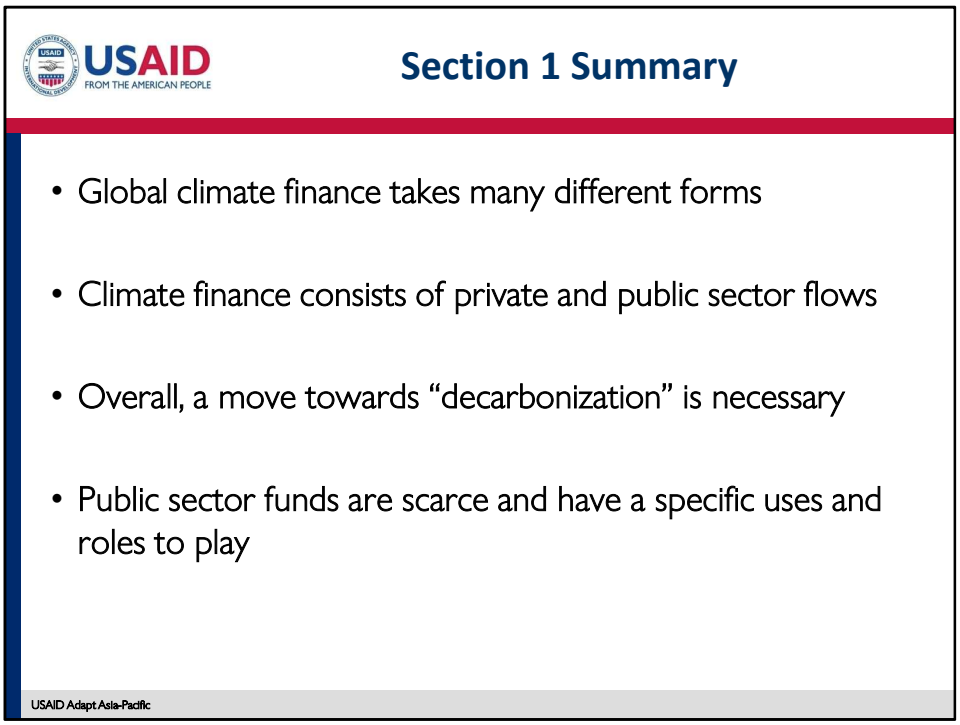
Support for the poorest groups and countries. "Public grant finance remains important to support the poorest and particularly vulnerable countries that cannot attract private investments, and activities which may find it difficult to attract private investments, such as some adaptation activities" (CICERO 2015: 7).

The material on this slide addresses **learning objectives 2.1.A & 2.1.C**.



Getting over the hump

No private sector payoff



This is just a quick recap of the material in the first section. Quickly go over the points and ask the participants if they have any questions.

Global climate finance takes many different forms.

Climate finance consists of private and public sector flows.

Overall, a move towards "decarbonization" is necessary.

Public sector funds are scarce and have specific uses and roles to play. We understand now that this is important to bear in mind.

Background Report on Long-term Climate Finance. CICERO & CPI 2015. Download at http://climatepolicyinitiative.org/publication/background-report-for-g7-on-long-term-climate-finance/. Also included in participant resources pack.

Global Landscape of Climate Finance. Climate Policy Initiative. Download at http://climatepolicyinitiative.org/wp-content/uploads/2015/11/Global-Landscape-of-Climate-Finance-2015.pdf. Also included in participant resources pack.

Mainstreaming Climate Adaptation in the Pacific: A Practical Guide. SPREP & UNDP 2013. Download at http://iwlearn.net/manuals/documents/mainstreaming-climate-change-marine-documents/mainstreaming-climate-change-adaptation-in-the-pacific-a-practical-guide; also included in instructor resource pack.

Mapping Issues and Options on Climate Finance in 2015. IDDRI. Spencer, Thomas, Sani Zou, Teresa Ribera, and Michel Colombier. Download at http://www.iddri.org/Publications/Collections/Idees-pour-le-debat/WP0815_TS%20et%20al._finance%20cliamte%20agreement.pdf. Also included in participant resources pack.

This section should take approximately 30 minutes.

Key topics, along with the general order of this module include:

- National budget and project pipeline and relationship to climate change adaptation
- Climate fiscal frameworks
- Climate Pubic Expenditure and Institutional Reviews and other tools.

Goals-Importance-Objectives-Overall Fit

GOALS. The goal of this section is to help participants understand that all adaptation project will need to be implemented within the context of the national budget and existing project pipeline, and so an understanding of these administrative and bureaucratic aspects of governance is critical for effective adaptation. Another goal is to demonstrate that a thorough review of existing budget items will reveal current programs and their associated budgetary resources that already have some relevance to climate change. This review helps with coordination and also to make the case to financiers where additional support is needed and why it is justified.

IMPORTANCE

A key message for this section comes from a UNDP review of climate finance in the Asia-Pacific region (UNDP 2012:25): "…while mobilizing increased international resources is vital for addressing climate change, an effective response to climate change requires looking outside of dedicated 'climate finance' streams and the activities they fund and understanding how development priorities and public expenditure more generally impact upon climate change. The national budget is the key linkage between the policy agenda and the public financing available and it is therefore of fundamental importance for developing a coherent government response to climate change. International finance needs to be managed in such a way that it provides complementary support, rather than fragments the policy agenda on climate change".

OBJECTIVES

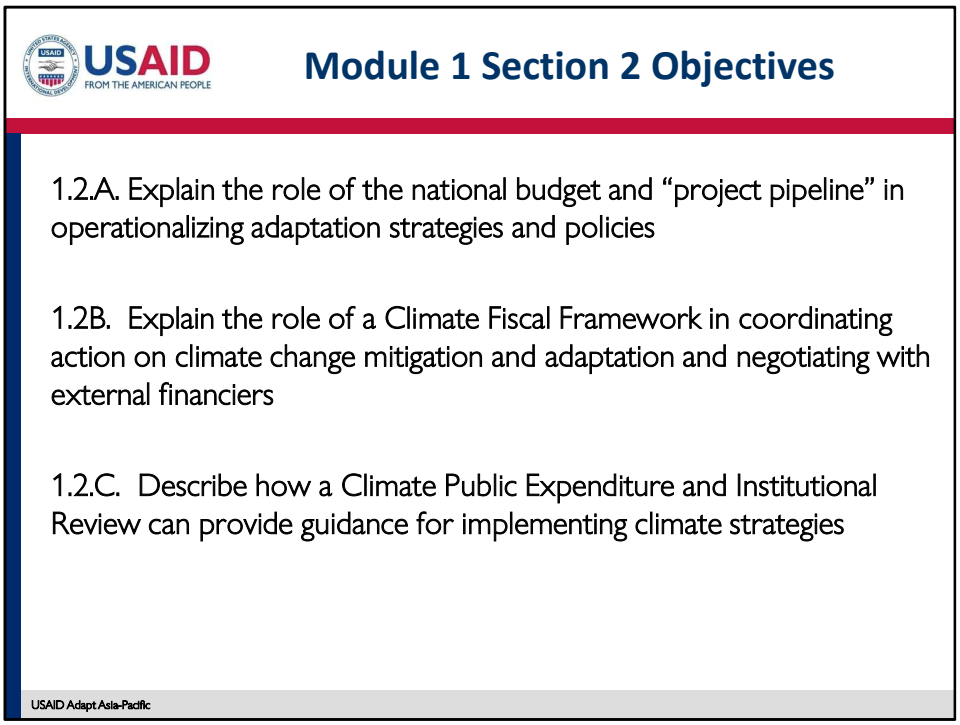
2.2.A. Explain the role of the national budget and "project pipeline" in operationalizing adaptation strategies and policies.

2.2.B. Explain the role of a Climate Fiscal Framework in coordinating action on climate change mitigation and adaptation and negotiating with external financiers.

2.2.C. Describe how a Climate Public Expenditure and Institutional Review can provide guidance for implementing climate strategies.

OVERALL FIT

This section, and all the sections of today's module, help participants develop the strategic fiscal context for developing adaptation projects and matching those projects to the appropriate sources of funding, as well as determining the appropriate managerial resources to commit to those projects.

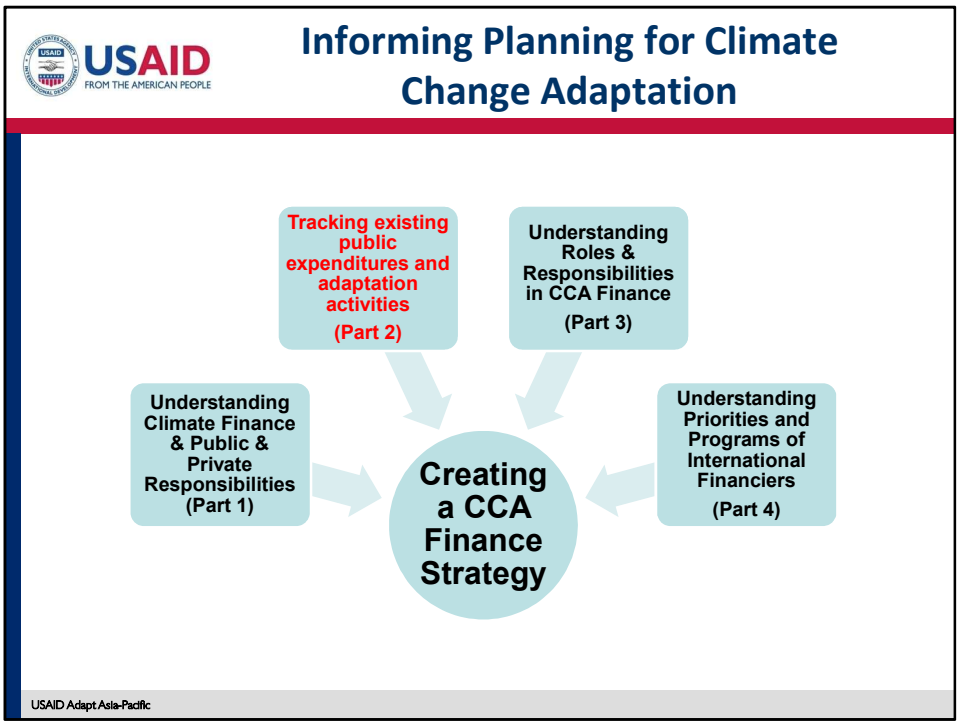


These are the objectives for section 1.

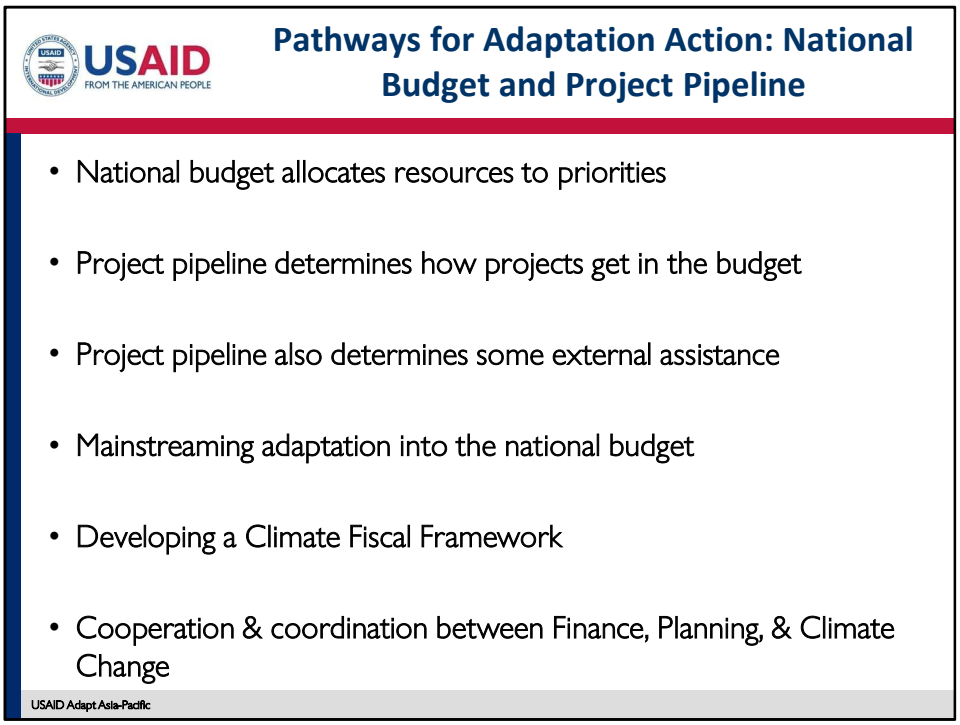
Section 1.2: The Practical Questions

How do you know what your government is already spending, and on what?

If you want to work with a multilateral financier, how do you get your project in the pipeline?



This slide describes how each section in this module contribute to your ability to develop a climate change adaptation finance strategy.



"From the perspective of the national decision maker who is determining a national response to climate change, the concept of 'climate finance' is operationally not easily understood and needs further disaggregation" (UNDP 2012). This quotation sets the tone for this section. In the previous section, we discussed national and international finance flows related to climate change mitigation and adaptation. Our overall goal is to figure out how to fund adaptation projects and programs. However, understanding the direction and magnitude of flows in not sufficient for linking financial resources to projects that address urgent adaptation needs. We also need to understand the practical aspects of linking policy to action. This includes the national budget as well as the national project pipeline. **Before any projects are developed, you need to know where the potential project will fit into the overall national budget and project pipeline**.

National Budget allocates resources to priorities. The national budget is where priority projects and programs are matched up with financial resources, and so the national budget is of fundamental importance for developing a coherent government response to climate change. Understanding the budget will help you contextualize the total amount of resources required for your project within the public resources that are available overall. If you are seeking international financing, this can help you make the case as to why assistance is necessary; it can also signal to donors/financiers what might be achieved if additional resources were made available to the government. Understanding the budget

will also help you to understand which policies/projects might be affordable given the projected resources available. There are a number of considerations related to the national budget, including:

- Most adaptation will be funded through the normal national budget, and so an understanding of the budget will help you to identify entry points for adaptation projects. Moreover, many donor/financier-supported projects originate in the national budget as well, and so it is important to understand how your project fits in with the overall budget picture.
- Most of the budget is accounted for in ongoing expenditures, salaries, entitlements, and other commitments, and so there are relatively little **discretionary resources** available over the short term for adaptation. However, discretionary resources increase over the medium and long term, and so the opportunity to program/allocate these resources to address climate adaptation needs increases.
- A review of the national budget reveals programs and expenditures, some of which may be related to climate change adaptation without being designated as such. It is important to identify budget items such as these for developing a strategic plan for developing CCA projects and programs and for linking them with financial resources to reduce inefficiencies and duplicated effort, and to reveal synergies between activities in different sectors which will help to ensure the most effective use of scarce public funds.

Project pipeline determines how projects get in the budget. At the same time, it is also important to understand the practical aspects of how projects make it into the budget. The "project pipeline" describes the administrative and bureaucratic processes whereby a project concept becomes a budgetary line item under an implementing agency with financial resources attached to it.

Mainstreaming. This is one of the overarching themes of the course that we touched upon in the first module. Climate change is a complex problem that cuts across geographic scales and sector boundaries. This means that your approach to climate change must be comprehensive; adapting to climate change is not simply about building a sea wall or stronger infrastructure. Adapting to climate change requires a shift in governance so that the changing climate is incorporated into everyday processes of governance. Thus while urgent and immediate needs might be covered by project financing, longer term adjustments to governance and the regulatory environment are needed to anticipate and address down-the-road impacts of climate change. This is **mainstreaming**. In other words, the government's role in adapting to climate change includes the provision of public goods and services, but also an array of other strategies and actions that fall under the following categories:

- Economic: this includes tax policy and incentives for changing the consumption/production behavior of individuals and firms.
- Regulatory: this includes regulations, codes, and other policy tools address adaptation needs.

- Informational: the government has a strong role to play in providing information to the private sector as well as individuals.

Understanding the budget will assist the longer-term goal of mainstreaming adaptation into different sectors. A quotation from a UNDP guidebook is instructive on this point: "Although additional finance will be necessary to address the impact of climate change, it will not be addressed solely by increasing expenditure on activities aimed at mitigating or adapting to climate change. An effective public policy on climate change will require the promotion of behaviors that lead to adaptation and mitigation, but also inhibit behaviors that lead to exacerbation of climate change or maladaptation" (UNDP 2012:9).

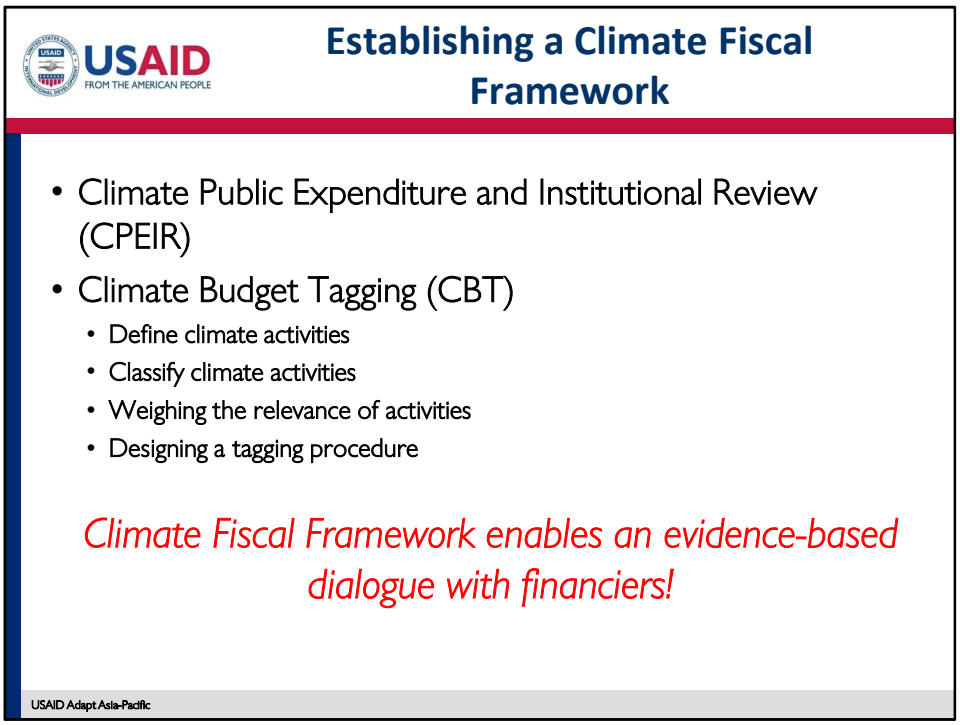
Developing a Climate Fiscal Framework (CFF): A climate fiscal framework estimates domestic and external financing sources against the financial needs, and helps prioritize climate actions. A climate fiscal framework provides a comprehensive overview of domestic and international climate finance supporting mitigation and adaptation activities, linking climate change policies with planning and budgeting, prioritizing climate actions, and developing appropriate modalities to manage climate financial flows in an effective and transparent manner, providing the financial backbone for national efforts in addressing climate change.

Cooperation & Coordination between Finance, Planning, and Climate Change. Based on this information, it should be clear that planning for adaptation requires the involvement of not just officials responsible for developing climate change strategies, but also the Ministry of Finance and the Ministry of Planning. Planning and finance institutions have a leading role to play in facilitating the incorporation of climate change concerns into policy development and public investment planning at a sector and local level as well. The Ministry of Planning is able to coordinate adaptation activities across the many sectors that will be impacted by climate change, whereas the Ministry of Finance will allocate resources to priority projects.

The material on this slide addresses **learning objectives 2.2.A & 2.2.B.**

Sources for this slide include:

Making Sense of Climate Finance: Linking Public Finance and National Climate Change Policy in the Asia-Pacific Region. UNDP 2012.



In general, a Climate Fiscal Framework helps the government to improve the management of activities related to climate change and to link them to the national budget process. A climate fiscal framework can provide guidelines for estimating long-term financing needs to combat climate change and describe the role of the government in managing climate finance. In this slide we discuss a couple of elements of a climate fiscal framework.

Climate Public Expenditure and Institutional Review (CPEIR). CPEIR will be discussed more comprehensively on the following slides. CPEIRs, which have already been conducted in a number of countries in the Asia-Pacific, entail the following:

- An assessment of current policy priorities and strategies as these relate to climate change
- A review of the institutional arrangements for promoting the integration of climate change policy priorities into budgeting and expenditure management
- A review of the integration of climate change objectives within the budgetary process, including as a part of budget planning, implementation, expenditure management and financing.

The CPEIR can tell you how climate change is currently being reflected in the budget and how public expenditures may need to be restructured if climate change objectives are to be met. One of the advantages to this type of analysis is that it looks beyond those

expenditures that have a primary objective of mitigating and adapting to climate change, but also helps government to focus on some of the key indirect linkages between some big-ticket expenditures of government that have considerable secondary impacts, either positive or negative, on climate change outcomes.

The CPEIR can also play an important process function, acting as a starting point for longer-term government-led stakeholder dialogue and learning involving the public and private sectors, academics, civil society, and international development partners.

Climate Budget Tagging (CBT). CBT is an institutionalized system for indicating in the national budget government expenditures and activities related to adaptation and mitigation and tracking these expenditures. Tracking expenditures is useful not only for adaptation planning, but also for reporting on progress to the UNFCCC. CBT enables the government to make informed decisions and prioritize climate investments. It also encourages planning officers and policy managers to incorporate climate considerations in project design from early stages and enables public scrutiny on government and donor spending towards addressing climate change issues. CBT generates more comprehensive data on climate spending that helps the government to develop a budget that is aligned with national climate policy priorities, identify financial gaps, prioritize investment with climate benefits, and have evidence based dialogues with development partners. There are four elements to climate budget tagging:

- Define climate activities
- Classify climate activities
- Weighing the relevance of activities
- Designing a tagging procedure.

The CBT should be institutionalized as part of the normal budgeting process.

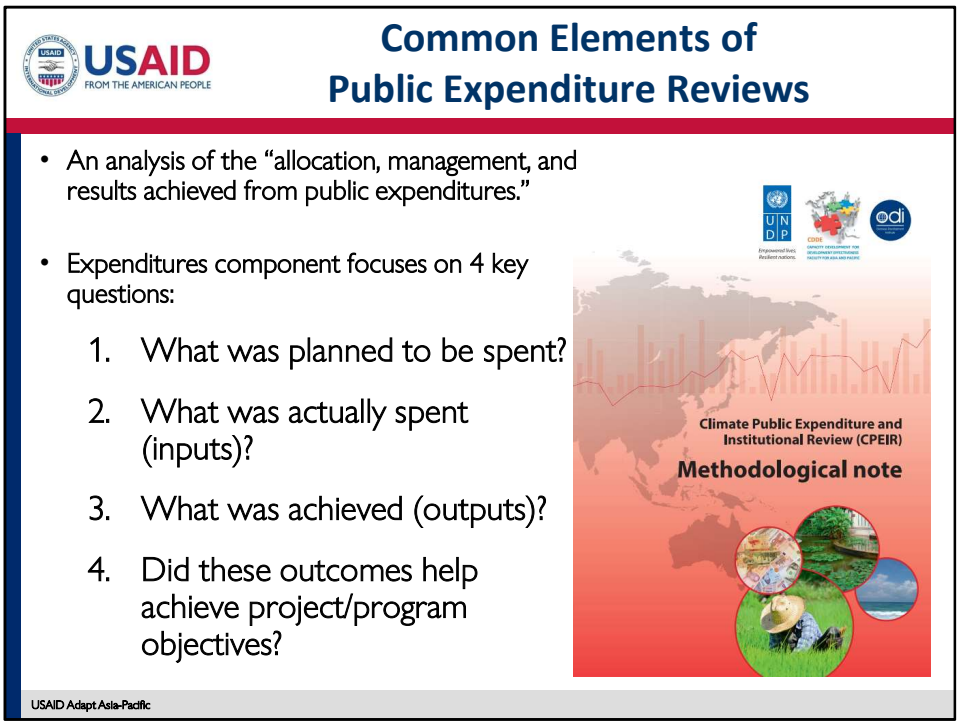
For example, the Bangladesh Climate Fiscal Framework, which was developed in 2014, aims to promote a country system in which:

i. Costs and prioritization of climate actions are reflected in the existing national budgetary framework.
ii. Climate-related expenditures are routinely tracked and monitored. Climate expenditure is systematically revised in order to reflect the national priorities and circumstances.
iii. The Government of Bangladesh can more effectively access international climate finance as well as manage national climate funds.
iv. Institutional weaknesses and skills gaps are identified and addressed, particularly in major climate stakeholders.
v. The government of Bangladesh explores opportunities in accessing more domestic finance through reduction of harmful subsidies and other market reforms.

Climate Fiscal Framework enables an evidence based dialogue with financiers. A CFF is very useful for domestic adaptation planning. But it is also very useful in communicating with international financiers because it very clearly shows gaps in terms of available

budgetary resources for addressing urgent adaptation needs.

The material on this slide addresses **learning objectives 2.2.A & 2.2.B.**



CPEIRs are a very useful tool for generating baseline information about climate adaptation needs and expenditures. They are useful because a great deal of current spending on adaptation likely is not described in budget items as adaptation, and it is most likely carried out in an uncoordinated manner by different agencies. The CPEIR is a methodology that examines linkages between three spheres:

1. National Climate Change Policy
2. Institutional Structures through which policy is channeled
3. Resource allocation process in which public funding is made available.

The national climate change policy framework will help you to know how much your government should be spending on adaptation and how that money should be spent (as laid out in the policy and strategy documents), whereas the CPEIR will help you to know how much your government is currently spending, and how resources are being spent. We will discuss your national climate change policy framework more in module 3.

An analysis of the allocation, management, and results achieved from public expenditures. CPEIRs are conducted at the national level. They are meant to review allocation, management, and results of public expenditures related to climate change. The key question is "how is climate change reflected in national policies, institutions, and public expenditures? CPEIRs are normally led through a cross-government steering group often

chaired by the Ministry of Finance or Planning. CPEIRS are useful for:

--Identifying needs and gaps in climate change finance at the national and subnational levels

--Assists in accessing emerging national funds.

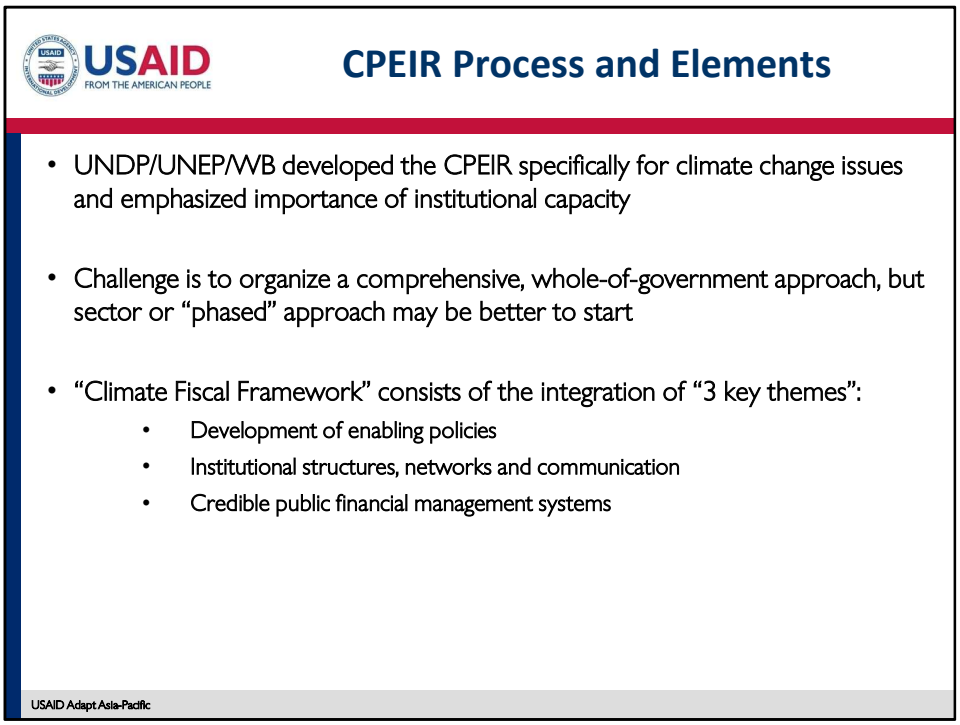
--Helps to ensure that finances and resources are used most effectively

--Helps to assess total demand for climate change finance.

Expenditures component focuses on 4 key questions. CPEIR is built on Public Expenditure Reviews (PERs), which were developed by the World Bank. The innovation of the CPEIR is that it addresses institutions as well. This will be covered on the next slide. The expenditures component of the CPEIR focuses on these key questions.

UNDP. 2012. Climate Public Expenditure and Institutional Review Methodological Note URL: http://asia-pacific.undp.org/content/dam/rbap/docs/Research%20&%20Publications/democratic_governance/APRC-DG-2013-CPEIR-Methodological-Note.pdf, also included in participant resources pack

The material on this slide addresses **learning objective 2.2.C.**



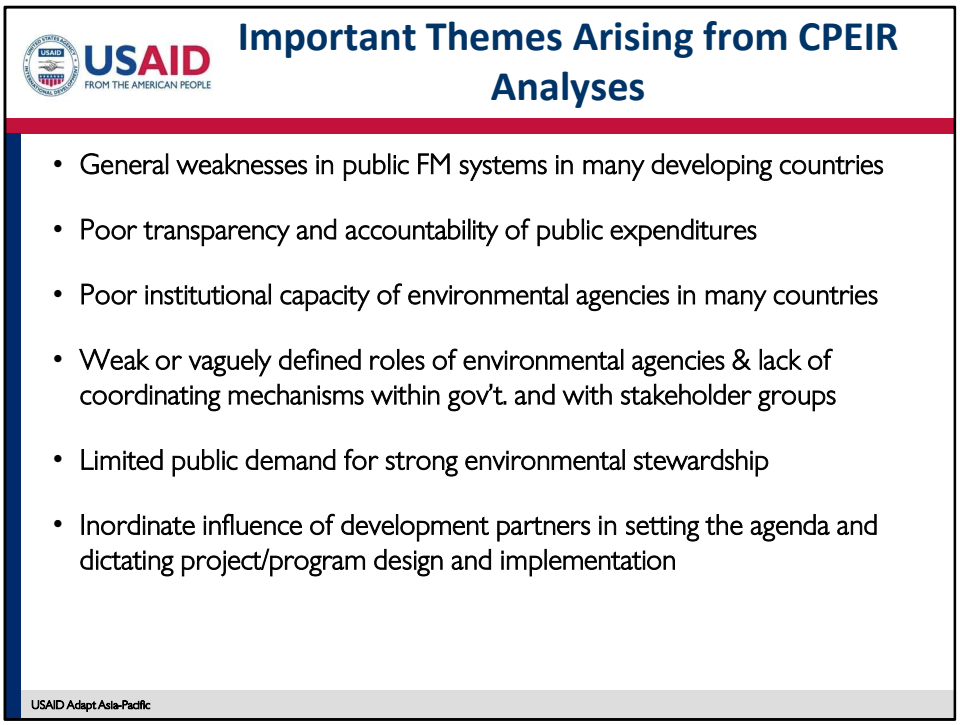
UNDP/UNEP developed the CPEIR specifically for climate change issues and emphasized importance of institutional capacity. Several key components include:

- Identifying CC policy priorities that have been adopted in all sectors and levels of government. This allows for an assessment of policy coherence and coordination.
- Analysis of policy development processes and the role of stakeholders. This allows for an assessment of the likelihood of the relevant agencies to actually operationalize policy positions on climate change.
- Examination of how policy priorities are being implemented and mainstreamed.
- Description of how policy positions have been enacted into legislation and statutes.
- Analysis of how resources for climate change have been administered.

In theory institutional analysis can provide insights about practical challenges and opportunities related to implementing climate change policies. However, in practice CPEIRs have often largely remained mapping exercises for the government agencies involved, rather than in-depth examinations of organizations structures, capacities, and operating incentives. The UNDP recommends that political economy analysis be integrated into future CPEIR implementation to assess the incentives and constraints for scaling up positive climate expenditures and reforming patterns of taxation and expenditure that

enable negative impacts.

The material on this slide addresses **learning objective 2.2.C.**



These themes are self explanatory. Spend more time discussing the themes if the participants have plans to conduct a CPEIR.

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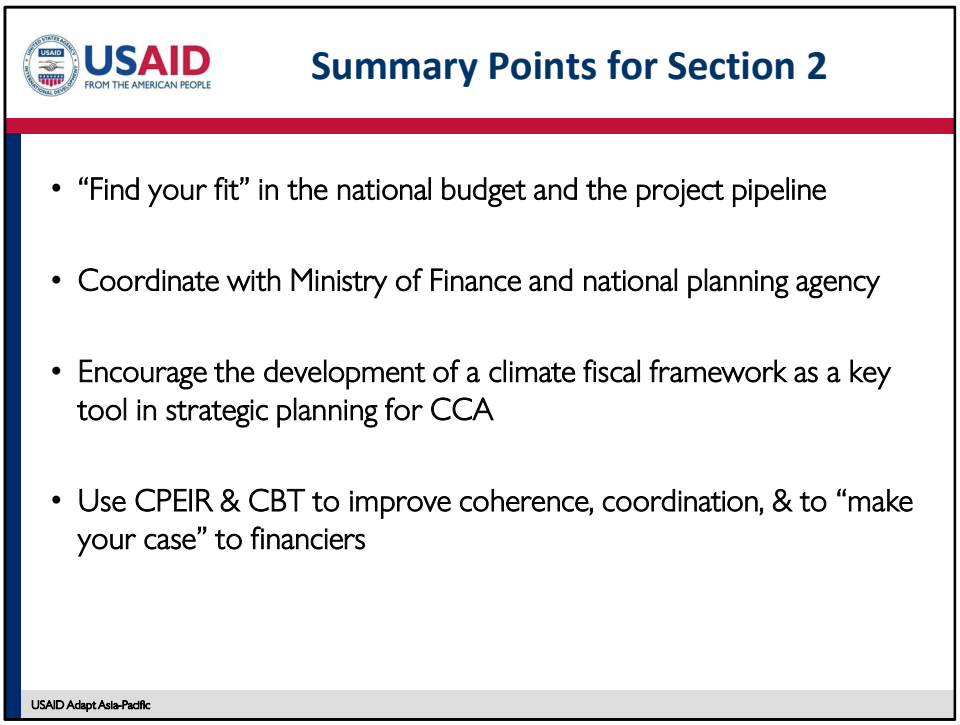
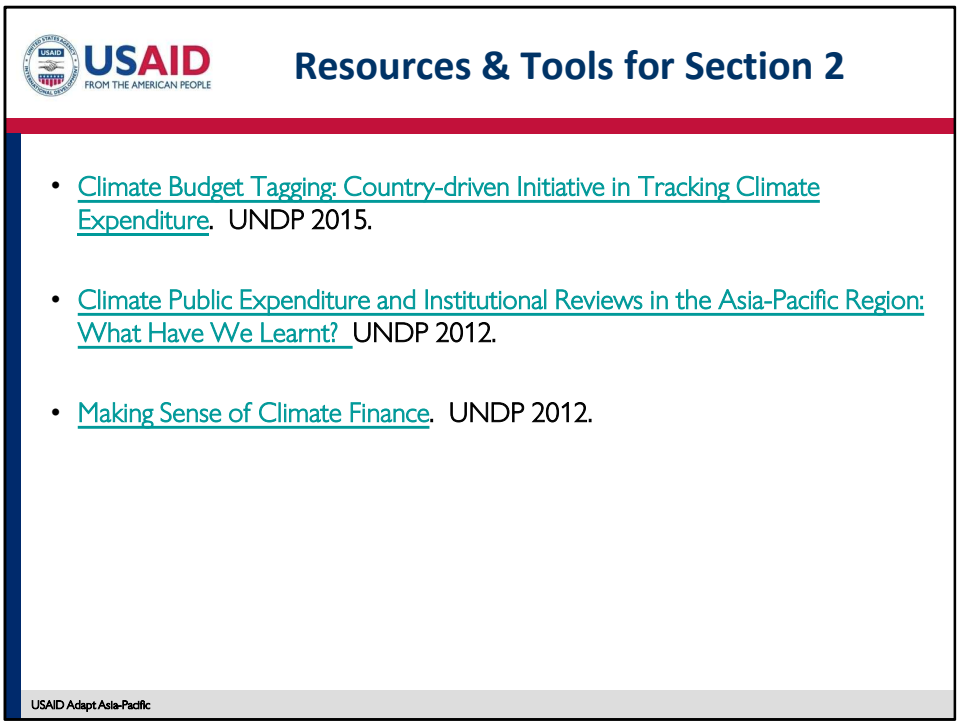


"Find your fit" in the national budget and the project pipeline.

Coordinate with Ministry of Finance and national planning agency.

Encourage the development of a climate fiscal framework as a key tool in strategic planning for CCA.

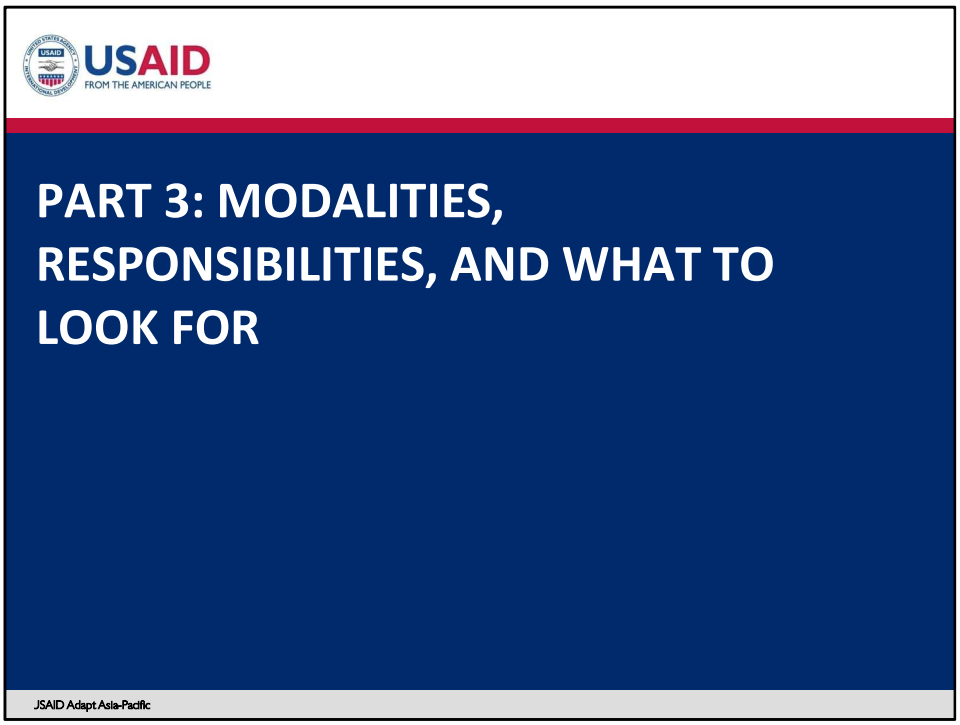
Use CPEIR & CBT to improve coherence, coordination, & to "make your case" to financiers.



Climate Budget Tagging: Country-Driven Initiative in Tracking Climate Expenditure: The Case Studies of Bangladesh, Indonesia, Nepal, and the Philippines. UNDP 2015. Download at http://www.climatefinance-developmenteffectiveness.org/sites/default/files/event/CFSDforum2015/climate/Climate%20Budget%20Tagging%20_July%202015_DRAFT.pdf; also included in participant resources pack.

Climate Public Expenditure and Institutional Reviews in the Asia-Pacific Region: What Have We Learnt? UNDP 2012. Download at http://www.snap-undp.org/elibrary/Publications/DG-2013-CPEIR-LessonsLearnt.pdf; also included in participant resources pack.

Making Sense of Climate Finance: Linking Public Finance and National Climate Change Policy in the Asia Pacific Region. UNDP 2012. Download at http://www.snap-undp.org/elibrary/Publications/DG-2013-MakingSense-of-ClimateFinance.pdf; also included in participant resources pack.



This section covers the following general topics (in order of presentation):

- Key considerations
- Actors and their responsibilities in public sector climate finance
- Understanding access modalities
- Focusing on direct access: considerations, concerns, and caveats
- Role of the National Implementing Entity (NIE)
- Role of the National Designated Authority (NDA)

GOALS: The goal of this section is to familiarize participants with the different access modalities in international climate change adaptation finance, as well as the roles and responsibilities of fund managers, implementing entities, and executing entities in each modality.

IMPORTANCE: This section is important because different financiers have different "access modalities" which determine the role of the government in the design and management of adaptation projects. Therefore participants should know what sorts of responsibilities and capacities that each access modality entails so that they can target the appropriate funds and financiers for adaptation projects and programs. The section provides practical guidance in terms of selecting funds and financiers.

OBJECTIVES:

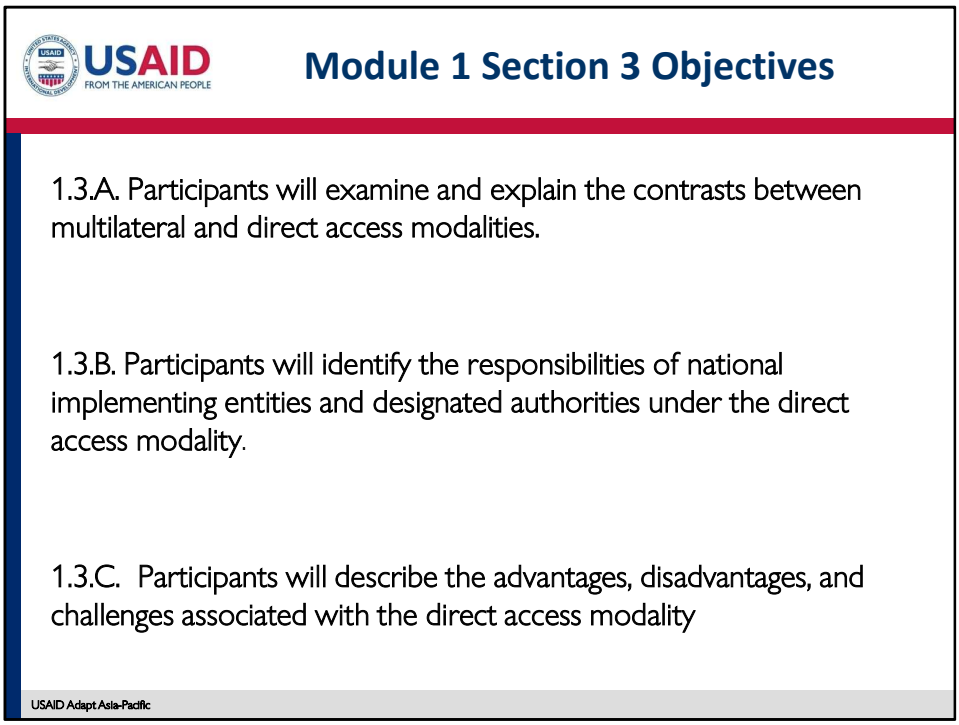
2.3.A. Participants will examine and explain the contrasts between multilateral and direct access modalities.

2.3.B. Participants will identify the responsibilities of national implementing entities and designated authorities under the direct access modality.

2.3.C. Participants will describe the advantages, disadvantages, and challenges associated with the direct access modality.

OVERALL FIT

This section, and all the sections of today's module, help participants develop the strategic fiscal context for developing adaptation projects and matching those projects to the appropriate sources of funding, as well as determining the appropriate managerial resources to commit to those projects.



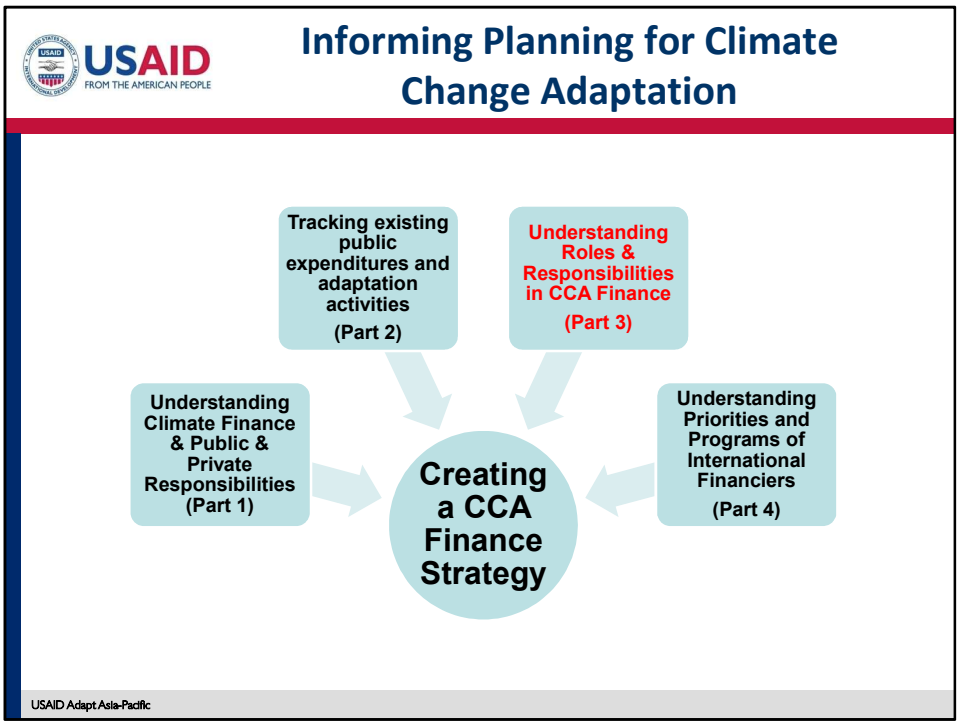
Facilitator: Here is would be useful to ask some questions to gauge how familiar the participants already are with these issues.

--Ask if any of the participants represent a national designated authority for one of the climate funds.

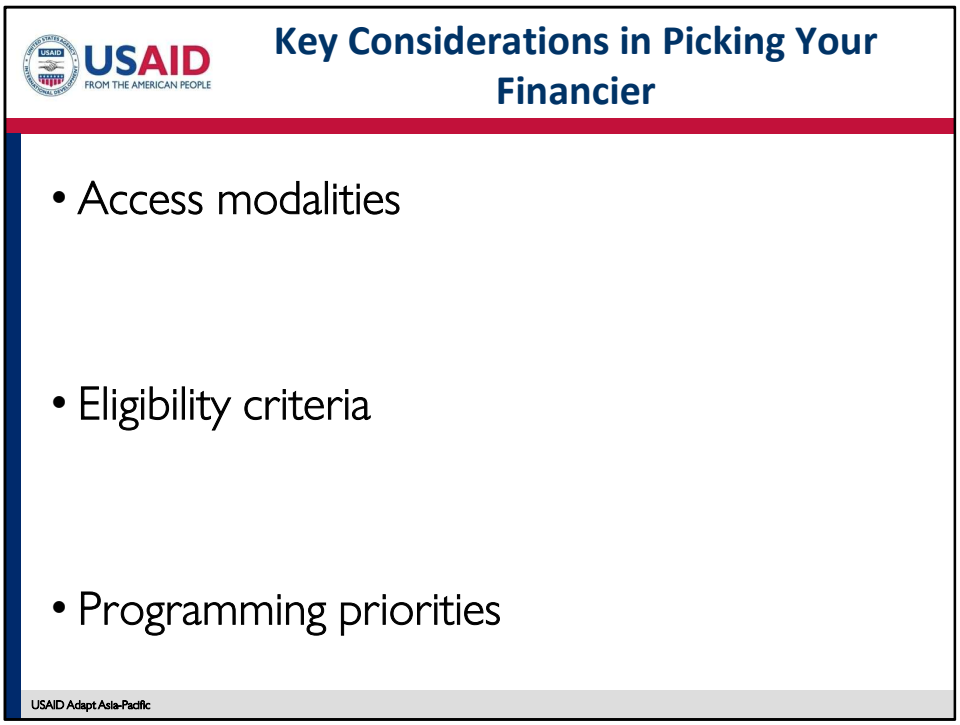
Section 1.3: The Practical Questions

Does your country have access?

Who are the relevant points of contact for your country?



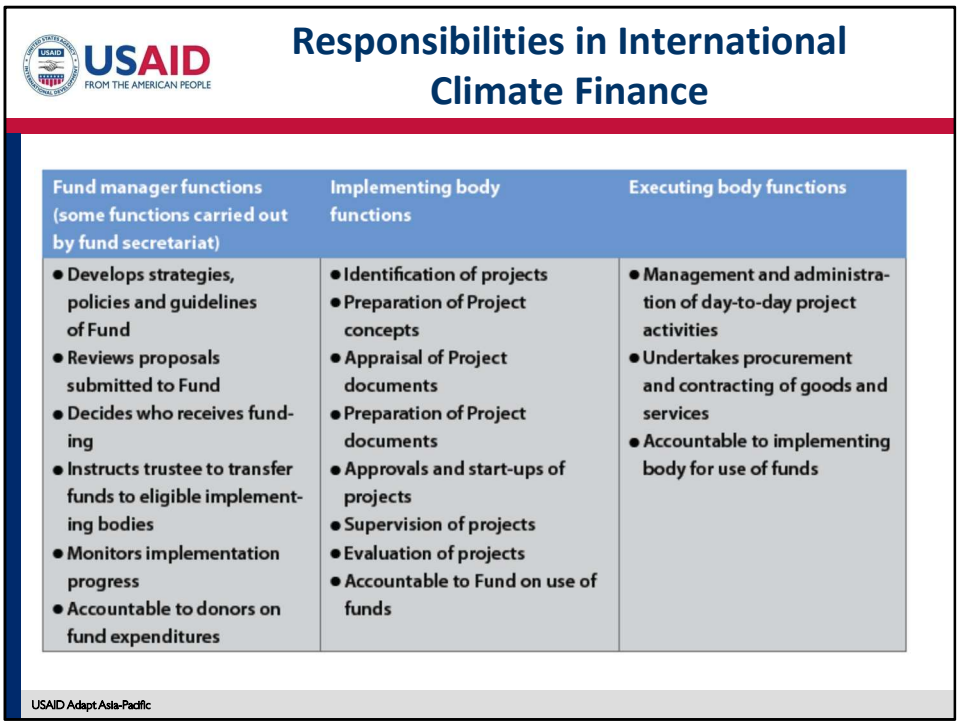
This slide describes how each section in this module contribute to your ability to develop a climate change adaptation finance strategy.



Access modalities: Most A-P countries have ongoing relationships with the main development partner agencies, including the climate finance agencies such as AF, GCF and GEF. All these agencies are relevant for CCA projects. Different financiers have different access modalities, and so you should be aware of how to access the funds from each of these. For example, the Adaptation Fund currently suggests funds be accessed via a national implementing entity, rather than through a multilateral, regional, or bilateral partner, as that funding window is now almost empty of funds.

Eligibility Criteria: Most A-P countries are eligible for concessional loan and grant finance through these partner agencies. Relatively few A-P countries have "direct access" to international climate finance as they do not have accredited NIEs. However, some do – e.g. INDIA, through the National Bank for Agriculture and Rural Development (NABARD). All eligible A-P countries do have access through accredited multilateral, regional or bilateral agencies.

Programming Priorities: All eligible A-P countries can program future project/program assistance through consultations with these agencies in all of the main sectors.



The first thing we want to have a look at is the way that most climate funds are set up. The public "architecture" that guides funding at the international (and, in some cases, the national) level has three primary components:

1. Fund Manager/Strategic oversight body. The fund manager decides the strategic vision for the fund and essentially decides who receives funding. **The fund manager has the authority to make funding decisions**.

2. Implementing body (in some cases called the "implementing entity"). The implementing body is responsible for the identification, preparation, and appraisal of projects and supporting documentation. Once the project is underway, the implementing body monitors and evaluates the project. The implementing body is responsible to the Fund Manager.

3. Executing body (in some cases called the "executing entity"). The executing body is the recipient of funding and uses it to undertake the project. Executing bodies my utilize subcontractors, and are accountable to the implementing body for the use of funds.

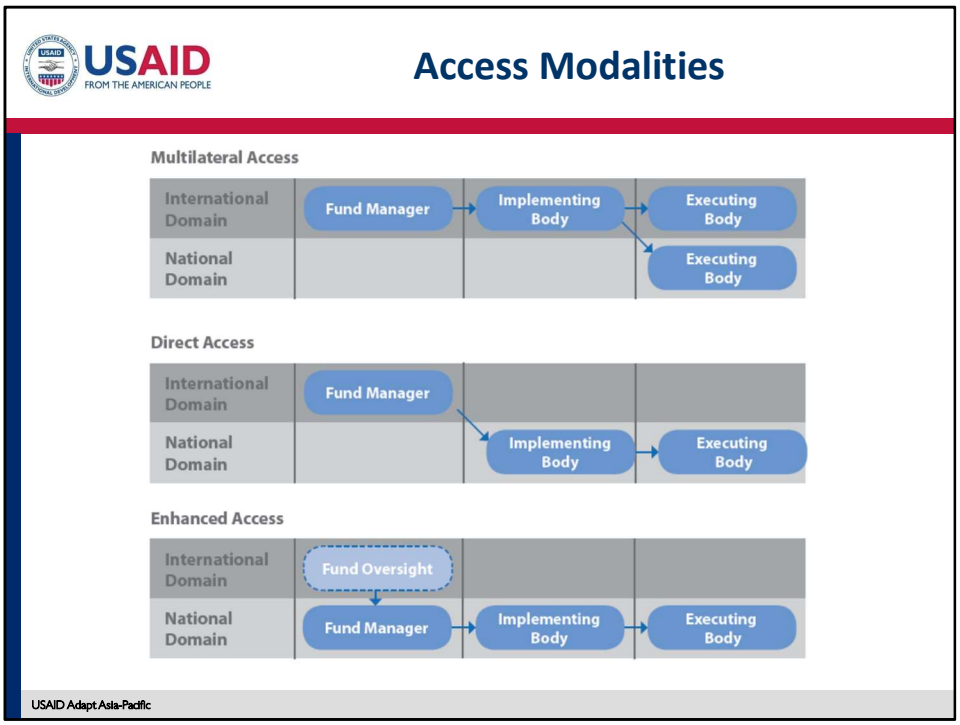
NOTE that in the case of the ADB and some other multilateral lenders there is not an institutional distinction between the implementing body (entity) or the executing body

(entity).

This diagram is taken from Vaneweerd, Veerle, Yannick Glemarec, and Simon Billett. 2012. Readiness for Climate Finance: A Framework for Understanding What it Means to be ready to use Climate Finance. UNEP. 32pp (p15). It shows the different responsibilities of the actors in terms of adaptation finance.

Other references for this slide include:

Bird, Neil, Simon Billett, and Cristina Colon. 2011. Discussion Paper: Direct Access to Climate Finance: Experiences and Lessons Learned. UNDP/ODI.



On the previous slide we learned the general setup of many international and national funds. They generally have a **fund manager**, an **implementing body**, and **executing bodies** (sometimes the word "entity" is used). However, each of these entities can be located at either the national or the international level. The location of the entities or bodies plays a major role in how the funds are accessed, and the role of the host government in managing the project cycle.

One of the first lessons is that it is important to pay attention to the mechanisms and modalities used to access and deliver climate finance. The term "**modality**" refers to the channel by which you get funds to implement a project. There are three main access modalities: **multilateral access**, **direct access**, and **enhanced access**. It is important to understand each of these, because different financiers utilize different access modalities. For example, the Adaptation Fund has both direct access and multilateral access, though most of the remaining funds available are set to be mobilized via the direct access modality. The Green Climate Fund currently offers multilateral and direct access, but may incorporate an enhanced access mechanism at some point in the future.

Multilateral access. Here the fund oversight, management, and implementation roles happen at the international level, generally with a multilateral institution (e.g. UNDP, ADB, World Bank) or other international institution. Execution of the project may be at the

international level, national level, or both. Generally this modality operates **outside** the national budgetary system.

Direct access. "Direct Access" is generally taken to refer to a mechanism whereby developing countries can access international financing directly in order to implement adaptation and mitigation activities. Traditionally, project management and facilitation has happened *outside* the country where the project is being implemented, generally by a multilateral or bilateral entity. Direct access means that these roles are devolved to the host country. In direct access, only fund management and oversight are at the international level. These are more strategic functions. Implementation and execution are both handled at the national level, and administration of the funds (not the fund) is the responsibility of a national level implementing body (the National Implementing Entity, or NIE).

Enhanced access. Here all functions are delegated to the national level. While there are no examples of this in the world of adaptation finance, the Green Climate Fund may at some point establish some sort of enhanced access mechanism. Examples outside of climate adaptation finance include the Global Alliance for Vaccines and Immunization (GAVI).

This diagram is taken from Vaneweerd, Veerle, Yannick Glemarec, and Simon Billett. 2012. Readiness for Climate Finance: A Framework for Understanding What it Means to be ready to use Climate Finance. UNEP. 32pp (p15). It shows the different modalities of accessing finance.

The material on this slide addresses **learning objectives 4.2.A & 4.2.B.**

Multilateral Access Example: Vietnam GCF

UNDP's overall role as an Accredited Entity is to provide oversight and quality assurance through its Headquarter, regional and Country Office units. This role includes: (i) project preparation oversight; (ii) project implementation oversight and supervision, including financial management; and (iii) project completion and evaluation oversight. It also includes oversight roles in relation to reporting and knowledge-management. The 'project assurance' function of UNDP is to support the Project Board by carrying out objective and independent project oversight and monitoring functions. This role ensures appropriate project management milestones are managed and completed. Project assurance has to be independent of the Project Manager; therefore the Project Board cannot delegate any of its assurance responsibilities to the Project Manager. A UNDP Programme Officer, or M&E Officer, typically holds the project Assurance role on behalf of UNDP. The 'senior supplier' role of UNDP is to represent the interests of the parties which provide funding and/or technical expertise to the project (designing, developing, facilitating, procuring, implementing). The senior supplier's primary function within the Board is to provide guidance regarding the technical feasibility of the project. The senior supplier role must have the authority to commit or acquire supplier resources required. If necessary, more than one person may be required for this role. Typically, the Implementing Partner/Executing Entity, UNDP and/or donor(s) would be represented under this role.

CF Modalities: Shifting Priorities?

***From Institutional access*:** Multilateral international entities are responsible for facilitating project development, design, submitting approvals, monitoring and reporting functions on behalf of countries.

***To Direct access*:** The project development, design and oversight responsibilities normally played by multilateral international entities are taken on by a national or regional entity.

USAID Adapt Asia-Pacific

This slide addresses a key trend in public climate finance: the move from institutional access to direct access. There is more and more pressure to move towards direct access mechanisms in the provision of public sector finance. There are a number of reasons for this. First, direct access increases host country involvement and ownership in all stages of the project cycle.

However, there are some challenges associated with the direct access modality. In order to implement direct access, host countries must have an accredited implementing body at the national level. Each financier has requirements that must be met before the National Implementing Entity (NIE) receives accreditation. In order to be designated as a National Implementing Entity, an agency has to have met fiduciary standards related to financial integrity, institutional capacity and transparency. These standards cover a wide variety of functions and include project management as well as fiduciary issues. Meeting these requirements has proven difficult in many cases. In response, a host of "readiness" resources and capacity-building programs have been developed by a wide range of international actors in an attempt to address these capacity gaps. Still, experience with direct access has shown that "it is difficult balancing fiduciary standards that have to be met with the desire to increase the use of national entities for implementation and execution" (Bird et al 2011). Because of this, many national institutions have in fact failed accreditation. Governments can end up spending a lot of time and effort trying to get

accredited, and their efforts may be misdirected; it may be better to go through the World Bank or the ADB or another multilateral entity. Be realistic about your possibilities of getting accredited in the short term. Don't put all your eggs in one basket; while you work on accreditation, make sure you are exploring options to address urgent and immediate adaptation needs.

An extremely important point to relate here is that, in relation to all the other sources of funding, both internationally and within existing domestic budgets that will be used to fund adaptation projects and activities, funds obtained via direct access are a very very small piece of the pie. Because direct access gets so much attention, it is easy to get fixated on it. But remember that direct access is just a piece, and a small one at that, of the funding puzzle.

Tell NABARD story.

India's **National Bank for Agriculture and Rural Development** (NABARD) is an apex development bank, with its headquarters in Mumbai and branches all over the country. Established in 1982, its main focus is uplifting rural India by increasing the flow of credit to agriculture and the rural non-farm sector. It has been entrusted with "matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas in India". Over the years, NABARD has had significant experience working with state organizations as well as non-government organizations (NGOs) and foundations with the capacity to work at the grassroots level and reach poor communities.

NABARD is also the national implementing entity (NIE) for the global **Adaptation Fund** (AF). In 2014, NABARD sought assistance from the ***USAID Adapt Asia-Pacific*** project in building capacity to design and appraise individual projects for submission to the AF within the overall country ceiling of a USD 10 million grant. In addition to specific project assistance, NABARD was keen to develop criteria for shortlisting project concepts, and a set of practical and comprehensive guidelines for project design and appraisal.

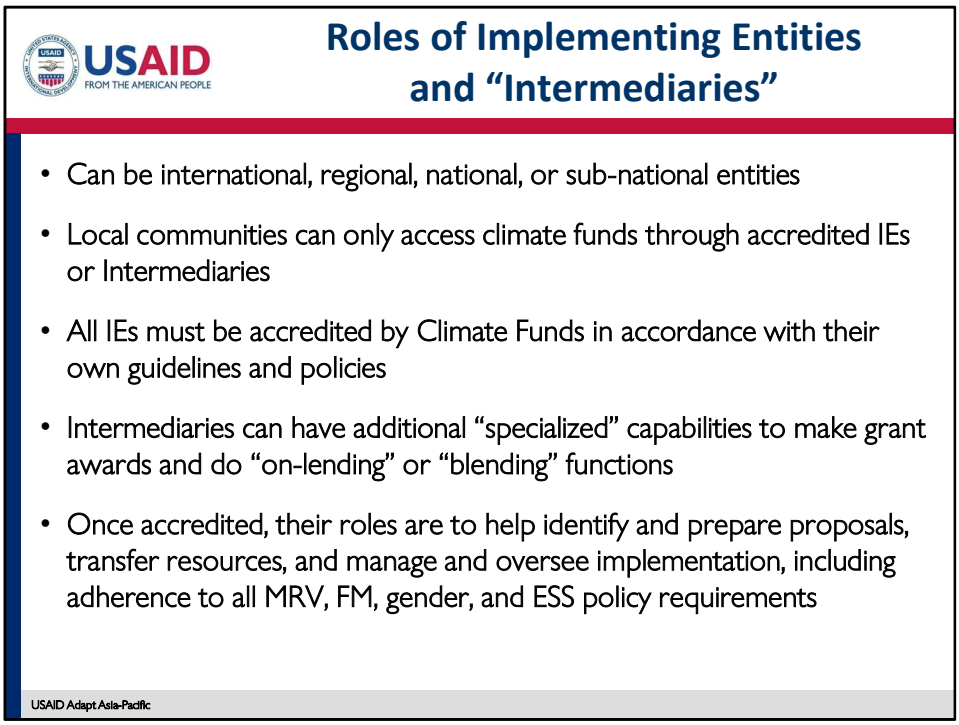
NABARD sought potential AF project proposals through local non-government organizations (NGOs) or foundations with strong track records of poverty reduction in various sectors in rural areas. India has had long experience of successful poverty reduction activities through such organizations. They have practical experience, motivated staff, good operational networks and ongoing rural programs – all huge assets when it comes to selecting potential executing entities (EEs) for climate change adaptation projects.

References for this slide include:

Bird, Neil, Simon Billett, and Cristina Colon. 2011. Discussion Paper: Direct Access to Climate Finance: Experiences and Lessons Learned. UNDP/ODI.

Direct Access Example: NABARD, India, AF

For this project, National Bank for Agriculture and Rural Development (NABARD) will be the implementing entity (NIE) and would not function as Executing Entity (EE). For the execution of the project, the NIE has identified EEs in each proposed State who have required experience and expertise in watershed management and climate change adaptation. The identified EEs have years of experience in watershed management and are actively involved in participatory community development processes in their respective operational States. NABARD has identified the EEs through a rigorous institutional appraisal system. NABARD as NIE will oversee the implementation of the additional climate proofing measures under the programme. Required technical support and guidance to the EEs will be provided by the NIE for qualitative execution of the project in order to realize adaptation and resilience objectives.



Implementing entities are also known as implementing bodies in some cases. Remember that the implementing body is responsible for the identification, preparation, and appraisal of projects and supporting documentation. Once the project is underway, the implementing body monitors and evaluates the project.

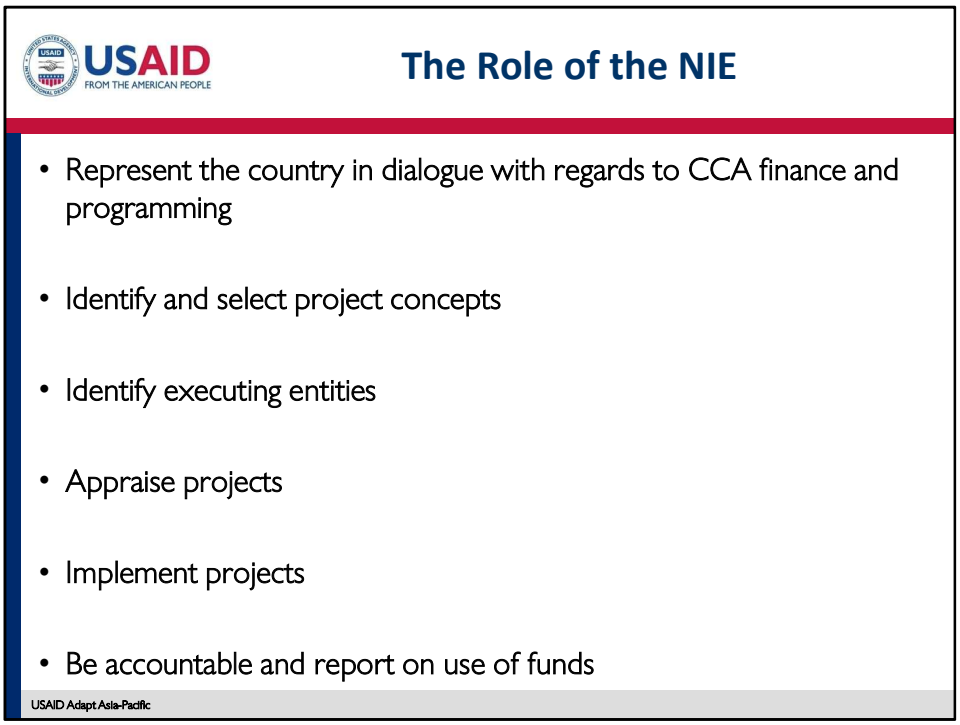
1. Can be at the international, regional, national, or subnational levels.

2. Countries can only access most Climate Funds through accredited Implementing Entities (IEs) or Intermediaries.

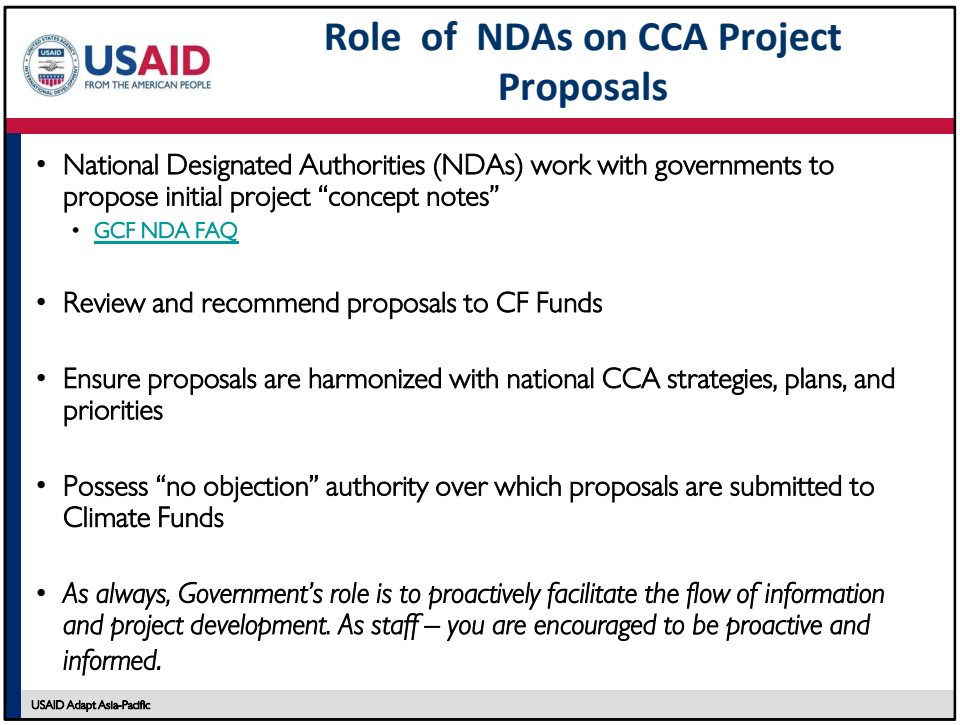
3. All IEs undergo an accreditation process based on complying with the Fund's Monitoring, Reporting and Verification (reporting) requirements (MRV), Financial Management (FM) policies and fiduciary principles, and Environmental and Social Safeguards (ESSs) and other relevant policies (e.g. gender).

4. Some of the additional "specialized" capabilities that Intermediaries can have include the ability to blend financial instruments (e.g. loans and grants or credits), engage in "on-lending" activities, provide equity investments, offer disaster risk guarantees, and/or other climate risk-sharing insurance policies.

5. Self-explanatory.



NIE stands for “National Implementation Entity”.



Notes for Facilitator: **"NDA" stands for "national designated authority". At this point you should include information about the NIE and NDA of the host country for the training. This information is included in the master country file which is located in the instructor resource pack. If you cannot find the information for your country, it is easy to find online.**

1. NDAs work with the proposing entities on initial "concept notes" to maximize internal coherence and alignment with prospective CF Fund objectives or other priority national focal areas or initiatives.

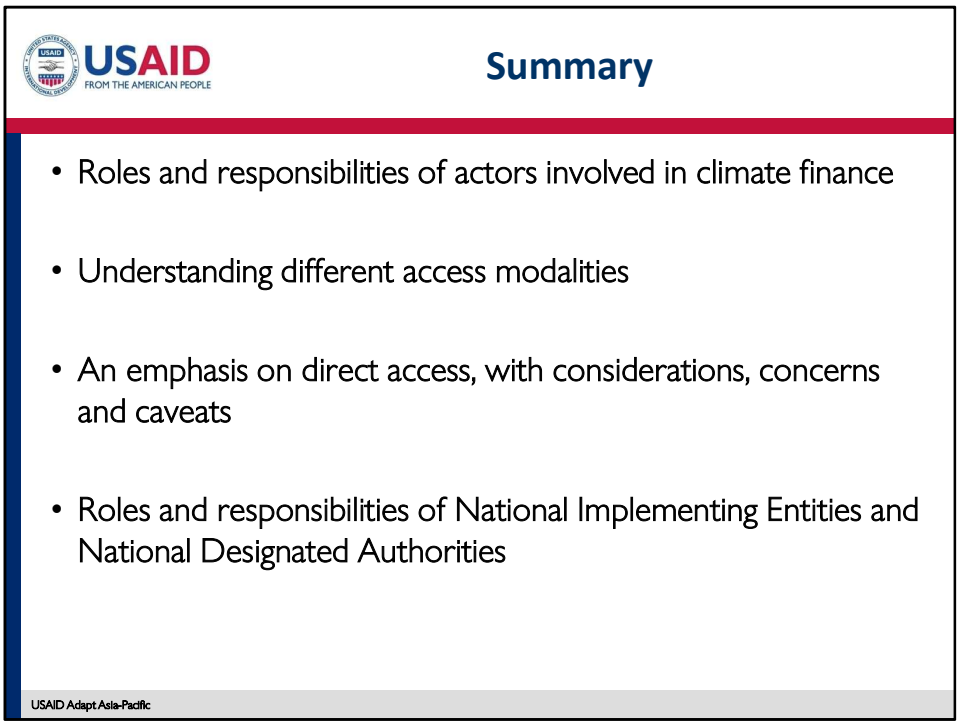
2. To recommend funding proposals to submit to the CF boards (both GCF and AF).

3. Seek to ensure consistency with national CCA strategies and priorities, and broad societal "ownership" through stakeholder engagement processes.

4. Possess "no objection" authority over which proposals are submitted to the Funds. "No objection" procedures are meant to function as a mechanism to prevent flawed projects from advancing to the CF boards for consideration. It serves to filter out projects that are incompatible with national strategies, those that conflict with better programs and projects, or impose undue harm or costs upon communities or their

surrounding environments. They also serve to assure the international community that projects are welcome by their host communities and governments, and are of high caliber. No Objection procedures ideally allow a host country to reject or halt any proposed or ongoing activity within its borders that it determines conflict with its development plans and priorities, strategies for addressing climate change, or national laws.

Part of the issue here is that many developed countries want the private sector to have access to mitigation and adaptation funds so they can propose and carry out projects, but many developing countries worry that this would undermine national control over adaptation and mitigation policies because it could potentially create a channel through which the private sector could circumvent the national government's policies and approval mechanisms. So at the Durban COP conference it was decided that a no-objection clause would be implemented as a sort of compromise. This would mean that private sector entities will be able to access the funds, but only as long as their projects were consistent with national priorities and guidelines.

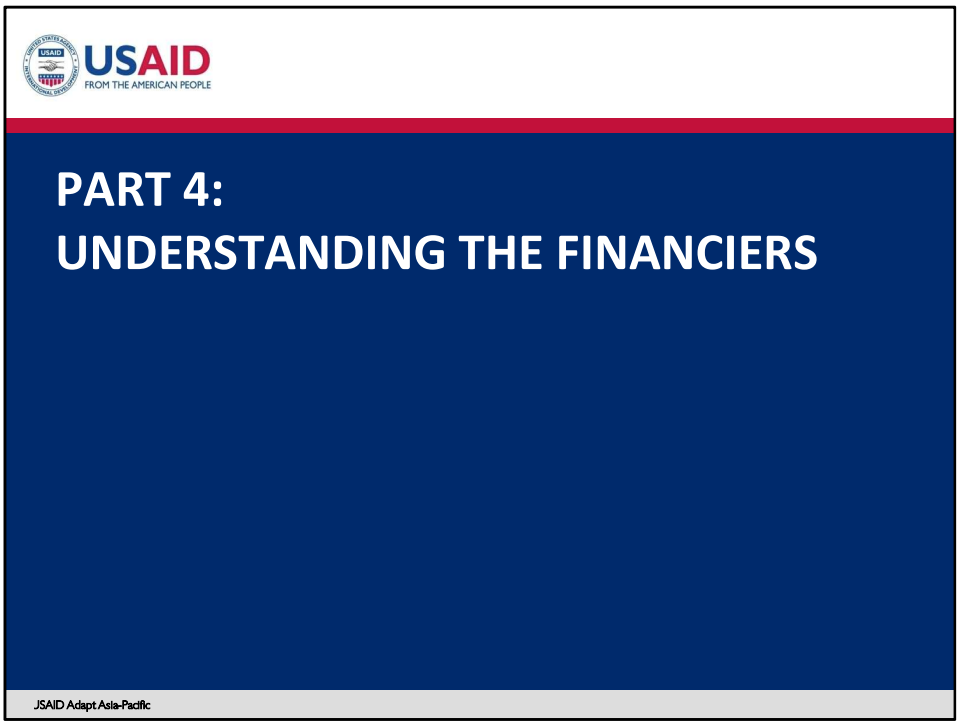


Roles and responsibilities of actors involved in climate finance.

Understanding different access modalities.

An emphasis on direct access, with considerations, concerns and caveats. Here we re-emphasize the points that have been made about direct access. It is far from automatic money. Strict fiduciary standards, the need to identify and prepare CCA projects, and the capacity to implement, monitor and report on projects and the use of funds are required to utilize the direct access modality. Think strategically about which agency(ies) will offer you the most support in developing a pipeline of CCA projects. It is advisable to identify partners that can back you up in project development and in building long term staff capacity in your country.

Roles and responsibilities of National Implementing Entities and National Designated Authorities.



GOALS

The goal of this section is to provide an overview of international and bilateral climate change adaptation financiers and their priorities and procedures for accessing funds.

IMPORTANCE

The material in this section is important because it provides technical details for accessing financial resources that can be used to augment those already committed at the national and subnational level, as well as to support new adaptation projects and programs.

OBJECTIVES

2.4.A. Describe some of the major multilateral financiers providing support for CCA and their major priorities.

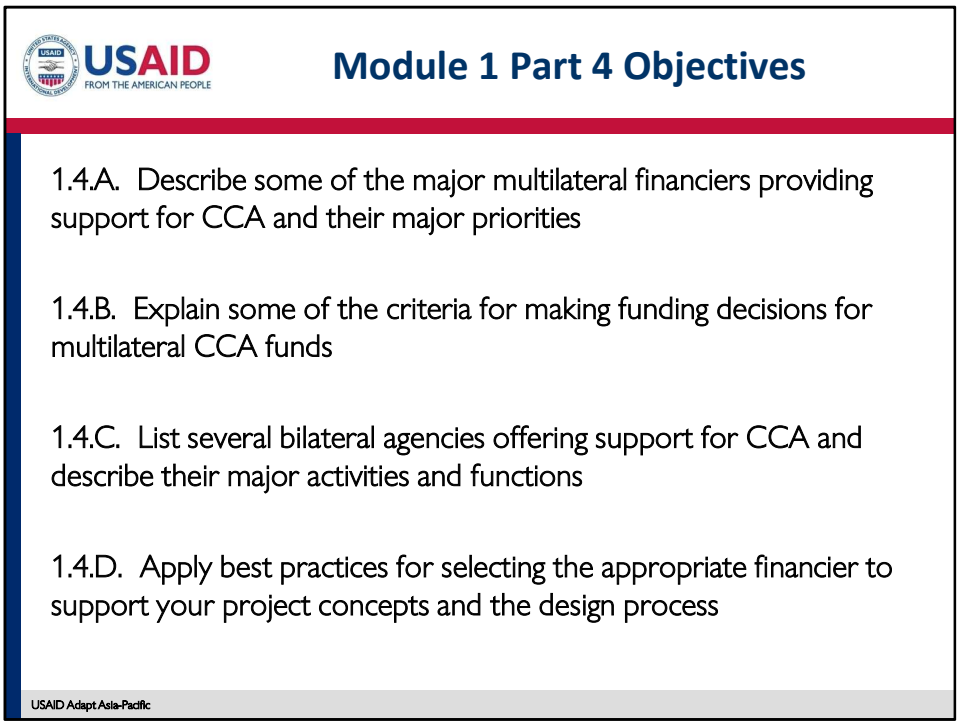
2.4.B. Explain some of the criteria for making funding decisions for multilateral CCA funds.

2.4.C. List several bilateral agencies offering support for CCA and describe their major activities and functions.

2.4.D. Apply best practices for selecting the appropriate financier to support your project concepts and the design process.

OVERALL FIT

This section, and all the sections of today's module, help participants develop the strategic fiscal context for developing adaptation projects and matching those projects to the appropriate sources of funding, as well as determining the appropriate managerial resources to commit to those projects.



These are the objectives for this module. Go through these objectives one by one and explain how they each fit into the overall goal of developing bankable project proposals.

Section 1.4: The Practical Questions

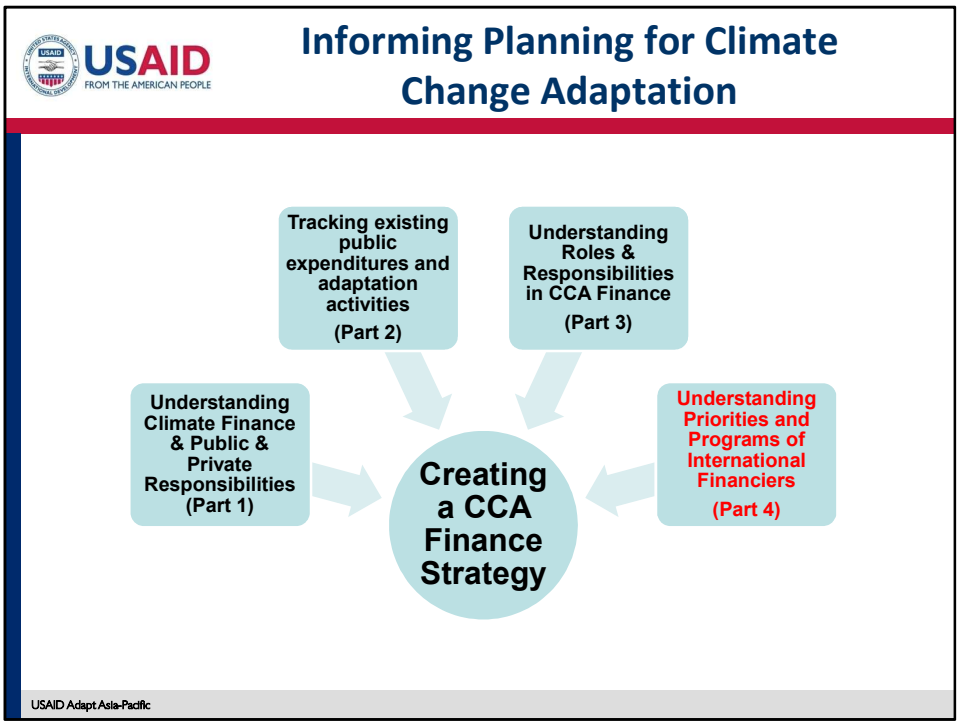
Which financiers are most relevant to your situation?

What are their eligibility requirements, priorities, goals, and criteria?

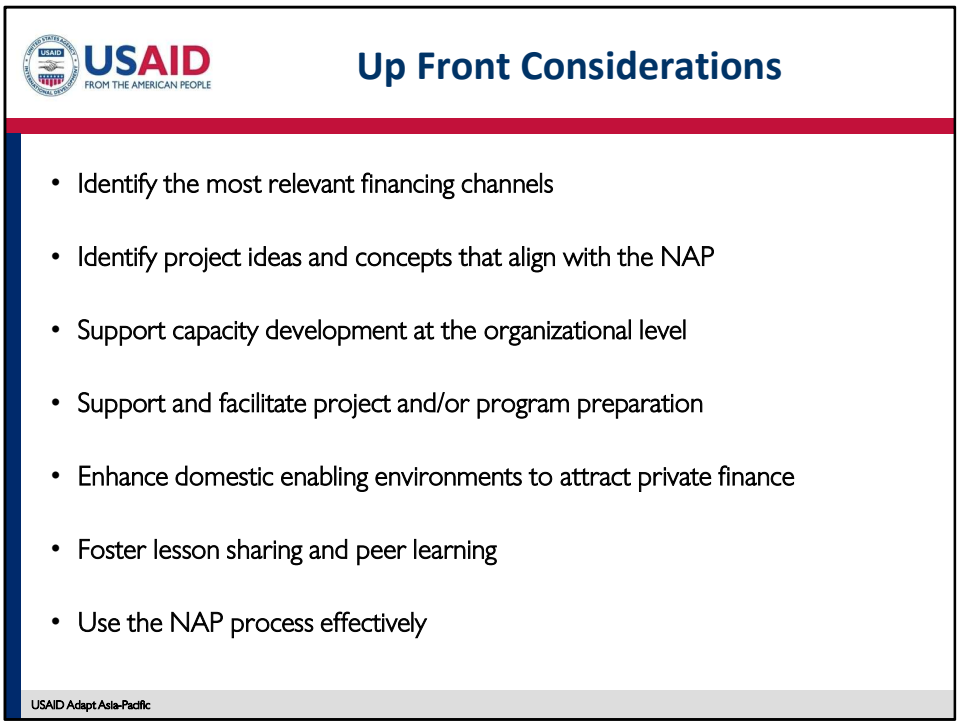
Is your project idea "above and beyond"?

Relevant GCF Question

- E.1.1: *Specify the mitigation and/or adaptation impact, taking into account the relevant and applicable sub-criteria and assessment factors in the Fund's investment framework.*



This slide describes how each section in this module contribute to your ability to develop a climate change adaptation finance strategy.



Identify the most relevant international financing channels. There are a variety of tools available, including:

- Climate Funds Inventory (G20). This contains information about 91 climate funds.
- UNFCCC Funding for Adaptation Interface. This provides a summary of adaptation funding options available from various sources, each with an information factsheet.
- http://www.adaptasiapacific.org/funds-compendium – most relevant financing sources for A-P.

It may be useful to develop a database on the most relevant funds.

Support capacity development at the organizational level. National coordinating institutions and National Designated Authorities (NDA) help to secure access to funding and also enhance country ownership of funded activities and co-ordination among relevant actors.

Support and facilitate project and/or program preparation.

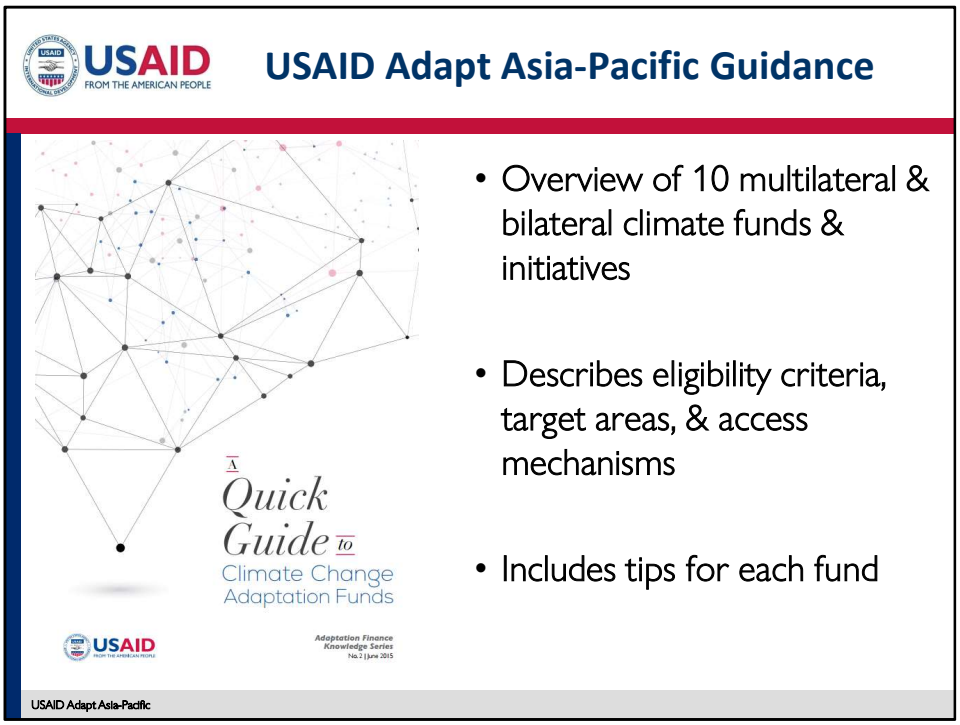
Enhance domestic enabling environments to attract private finance.

Foster lesson sharing and peer learning.

Use the NAP process effectives.

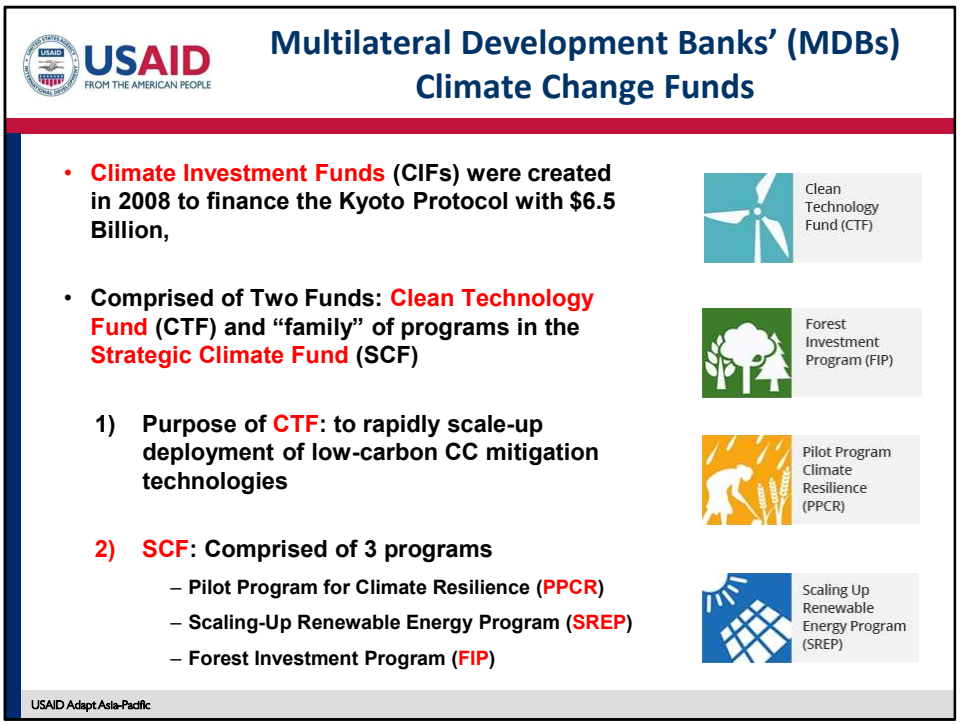
Resources for this slide include:

Toolkit to Enhance Access to Adaptation Finance: For Developing Countries that are Vulnerable to the Adverse effective of Climate Change. OECD 2015. Download at http://www.oecd.org/env/cc/Toolkit-to-Enhance-Access-to-Adaptation-Finance.pdf. Also included in participant resource pack.



The slide shows a resource that was developed by the Adapt Asia-Pacific project.

The guide can be downloaded at http://adaptasiapacific.org/sites/default/files/resource-library/USAIDAdapt_2_QuickGuidetoCCAFunds_June2015.pdf; it is also included in the participant resources pack.



This slide discusses the **Climate Investment Funds** (CIFs), designed by developed and developing countries, and implemented by multilateral development banks (MDBs) to address urgent adaptation needs. "The CIF's programmatic approach embodies a country-driven and country-owned process of strategic planning, deliberation, and alignment with policy and investment interventions from relevant development players, particularly the multilateral development banks that implement CIF funding. Through this flexible process conducted at each country's own pace and reflecting each country's own needs and goals, recipient countries benefit from the solid technical and operational expertise, as well as financial leverage, provided by MDB partners. This business model, and its ability to replicate, is unique in the global finance architecture and highly sought after by developing countries and investors" (http://blogs.worldbank.org/climatechange/empowering-greener-future, last accessed 3/30/2016).

The CIFs are meant to be additional financing over and beyond existing official development assistance (ODA), which aim to enable countries to continue on their development path and achieve the Millennium Development Goals. The CIFs were created in 2008 with pledges of US$6.5 billion, and were set to close with a "sunset clause" in 2015 when a new post- Kyoto Climate Change Accord would be signed in Paris.

As of March of 2016, the CIF had reached 72 countries.

There are two distinct funds: the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF).

The purpose of the CTF is to rapidly scale-up deployment of low-carbon technologies. It promotes scaled-up financing for demonstration, deployment and transfer of low carbon technologies with significant potential for long-term GHG emissions savings. It is focused on transportation, the built environment (buildings), industrial production, and agricultural sectors. Innovation and deployment at scale (economies of scale) are key to the CTF's success. There is a strong climate change **mitigation** focus and orientation.

The Strategic Climate Fund is comprised of targeted programs with dedicated funding to provide financing to pilot new approaches with potential for scaling up. The intention is to help more vulnerable countries adapt their development programs to confront the impacts of climate change ensuring climate resilience. **FACILITATOR NOTE to the participants that in the previous modules we have been focusing on both resilience to climate change and also incorporating climate change into existing development programs (this is "mainstreaming").**

The **Pilot Program for Climate Resilience** is the first program under the Strategic Climate Fund. It seeks to explore practical ways to mainstream climate resilience into core development planning and budgeting that is consistent with poverty reduction and sustainable development goals. The PPCR builds on the National Adaptation Programmes of Action (NAPAs) and other national strategies. It is strategically aligned with, and maintains strong links to the Adaptation Fund established under the Kyoto Protocol.

One example of a PPCR project in the Asia-Pacific region is the Climate Resilient Rural Infrastructure project in Kampong Cham Province in Cambodia. This project is part of the larger Rural Roads Improvement project and was approved in September of 2015. The project includes US$16 million from the Climate Investment Fund ($9 million in grant funding and $7 million in non-grant funding) and expected co-financing of approximately US$162 million. More details are available at https://www-cif.climateinvestmentfunds.org/projects/climate-resilient-rural-infrastructure-kampong-cham-provinceas-part-rural-roads-improvement. The project intends to address the problem that rural roads deteriorate rapidly because of growing traffic, lack of maintenance, overloading, and poor management. Prolonged flooding is making this worse. This project will climate proof the roads that will be built as part of the larger project. The goal is to have year round access for rural residents, even in the heavy rainy season. This will improve livelihoods and hence resilience to climate change. Specific outcomes of the project include

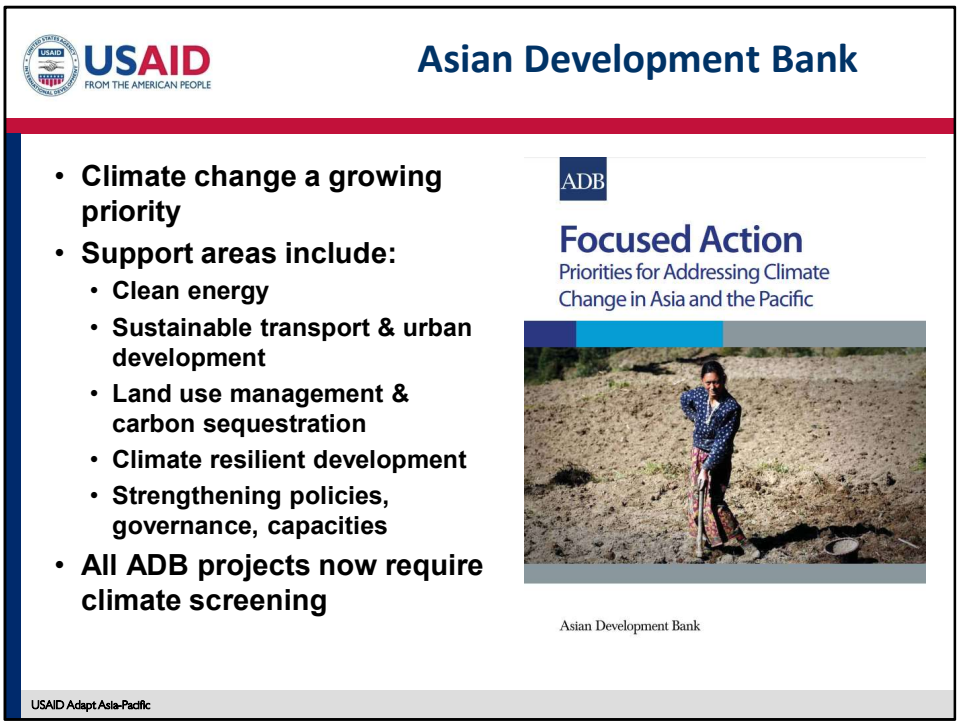
- Using bioengineering as part of efforts to improve 240km of vulnerable rural roads
- Strengthening the capacity of agencies to mainstream climate change concerns into planning and development.
- Develop and implement a multi-sector climate change adaptation framework for islands in the Mekong River

- Promote effective linkages between climate change adaptation and disaster risk reduction in Kampong Cham province.

Another example of a PPCR endeavor is the CLIMADAPT program in Tajikistan, launched in early 2016 with the European Bank for Reconstruction and Development (EBRD) and the Tajik government. CLIMADAPT is a new program dedicated to financing innovative technologies that will help make Tajikistan more resilient to climate change. Climate change threatens to reduce crop yields by 30% in parts of the country by the end of the century, endangering food security and pushing more people into poverty. The CIF is providing US$5 million and has leveraged an additional US$5 million from EBRD to create a pilot Climate Resilience Financing Facility to help Tajik households and business cope with the effects of climate change. It finances projects to improve water efficiency, increase energy efficiency, and reduce soil erosion. Activities range from developing new orchards for growing apples, installing rainwater harvesting systems, and replacing windows and doors leaking heat. Loans are offered to businesses, farmers, and households via local financial institutions. A team of local and international stakeholders and experts will provide technical advice on the adoption of best practices and most suitable technologies. According to the CIF, this is the first time there has been a dedicated finance mechanism for climate resilience operating with local financial institutions (https://www-cif.climateinvestmentfunds.org/blog/tajikistan%E2%80%93-greening-future, last accessed 3/30/2016).

The **Scaling-Up Renewable Energy Program** (SREP) in Low Income Countries, which was approved in May of 2009, is aimed at demonstration the economic, social and environmental viability of low carbon development pathways in the energy sector by creating new economic opportunities and increasing energy access through the use of renewable energy.

The **Forest Investment Program** (FIP), approved in May 2009, aims to support developing country efforts to reduce emissions from deforestation and forest degradation by providing scaled-up bridge financing for readiness reforms and public and private investments. It will finance programmatic efforts to address the underlying causes of deforestation and forest degradation an to overcome barriers that have hindered past efforts to do so.



The long-term strategic goal of the Asian Development Bank set out in Strategy 2020 emphasizes environmentally sustainable growth as a key pillar to achieving an Asia and Pacific region free of poverty, including adaptation to the unavoidable impacts of climate change. In particular, it commits ADB to supporting its developing member countries (DMCs) in climate proofing investment projects. In 2010, ADB defined its priorities for action to assist DMCs in addressing climate change. In particular, these priorities include assisting DMCs in climate-proofing projects to ensure their outcomes are not compromised by climate change and variability or by natural hazards in general. At the project level, it asserts ADB's commitment to help DMCs develop climate-proofed infrastructure and to embed climate proofing in the project cycle.

Climate Change a growing priority. As we will see on the next slide, the ADB has been increasing its support for climate change adaptation and mitigation.

Support areas include: ADB has identified 5 areas for support.

Expanding the use of clean energy. Enhanced attention will be given to removing barriers to the introduction of low-carbon technologies and to supporting the transfer, development, and dissemination of low-carbon and climate-resilient technologies.

Sustainable transport & urban development. ADB's policy work and investments in the transport and urban sectors will increasingly shift from traditional road and highway projects to developing alternative means for low-carbon mobility, including modern mass transit systems, more efficient vehicles, cleaner fuels, and sound urban and intra-city transport planning. Transport infrastructure must be made resilient to the adverse impacts of climate change.

Land use management & carbon sequestration. The approach of Reducing Emissions from Deforestation and Forest Degradation (REDD-plus) advocated as part of a post-2012 climate change agreement promises new market partnership incentives for forest conservation. ADB will provide targeted support in collaboration with other development partners to mobilize resources for sustainable forest management and conservation initiatives, as well as other land use changes to enhance carbon sequestration.

Climate resilient development. ADB will support country-driven climate change adaptation programs by promoting the mainstreaming of adaptation and disaster risk reduction into national development plans. ADB will ensure that its operations help build the climate resilience of vulnerable sectors such as agriculture, energy, transport, and health, including preparation of climate resilient sector road maps and the climate proofing of projects. Climate change is expected to have gender-specific impacts; therefore, ADB will help ensure that gender concerns are properly incorporated into development plans.

Strengthening policies, governance, capacities. ADB will use its development policy and poverty reduction dialogue, as well as targeted policy and institutional interventions, to support this process regionally, nationally, and locally.

All ADB projects now require climate screening. The ADB has recognized that the countries of the Asia Pacific are highly vulnerable to the adverse effects of climate change, and thus has required all ADB investments to be screened for climate impacts. No project can go to the board for approval unless climate change has been addressed in the project document. The ADB has adopted the AWARE software product, produced by Acclimatise, which utilizes Hadley Center climate models, for screening of projects (http://www.acclimatise.uk.com/).

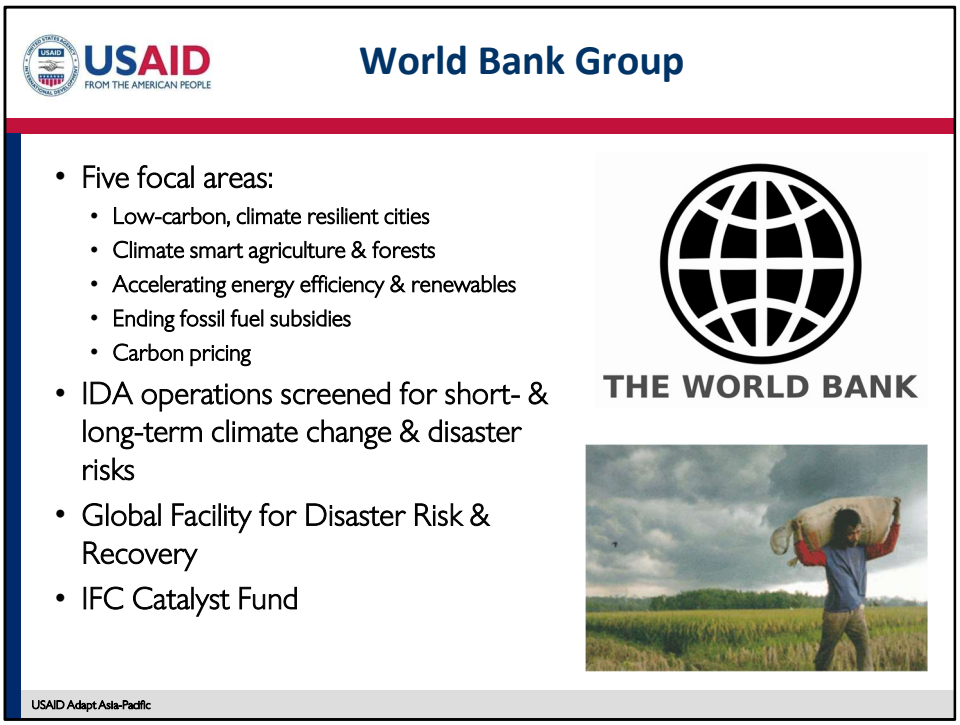
Make the point that most funding will go to climate proofing infrastructure and refer back to guide books.

The image on the right hand side of this slide is from the cover of the ADB's Focused Action: Priorities for Addressing Climate Change in Asia and the Pacific strategy document (2010). The document can be downloaded at http://www.adb.org/sites/default/files/publication/27501/focused-action.pdf, it is also included in the participant resources pack.

Asian Development Bank recently announced it will ***double*** its annual climate financing to ***US$6 billion*** by 2020, up from the current US$3 billion. ADB's spending on tackling climate change will rise to around 30% of its overall financing by the end of this decade.

This follows the promise by developed countries to mobilize US$100 billion every year from 2020 to counter climate change in developing countries.

Of the $6 billion, ***US$4 billion*** will be dedicated to mitigation through scaling up support for renewable energy, energy efficiency, sustainable transport, and building smart cities. ***US$2 billion*** will be for adaptation through more resilient infrastructure, climate-smart agriculture, and better preparation for climate-related disasters.



The World Bank Group recently announced it will increase climate financing to potentially US$29 billion annually, giving a huge boost to global efforts to help countries tackle the impacts of climate change and move toward low-carbon growth. Currently, 21% of the WBG's funding is climate related. That could rise to 28% in 2020. WBG now provides an average of US$10.3 billion a year in direct financing for climate action. If current financing levels were maintained, this would mean an increase to US$16 billion in 2020. In addition, the WBG plans to continue current levels of leveraging co-financing; at current financing levels, that could mean up to another US$13 billion a year in 2020. Direct financing and co-financing together represent an estimated $29 billion.

Five Focal Areas.

IDA operations now screened for short- & long-term climate change & disaster risks. The International Development Association (IDA) country partnership frameworks for the poorest countries are incorporating climate change and disaster risk considerations, and new IDA operations are new screened for short- and long-term climate change and disaster risks, and resilience measures are integrated as appropriate.

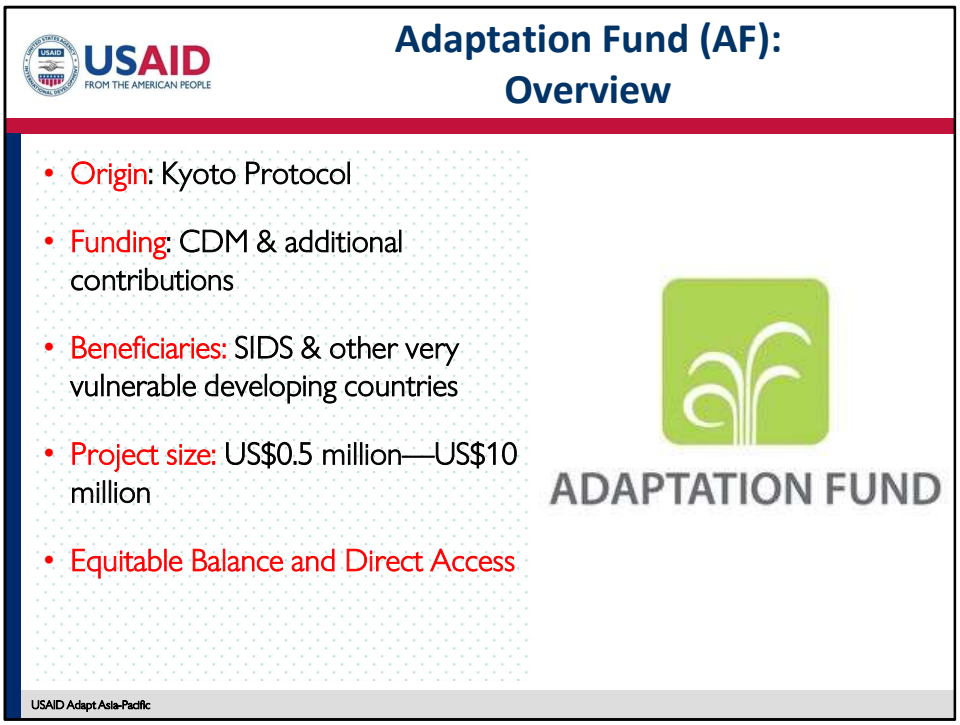
Global Facility for Disaster Risk & Recovery. Through the GFDRR, the World Bank is helping developing countries reduce their vulnerability to natural hazards and adapt to climate change, by mainstreaming DRR and CCA in country development strategies.

IFC Catalyst Fund. The International Finance Corporation (IFC). The IFC started tracking the climate-smart components of its investments and advisory services in 2005. Since then the IFC has provided about US$13 billion in long-term financing for renewable power, energy efficiency, sustainable agriculture, green buildings, and private sector adaptation to climate change. The World Bank Treasury and the IFC are also among the world's largest issuers of green bonds, which support climate-related projects such as increasing energy efficiency and developing of renewable energy, with more than US$8.5 billion issued by the World Bank Treasury in 18 currencies. In the 2015 fiscal year, IFC issued 18 green bonds in the cumulative amount of US$353 million, taking the IFC's total green bond issuance to US$3.8 billion.

The picture in the lower right was sourced from the World Bank, http://ieg.worldbankgroup.org/evaluations/adapting-climate-change-assessing-world-bank-group-experience, last accessed 3/23/2016.

Sources for this slide include:

http://www.worldbank.org/en/news/press-release/2015/10/09/world-bank-group-pledges-one-third-increase-climate-financing.



Since 2010, the Adaptation Fund has committed US$331 million to projects in 54 countries.

Origin. The Adaptation Fund was established under the Kyoto Protocol of the UNFCCC to finance concrete adaptation projects and programs in developing countries that are parties to the Kyoto Protocol and are particularly vulnerable to the adverse effects of climate change.

Funding: The Adaptation Fund's original source of funding was to be a 2% levy from the Clean Development Mechanism (CDM). Under the Clean Development Mechanism, emissions-reduction projects in developing countries can earn certified emissions reduction credits. These credits can be traded and sold by industrialized countries to meet a part of their emission reduction targets under the Kyoto Protocol. Financing for the Fund comes mainly from sales of certified emissions reductions, but also receives contributions from governments, the private sector, and individuals. The World Bank currently serves as the trustee for the AF's funds.

Beneficiaries. The Fund is meant to benefit developing country parties to the Kyoto Protocol. Specifically, "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".

Equitable Balance and Direct Access. The AF fund has established a cap of US$10 million for each eligible country (though this cap is subject to periodic review). In addition, 50% of the Fund's resources must be disbursed via the direct access modality through an NIE. There are 11 developing countries and 5 developed countries on the board. It is perceived to have a highly transparent decision-making process with broad civil-society participation to ensure accountability of Board decisions; private sector engagement has been less prominent except for the tourism sector (which has responded actively in some cases of coastal zone management and marine restoration or protection efforts).

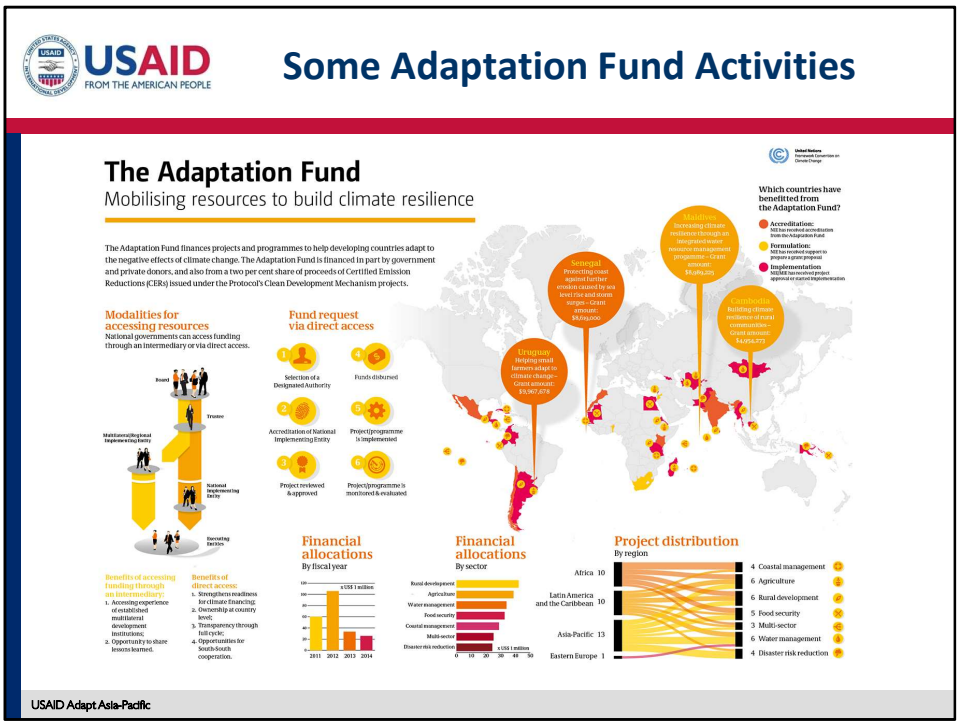
Unique aspects: It features very inclusive partner engagement approaches and direct access, with a subnational focus and micro-financing programs at the community level (the average project size is US$6.6 million over 4.4 years); the Environmental and Social Policy of the AF can be found at https://www.adaptation-fund.org/wp-content/uploads/2013/11/Amended-March-2016_-OPG-ANNEX-3-Environmental-social-policy-March-2016.pdf

Investment strategy and allocation of funds: This fund is intended to prioritize the needs of the most vulnerable populations. So far, half of the funds have been focused in the agricultural sector on food security issues with another ¼ allocated for water management activities for flood control. There is a broad geographic balance between regions, but the Asia-Pacific region has received the biggest share of funds at 32%.

Enabling environment and catalytic outcomes: Most AF-supported projects have an institutional capacity-strengthening component aimed at creating more supportive policy platforms and better governance to enable CCA initiatives, but process is slow and difficult. Accreditation of National Implementing Entity (NIE) functions has had large awareness-raising and catalytic impact and shown that developing countries can comply with rigorous fiduciary standards and ESSs, but still there are very few accredited entities in the Asia and Pacific regions.

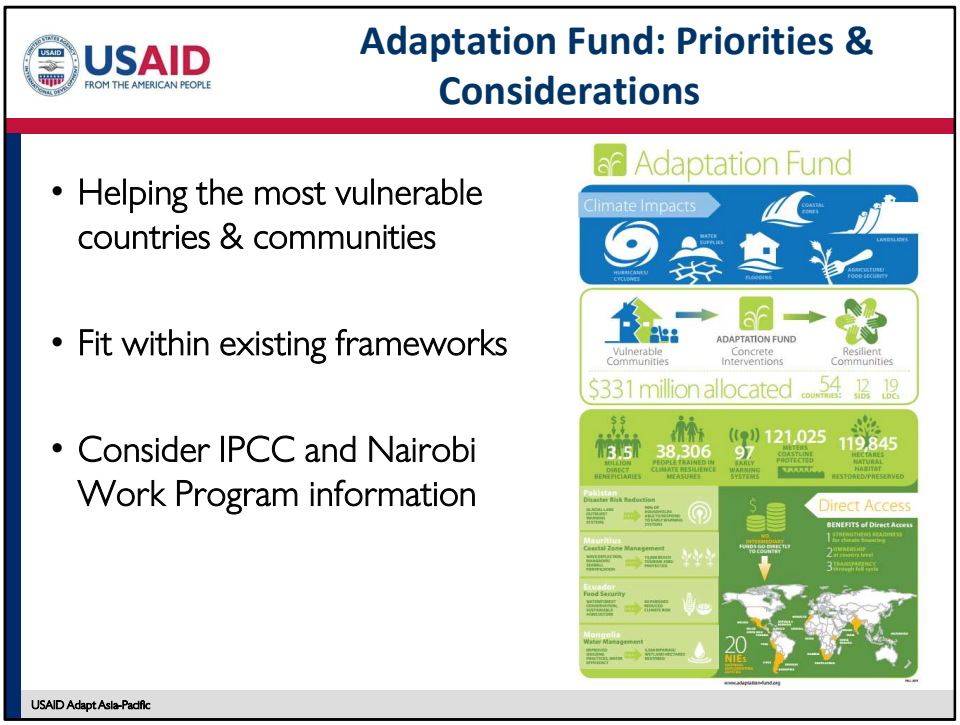
Accreditation*:* National Implementing Entity (NIE) accreditation has had important catalytic effects by creating interest in other national institutions to demonstrate that they can also meet robust fiduciary, transparency and management standards.
The adoption of these modalities is the result of strong developing country interest in working with institutions based in their own countries and regions, who had a better appreciation of national context and had implementation capacities better aligned with national needs and interests. The high administration fees charged by conventional implementing institutions were also a source of concern.
The early stages of this process were challenging, and many of the first applicants for

accreditation as NIEs were not recommended for accreditation. Over time, however, processes and systems have become clearer to prospective NIEs.
As of November, 2013, the Adaptation Fund had 15 NIEs, three Regional Implementing Entities (NIEs), and 10 Multilateral Implementing Entities (MIEs).



The AF is excellent for small countries as it is 100% grant funds. Its secretariat is helpful in reviewing/giving patient feedback on project concepts and submissions, but accreditation requirements to access funds in the first place are very stringent.

Source: Adaptation Fund.



Helping the most vulnerable countries & communities. Climate change is predicted to greatly affect the poorest people in the world, who are often hardest hit by weather catastrophes, desertification, and rising sea levels, but who have contributed the least to the problem of global warming. Helping the most vulnerable countries and communities is an increasing challenge and imperative for the international community, especially because climate adaptation requires significant resources beyond what is already needed to achieve international development objectives. This goal is articulated in the strategic priorities of the Fund:

a. "Assist developing Country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation.

b. "Finance concrete adaptation projects and programmes that are country driven and are based on the needs, views, and priorities of eligible Parties".

Moreover, the AF specifically states that "in developing projects and programmes, special attention shall be given by eligible Parties to the particular needs of the most vulnerable communities".

Fit within existing frameworks. Projects and programs to be funded by the AF "should take into account…national sustainable development strategies, poverty reduction

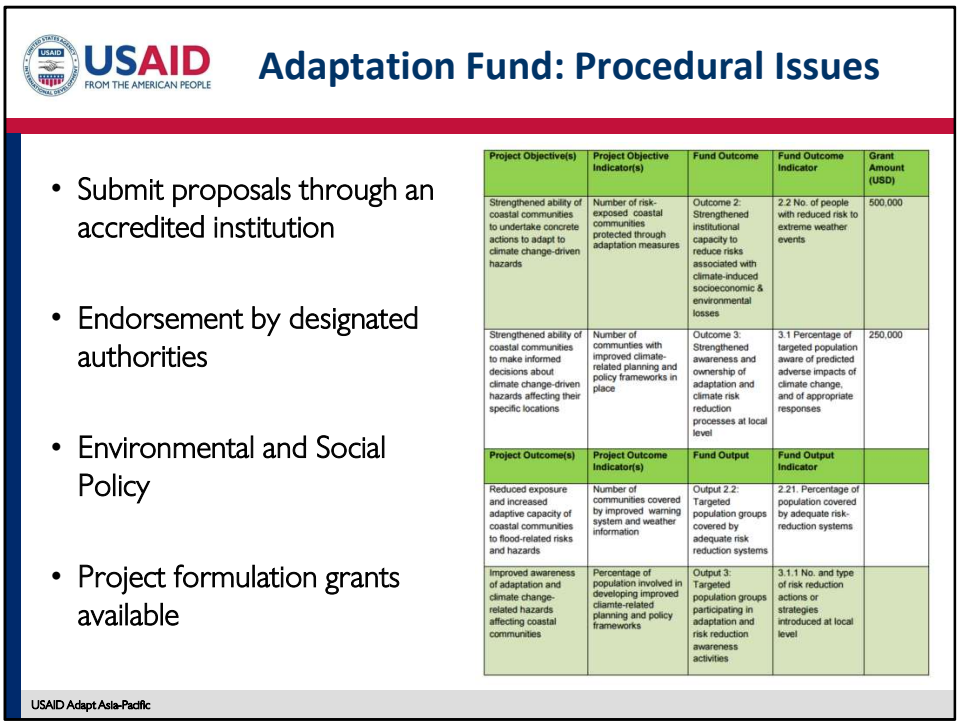
strategies, national communications and national adaptation programmes of action and other relevant instruments". Additional considerations include:

- Economic, social and environmental benefits from the projects
- Meeting national technical standards, where applicable
- Cost-effectiveness of projects and programs
- Arrangements for management, including for financial and risk management
- Arrangements for monitoring and evaluation and impact assessment
- Avoiding duplication with other funding sources for adaptation for the same project activity
- Moving towards a programmatic approach, where appropriate.

Consider IPCC and Nairobi Work Program Information. "Eligible parties should consider…information included in reports from the Intergovernmental Panel on Climate Change and information generated under the Nairobi work program on impacts, vulnerability and adaptation to climate change.

Information for this slide is sourced from Adaptation Fund proposal submission guidance.

The graphic in this slide is sourced from the Adaptation Fund, https://www.adaptation-fund.org/wp-content/uploads/2015/11/AF-infographic-English-10.2015.pdf, last accessed 2/18/2016.



Submit proposals through an accredited institution. To apply for funding, countries must submit proposals through an accredited institution. These include Multilateral Implementing Entities (MIEs), Regional Implementing Entities (RIEs), and National Implementing Entities (NIEs). An entity must undergo an assessment for accreditation to make sure it adheres to sound fiduciary standards and implements effective social and environmental safeguards to prevent any harm. The accreditation process consists of four broad categories:

1. Legal status
2. Financial and management integrity
3. Institutional capacity
4. Transparency, self-investigation, & anti-corruption.

Accredited institutions of interest to USAID Adapt Asia-Pacific countries include:

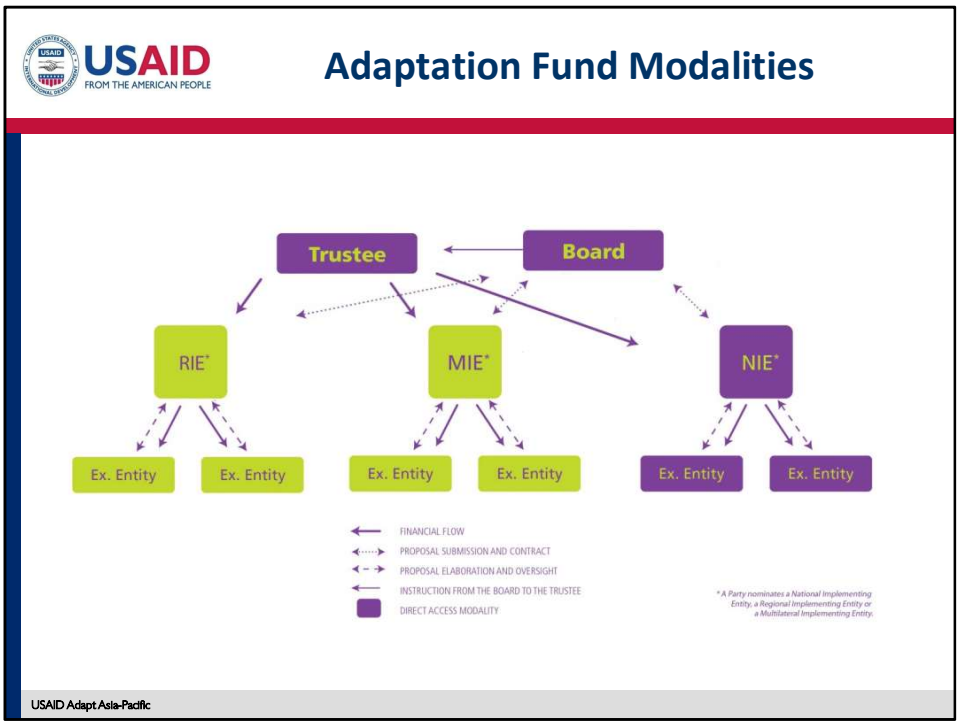
- Asian Development Bank (MIE)
- International Fund for Agriculture Development (IFAD) (MIE)
- UN-Habitat (MIE)
- UNDP (MIE)
- UNESCO (MIE)
- UNEP (MIE)
- World Food Program (MIE)

- World Bank (MIE)
- World Meteorological Organization (MIE)
- Secretariat of the Pacific Regional Environment Programme (SPREP), Samoa (RIE)
- Micronesia Conservation Trust, Federated States of Micronesia (NIE)
- National Bank for Agriculture and Rural Development (NABARD), India (NIE).

Endorsement by designated authorities. All proposals require endorsement by the designated authorities of the country in which the project or program will take place. The designated authority is an officer within the country's government administration that represents the government in its relations with the AF board and secretariat. Endorsing projects is the main responsibility of the designated authority. The DA endorsement indicates that the project is in line with national priorities and plans.

Environmental and Social Policy. All applicant implementing entities shall demonstrate commitment and ability to comply, at a minimum, with the most recent environmental and social policy approved by the Board.

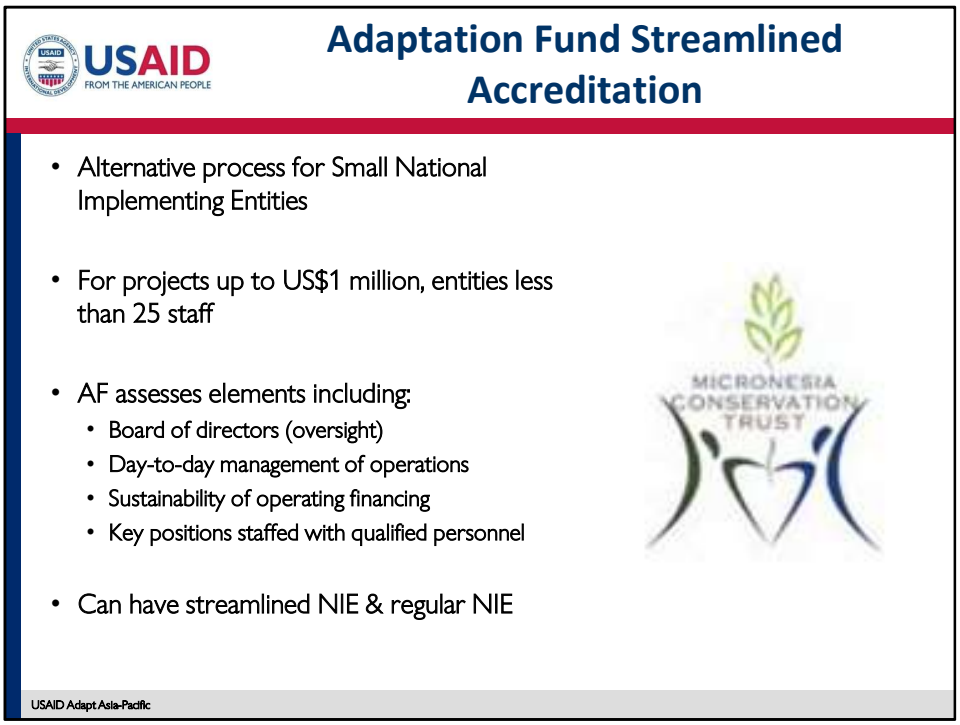
Project formulation grants. NIE project/program proponents are eligible to submit a request for a Project/Program Formulation Grant (PFG) together with a project/program concept. The secretariat will review the request and forward it to the PPRC for a final recommendation to the Board. A PFG can only be awarded when a project/program concept is presented and endorsed. Only activities related to country costs are eligible for funding through a PFG. Any unused funds must be returned, and a fully developed project/program document must be submitted within 12 months.



The Adaptation Fund has several modalities for access:

- Direct Access
- Access through a multilateral implementing entity (MIE)
- Access through a regional implementing entity (RIE).

In practice, most (if not all) of the funds available through the MIE & RIE modalities have been allocated, and so the largest portion of remaining AF resources must be accessed via direct access procedures.

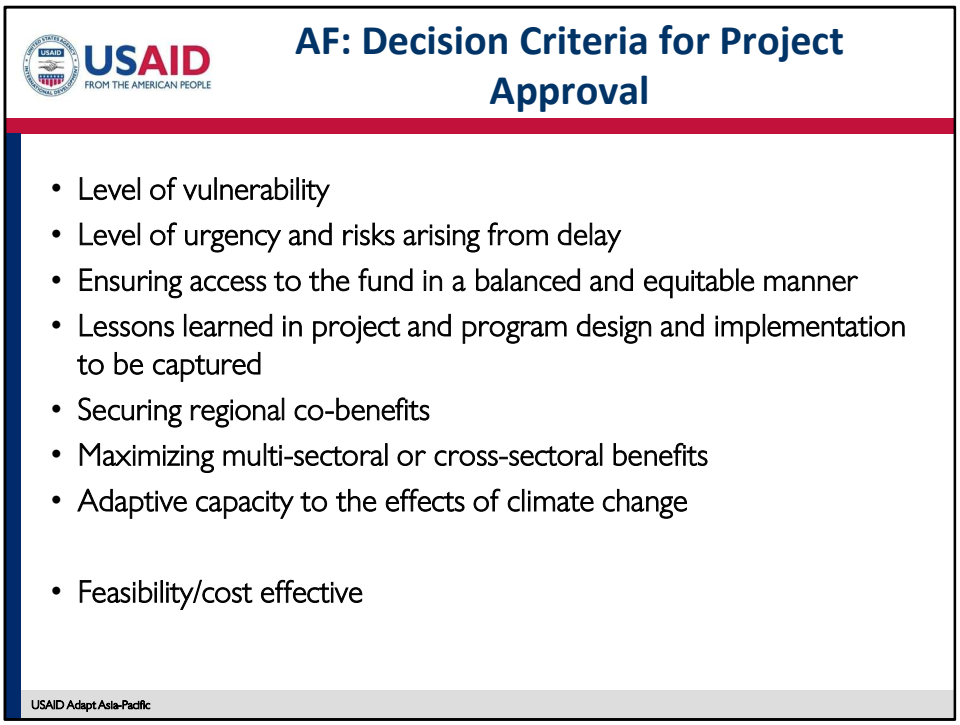


Alternative process for Small National Implementing Entities. The new process takes into consideration compensating measures, controls, and practices normally found in smaller entities to determine whether or not an entity meets the fiduciary requirements without exposing the Fund to significant additional risks. It should be noted that the proposed streamlined process entails no changes to the fiduciary standards but instead opens up possibilities for a smaller entity to demonstrate its competence and capacity to meet acceptable requirements. However, the requirements for demonstrating the fiduciary standards would be commensurate with the type, size, and, and risk profile of the institution.

The process includes 5 elements:

(a) An assessment of the potential risks that the Adaptation Fund would take by funding a project based on the capacity and nature of an SNIE,
(b) A greater emphasis on identifying alternate ways to meet the requirements of the fiduciary standards,
(c) Added flexibility for an applicant to show how it uses mitigating measures to meet the spirit of the fiduciary standards,
(d) Reduced time and effort for the applicants to go through the accreditation process, and
(e) Alignment where possible with the fit-for-purpose approach of the Green Climate Fund.

For projects up to US$1 million, entities less than 25 staff. It is proposed to have this modality available to applicants currently executing or implementing projects up to USD 1 million per project or programme, having up to 25 professional staff working on implementing or executing projects and having annual administrative expenses of up to USD 1 million. It is important to note that the characteristics are provided to give a general parameter and are not intended to be rigidly applied. Applicants falling outside of these ranges could be considered under the streamlined approach based on other considerations such as their characteristics or type of business. From past experience some of the regional implementing entities share similar characteristics and the streamlined approach should be equally available to them.



Note that procedures for allocating resources are reviewed at least every three years.

Level of Vulnerability. Specific review questions associated with this include:

- "Does the project/program provide economic, social and environmental benefits, with particular reference to the most vulnerable communities, including gender considerations, while avoiding or mitigating negative impacts, in compliance with the Environmental and Social Policy of the Fund?"
- "Is the project/program consistent with national sustainable development strategies, national development plans, poverty reduction strategies, national communications or adaptation programs of action, or other relevant instruments?"

Lessons learned in project and program design and implementation to be captured. Specific review questions associated with this include:
Does the project/program have a learning and knowledge management component to capture feedback lessons?"

Ensuring access to the Fund in a balanced and equitable manner. Specific review questions associated with this include
"Does the project/program provide an overview of environmental and social impacts/risks identified?"

Feasibility/cost effective. Specific review questions associated with this include:

- "Is the project/program cost-effective?"
- "Does the project/program meet the relevant national technical standards, where applicable, in compliance with the Environmental and Social Policy of the Fund"?
- "Is there duplication of project with other funding sources?"
- "Has the project/program provided justification for the funding requested on the basis of the full cost of adaptation?"
- "Does the project/program align with the AF results framework?"
- "Has the sustainability of the project/program outcomes been taken into account when designating the project?"
- "Is the Implementing Entity management fee at or below 8.5% of the total project/program budget before the fee?"
- "Are the project/program execution costs at or below 9.5% of the total project/program budget before the fee?"
- "Is there adequate arrangement for project management?"
- "Are there measures for financial and project risk management?"
- "Are there measures in place [for] the management of environmental and social risks, in line with the Environmental and Social Policy of the Fund?
- "Are arrangements for monitoring and evaluation clearly defined, including a budgeted M&E plan?"
- "Is a project results framework included? Are relevant targets and indicators disaggregated by sex?"

In total the Adaptation Fund has approved 51 projects, including 15 in USAID Adapt Asia-Pacific countries (Cambodia 1, India 5, Indonesia 1, Maldives 1, Mongolia 1, Nepal 1, Sri Lanka 1, Cook Islands 1, PNG 1, Samoa 1, Solomon Islands 1). Overall, funding packages awarded range from around $700,000 to just under $10 million. Average project size is approximately $6.5 million.

The Adaptation Fund provides support for two kinds of projects:

- Small-sized projects and programs (up to $1 million). Small-sized projects have a streamlined, one-step approval process.
- Regular projects and programs (over $1 million). Regular projects undergo either a one-step or two-step approval process. In the two-step process, a project/program concept is submitted as a first step, followed by a fully-developed project document. Funding is only reserved upon approval of the full project document.

The Fund also has a cap for each eligible country to ensure equitable distribution of Fund resources.

AF projects address 6 sectors: food security, agriculture, water management, coastal management, rural development, DRR, as well as multisector projects. Here we present an

example of each.

Disaster Risk Reduction: "Strengthening the Resilience of our Islands and our Communities to Climate Change". Cook Islands. US$5.38 million total, implemented by UNDP. This project focuses on the remote island group of Pa Enua, more than 1,250 km from the capital. These islands consist of 15 low-lying, sparsely populated coral atolls and sand cays with little arable land. They are particularly hard hit by drought, cyclones, and storm surges. The program aims to help communities make informed decisions and to manage anticipated climate change driven pressures in a proactive, integrated, and strategic manner. It strengthens national institutions, coordination, and ensures more effective delivery of national initiatives. Each of the Pa Enua islands will produce integrated climate change adaptation and DRR action plans to guide the implementation of CCA and DRR measures.

Rural Development: "Enhancing Climate Resilience of Rural Communities Living in Protected Areas of Cambodia". US$4.95 million total, implemented by UNEP. Changing climate is leading to reduced agricultural production in rural communities in Cambodia. Increasingly erratic precipitation patterns lead to more intense periods of drought and flood. This project aims to increase food supply and reduce soil erosion by restoring degraded forests and planting multi-use tree species around paddy boundaries.

Water Management: "Ecosystem based adaptation approach to maintaining water security in critical water catchments in Mongolia". US$5.5 million, implemented by UNDP. Mongolia is very vulnerable to extreme weather events, including droughts, flash flooding, and harsh winters. In addition, unsustainable agriculture and development practices are accelerating the deterioration of the country's land and water resources. This project targets two eco-regions and aims to maintain water supplies of the mountain and steppe ecosystem. It provides strategic guidance for development sectors, with the national and provincial governments subsequently adopting completed strategies as formal policy to guide future resource management decision. The project will focus upon better tactics for grazing management, restoration of riparian (river) zones, survivability of biodiversity, and efficiency of water use.

Coastal Management. "Conservation and management of coastal resources as a potential adaptation strategy for sea level rise". India; US$690,000. Implemented by National Bank for Agricultural and Rural Development (NABARD). This project aims to overcome the consequences of salinization and other impacts of the coastal area due to SLR and sea-water inundation due to increased cyclonic storms and storm surges through the restoration of degraded mangroves and the demonstration of Integrated Mangrove Fishery Farming Systems.

Food Security. "Building adaptive capacities of small inland fishers for climate resilience and livelihood security, Madhya Pradesh". India; US$1.70 million. Implemented by NABARD. The broad objective of this project is to make the fishery sector (captive inland fishery) adaptive to climate variability and enhance the adaptive capacity of fish farmers to ensure their

livelihood security. This will be achieved through increasing water retention capacity of the tanks to address rainfall variability, diversification of fish species and temperature regulation of ponds, developing capacity and institutional linkages, and preparing and disseminating evidence-based resilient climate change adaptation strategies for inland fisheries for small pond fish farming.

Another food security project, Enhancing Adaptive Capacity and Increasing Resilience of Small and Marginal Farmers in Purulia and Bankura Districts of West Bengal, https://www.adaptation-fund.org/project/enhancing-adaptive-capacity-and-increasing-resilience-of-small-and-marginal-farmers-in-purulia-and-bankura-districts-of-west-bengal/ , has approved US$2.5 million to NABARD and executing entity Development Research Communication and Services Centre to develop capacities in the climate-senstive agriculture sector, which provides livelihoods to approximately 70% of the total population. This project aims at developing climate adaptive and resilient livelihood systems through diversification, technology adoption and natural resource management for rural small and marginal farmers associated with agriculture and allied sector in Lateritic Zone of West Bengal. Specifically, it would seek to enhance adaptive capacity of vulnerable farm families in semi-arid regions of Purulia and Bankura districts of West Bengal by introducing measures to tide over the adverse impacts of climate change on their food and livelihood security. This project focuses on 5,000 households covering about 22,596 beneficiaries who belong to vulnerable small and marginal farming communities and communities dependent on natural resources as livelihood option. The project is executed by Development Research Communication and Services Centre (DRCSC), which has been operating in the semi-arid region of West Bengal for the last 15 years. It builds on earlier work done by DRCSC such as the project “Diversifying livelihood options through integrated production system for climate change adaptation and food & livelihood security of the small and marginal farmers in water logged flood plain of West Bengal (CCA IFS)” supported by GIZ and the Indian Ministry of Environment and Forests, and the project “Collective Action to Reduce Climate Disaster Risks and enhancing Resilience of Vulnerable Coastal Communities around the Sundarbans in Bangladesh and India”, supported by the European Union.

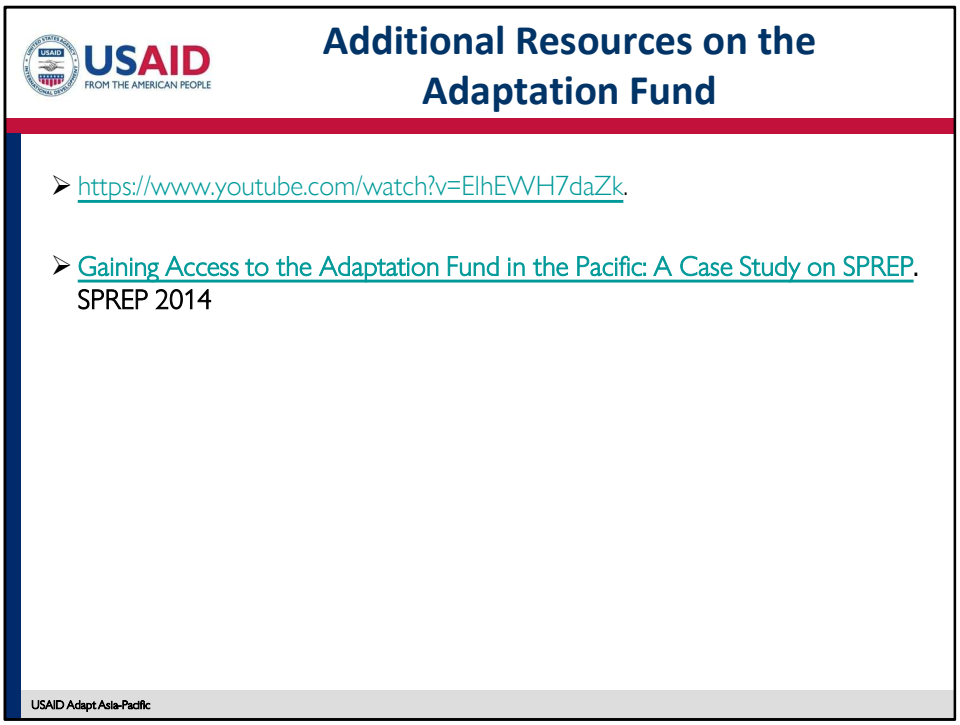
Agriculture. “Addressing climate change risks to farming system in Turkmenistan”. US$2.93 million. Implemented by UNDP. Turkmenistan is an arid country where climate change is predicted to have significant impacts on water resources, and water availability and supply are likely to suffer from increasing shortages. The main objective of this project is to strengthen water management practice and legislation at the national level in order to support the adoption of high efficiency irrigation techniques. The program will seek to demonstrate the costs and benefits of community-level approaches, including water use associations, drip irrigation, harvesting, water points, terracing, intercropping, saksaul planting, and irrigation canal improvements. The lessons from these regional pilots will be used not only to inform the legislative reform process relating to land management and water use/pricing, but will also inform the development of larger scale communal management systems and their integration into the government’s social development and poverty alleviation strategy.

Multisector. "Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of Vulnerable Communities in Kenya". US$10 million. Implemented by NEMA. Kenya comprises 83% arid and semi-arid land and has an economy and livelihoods that are heavily reliable on rain-fed agriculture, which is in turn vulnerable to extreme droughts exacerbated by climate change and variability. This program seeks to enhance resilience and adaptive capacity to climate change in order to increase food security and environmental management. Components address water management, food security, coastal management, DRR, & strengthening institutional capacity and knowledge management.

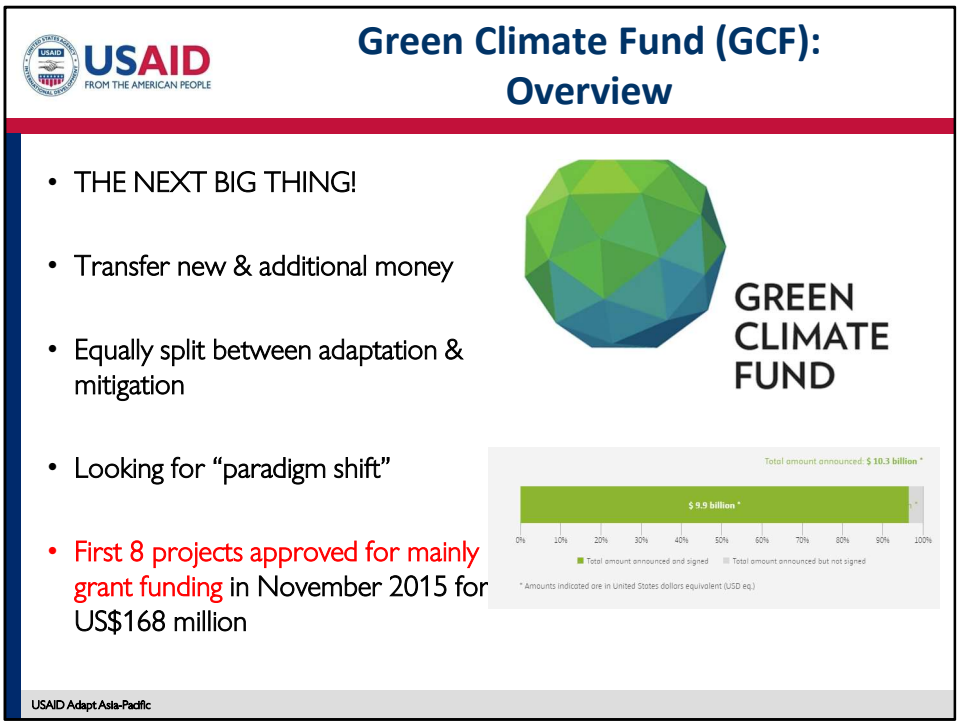
The map in the upper right hand corner of this slide shows the location of all Adaptation Fund projects in the Asia-Pacific region.

The middle picture is one of the rural communities participating in the Enhancing Climate Resilience of Rural Communities Living in Protected Areas of Cambodia project and was sourced from the Adaptation Fund, https://www.adaptation-fund.org/project/enhancing-climate-resilience-of-rural-communities-living-in-protected-areas-of-cambodia/, last accessed 2/18/2016.

The picture in the lower right hand corner is of beneficiaries of the "Building adaptive capacities of small inland fishers for climate resilience and livelihood security in India". The picture was sourced from the Adaptation Fund, https://www.adaptation-fund.org/project/building-adaptive-capacities-of-small-inland-fishers-for-climate-resilience-and-livelihood-security-madhya-pradesh-2/, last accessed 2/18/2016.



Gaining Access to the Adaptation Fund in the Pacific: A Case Study on SPREP. SPREP 2014. Download at https://www.sprep.org/attachments/Publications/CC/AFB_Report.pdf, also included in participant resource pack.



The **Green Climate Fund (GCF)** is a fund within the framework of the **UNFCCC** founded as a mechanism to redistribute money from the developed to the developing world in order to assist developing countries with adaptation and mitigation practices to counter climate change. It was established at the 2010 COP16 meeting in Cancun, Mexico. It is headquartered in **Songdo** (near Incheon), **South Korea**. It supports projects, programs, and policies in developing countries using thematic funding windows.

The next big thing. The Green Climate Fund is expected to be the largest multilateral mechanism to transfer money from developed countries to developing countries to address climate change. However, it's not just developed-developing transfers that are taking place via the GCF. Countries such as India and China are also making contributions. As of February 2017, the Green Climate Fund has raised $10.3 billion in pledges from 48 state, area, and city governments. Latest figures can be checked at http://www.greenclimate.fund/contributions/pledge-tracker. The GCF's initial resource mobilization period lasts from 2015 to 2018, and new pledges are accepted on an ongoing basis. Once 60% of contributions have been approved towards projects and programs, the Fund will rely on a systematic process to replenish its resources.

Transfer New & Additional Money. To transfer "new and additional" money and expertise to developing countries to address expected impacts from Climate Change with both mitigation and adaptation thematic funding windows as well as a Private Sector Facility (PSF) to appeal for capitalization from private markets (e.g., pension and insurance industry funds holding assets in the tens of trillions of dollars). Initial emphasis will be placed on assisting the most vulnerable small island developing states (SIDS) and Least Developed Countries (LDCs) with rapid deployment of technical and financial CCA assistance with due urgency of taking pre-emptive adaptation actions.

The GCF offers four financial instruments: grants, concessional loans, equity, & guarantees. The instrument used should align with the project design. A few key questions to ask yourself are "what is this project all about?", "does it aim to achieve mitigation or adaptation?"; "will the project generate income". Here are some examples:

Grants are appropriate for projects that aim to help populations adapt to climate change impacts but have no cash flow. These projects likely have meaningful benefit but have no income-generating activities. In these cases, for GCF to invest, projects must demonstrate bankability and sustainability, meaning they must not only be financially viable, but also have a sustainability plan to run when the duration of GCF funding has elapsed. Such a financing plan might include direct finance from the host country and commitments from donors. In the absence of sustainability provisions, GCF will not recommend grant projects to its board for decision.

Concessional loans would be used in a situation in which a project is income generating to make the project financially viable at the initial stage. A concessional loan achieves this by helping the project developer access "cheap money" to get the project started (thus lowering the project cost) which in turn lowers tariffs passed on to the consumer, thus increasing affordability. An example would be a renewable energy project where energy is generated, sent to the electricity grid, and sold to consumers.

Equity and Guarantee. Private sector entities may have well designed projects, but their financial investment capacity is often limited. Typically private sector projects require 30% equity, so if a company only has 15% equity ready, a possible role for GCF may be to provide up to the remaining equity required and guarantees. Doing so can help a company successfully obtain loans at a favorable cost from commercial banks. If equity is low and risk is high, commercial loans will be expensive. If equity is high and supported by GCF guarantees, this reduces risk as perceived by commercial banks, resulting in more favorable loan terms.

Equally split between adaptation and mitigation. The mission of the GCF is to equally support **adaptation** and **mitigation**. The Fund also has a private sector facility that enables it

to directly and indirectly finance private sector mitigation and adaptation activities at the national, region, and international levels. The GCF is expected to become the main global fund for financing climate change mitigation and adaptation in developing countries in the coming years. As such, it will channel significant amounts of funding required to support developing countries to adapt to the impacts of climate change and to limit or reduce their greenhouse gas emissions. Many developing countries have explicitly expressed their expectations from the GCF in their Intended Nationally Determined Contributions (INDCs).

Looking for a "paradigm shift". The GCF's vision is to support a paradigm shift to low-emission and climate-resilient development. Thus the notion of "paradigm shifting" activities needs to be clearly outlined in GCF proposals and a feature of GCF-supported projects.

Interim Trustee: World Bank. The World Bank was chosen by the COP to serve as interim trustee for the GCF. Functions of the trustee are to ensure the receipt, security, investment, and transfer of financial contributions from contributors to the Fund in accordance with the instructions of the GCF. The GCF intends to have designated a permanent trustee no later than the end of 2017.

For information see: *http://www.greenclimate.fund/home.*

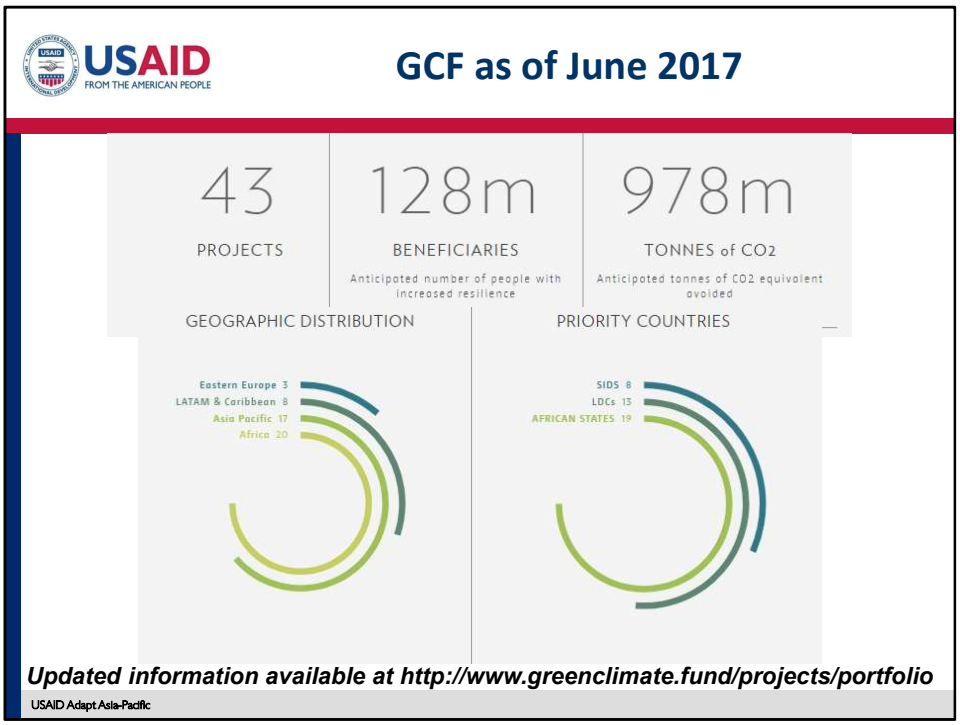
Some information on this slide was sourced from an Asia LEDS Partnership interview with Youssef Arfaoui, Mitigation Coordinator with the GCF (January 2016).

ADDITIONAL INFORMATION ON THE GCF BELOW. This should bee considered background information for the facilitator and will help address specific questions, but it is not necessary to cover this material in a normal session.

Board composition and decision-making processes: There are **24 members** with equal representation of developed and developing countries and two (2) CSO representatives accountable to the Conference of Parties (COP) of the UNFCCCC; decisions are by consensus (with some exceptions); the board can establish additional committees, panels & groups as required by circumstances as well as still unspecified funding modalities and financial instruments/approaches.

The GCF is supposed to have a streamlined approval process and the adoption of the role of NDA with "no objection" authority to ensure consistency of proposals with national climate change priorities and incorporation of stakeholder engagement; adoption of **IFC's performance standards** (PS1-7) and fiduciary principles.

Enabling environment and catalytic outcomes: The emphasis on capacity-building is unclear, but the expectations of potential capitalization by the **Private Sector Facility (PSF)** are high.



As of June 2017 They had 16% national access, 9% regional, and 75% International access.

GCF Steps

1. AE/NDA submit concept note
2. AE/NDA submit project proposal and no objection letter
3. GCF reviews, Independent Technical Advisory Panel conducts technical assessment and provides recommendations
4. GCF decides to approve or not to approve
5. Funded Activity Agreement is negotiated and signed between AE and GCF

Some GCF Accredited Entities

Accredited Entity	Entity Type
Asian Development Bank (ADB)	International
Agence Française de Développement (AFD)	International
Deutsche Bank AktienGesellschaft (KFW)	Private
European Investment Bank (EIB)	International
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	International
HSBC Holdings plc and subsidiaries	Private
International Bank for Reconstruction and Development and International Development Association (World Bank)	International
International Fund for Agricultural Development (IFAD)	International
International Union for Conservation of Nature (IUCN)	International
International Finance Corporation (IFC)	International
Food and Agriculture Organization (FAO)	International
Kreditanstalt für Wiederaufbau (KfW)	International
Netherlands Development Finance Company (FMO)	International
Société de Promotion et de Participation pour la Coopération Economique (PROPARCO)	International
United Nations Development Programme (UNDP)	International
United Nations Environment Programme (UNEP)	International
World Food Programme (WFP)	International
World Meteorological Organization (WMO)	International
World Wildlife Fund (WWF)	International

GCF Project Sizes

- Micro: < US$10 million
- Small: US$10 million-US$50 million
- Medium: US$50 million-US$250 million
- Large: > US$250 million

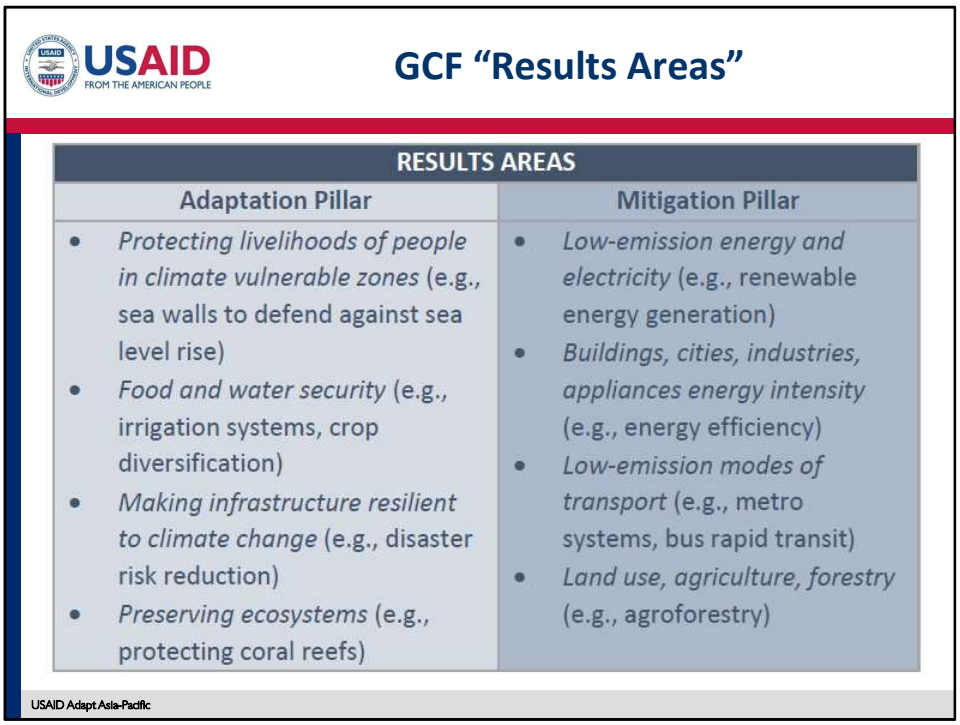
Accredited Entities are accredited to do specific project sizes

GCF Project Preparation Facility

- US$40 million available, capped at US$1.5 million
- AE submits application with no objection letter
- Cover project prep activities
  - Project ID
  - Concept development
  - Establishing enabling environment
  - Due Diligence…pre-feasibility
  - Project Structuring…safeguards, risk assessments, indicator identification
  - Revision of tender documents

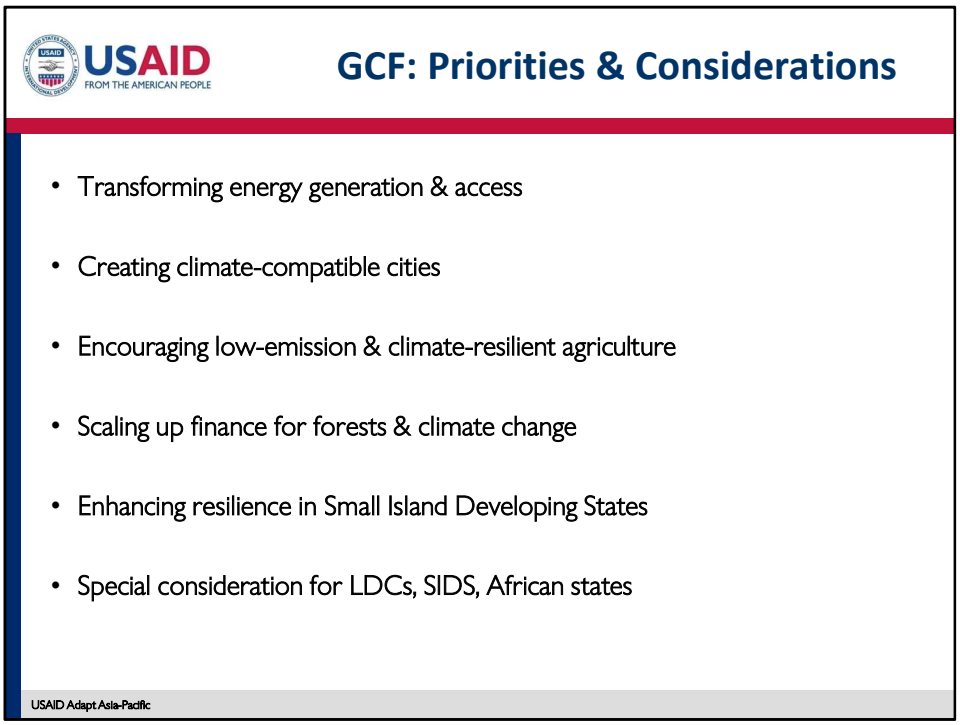
GCF Private Sector Facility

- "Crowding In"
- Support for
  - Derisking….FOREX and investor default
- Bundling small project to provide scale
- Supporting capacity building & PPPs
- RFP: Mobilizing Funds At Scale



Projects and programs submitted to the GCF **must** fall within at least one of eight of the Fund's "results areas" in order to be eligible for consideration. This slide illustrates the strategic investment areas—or "results areas" of the GCF. The GCF team is available to offer guidance on strengthening the alignment of project ideas with GCF results areas with stakeholders.

The information on this slide and the table were sourced from an Asia LEDS Partnership interview with Youssef Arfaoui, Mitigation Coordinator with the GCF (January 2016).



Transforming energy generation & access

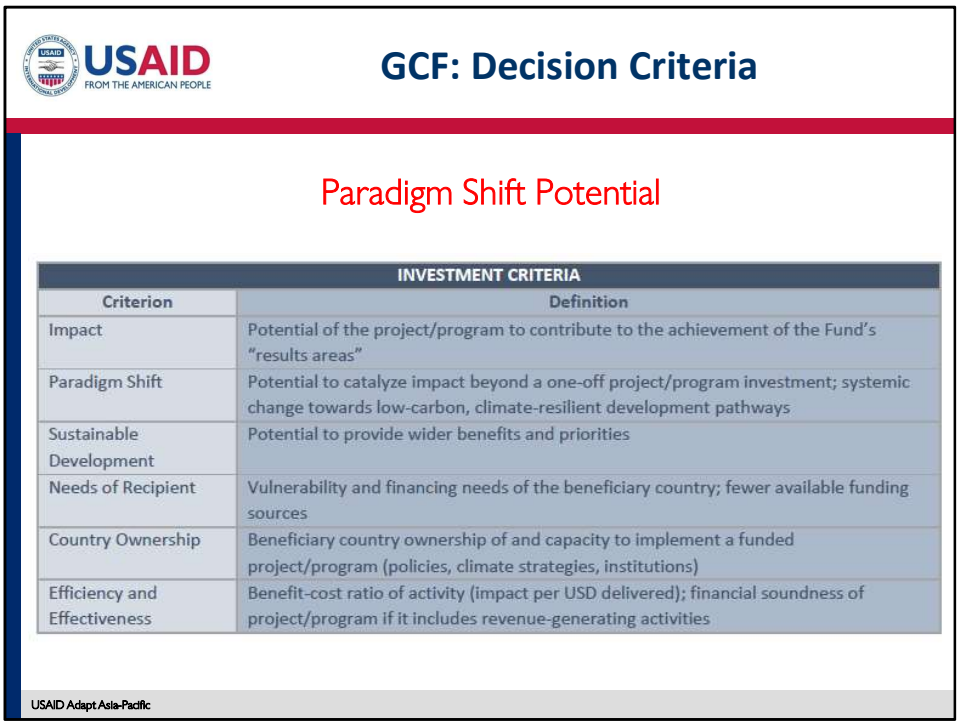
Creating climate-compatible cities

Encouraging low-emission & climate-resilient agriculture

Scaling up finance for forests & climate change

Enhancing resilience in Small Island Developing States

Special consideration for LDCs, SIDS, African states



Facilitator: The **paradigm shift** of the GCF is a key "innovation" and is an important criteria in funding decisions. Make sure to emphasize this point. It may be useful to engage the participatns in a discussion about this issue.

Currently the GCF has 6 activity-specific decision criteria and 15 sub-criteria to be used for project funding decisions. These are subject to change over time as the Fund's experience grows. Projects and programs submitted must adequately meet all six key investment criteria. In reviewing a submission, reviewers consider each criterion and assign a "low", "medium", or "high" score to indicate the degree to which each investment criterion is met. While 100% fulfillment of all investment criteria may not be possible, as a whole, a project or program must demonstrate strong alignment.

All investment decisions are made by the GCF board. The board reviews:

- A candid evaluation by GFC headquarters of a project or program and whether it meets various requirements (e.g. results areas, investment criteria, technical studies).
- An assessment by an independent technical advisory panel.
- Its own review and views.

Impact/Result Potential. This criteria gauges the potential of the program/project to

contribute to the achievement of the Fund's objectives and results areas. There are two sub-criteria:

- Climate-related impact
- Sustainable development impact.

Paradigm Shift Potential. This criteria looks at the degree to which the Fund can achieve sustainable development impact beyond a one-off project or program investment through replicability and scalability. It also addresses the potential for systemic change towards low-carbon and climate-resilient development pathways. There are 4 sub-criteria here:

- Potential for scaling-up & replication
- Knowledge and learning potential
- Contribution to the creation of an enabling environment (i.e. achieving systemic change) and to sustainable development, including social, economic and environmental co-benefits for a paradigm shift
- Ability of a proposed activity to demonstrate its potential to adapt to the impacts of climate change and/or to limit and reduce greenhouse gas emissions in the context of promoting sustainable development and a paradigm shift.

Needs of the Beneficiary/Alternative Funding. This criteria addresses the financing needs of the beneficiary country. There are two sub-criteria:

- Absence of alternative sources of financing
- Income levels of affected population.

Country ownership & institutional capacity. This criteria evaluates the beneficiary country's ownership of and capacity to implement a funded project or program (policies, climate strategies, institutions). Alignment with the other criteria is crucial, but country ownership is especially imperative. A country must develop a clear strategy to address climate change, identify priority sectors and initiatives for investment, establish necessary supporting policies for both climate change mitigation and adaptation, and demonstrate that the project or program proposed to the GCF is a priority in the country. In this regard, strong leadership and action by the public sector is necessary. There are 3 sub-criteria here:

- Existence of a national climate strategy
- Coherence with existing policies
- Capacity of implementing entities or executing entities to deliver.

Economic efficiency. This criteria examines the benefit-cost ratio of the project and the impact per US dollar delivered by the Fund. There are 3 sub-criteria:

- Cost effectiveness
- Amount of co-financing
- Industry best practices.

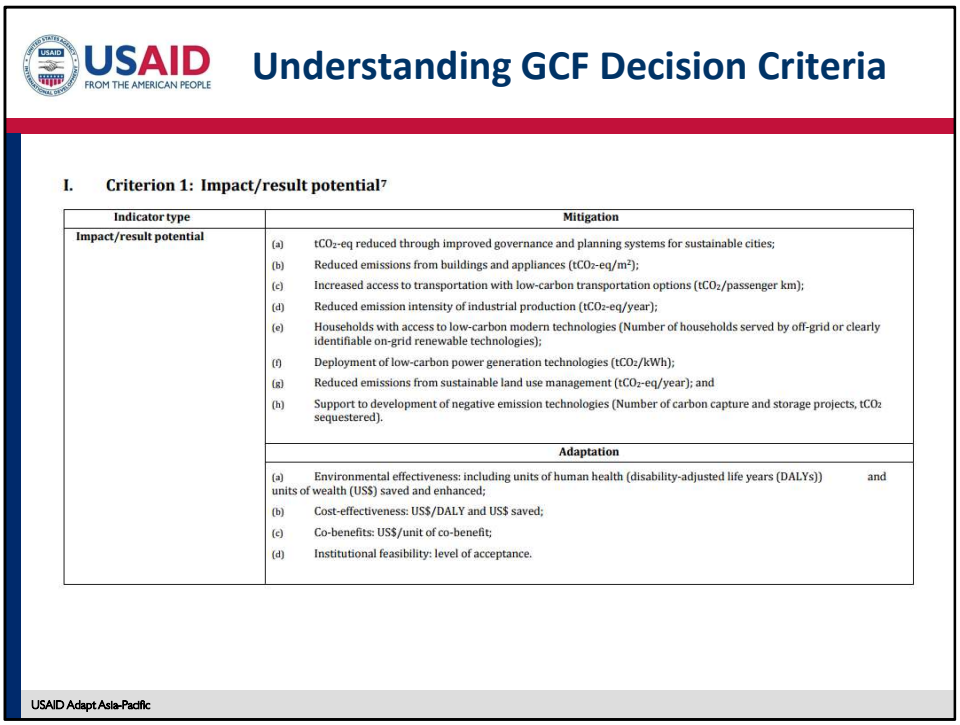
Financial viability. This criteria addresses the financial soundness of the activity and looks specifically at:

- Project or program financial return (net of subsidy element) and other financial

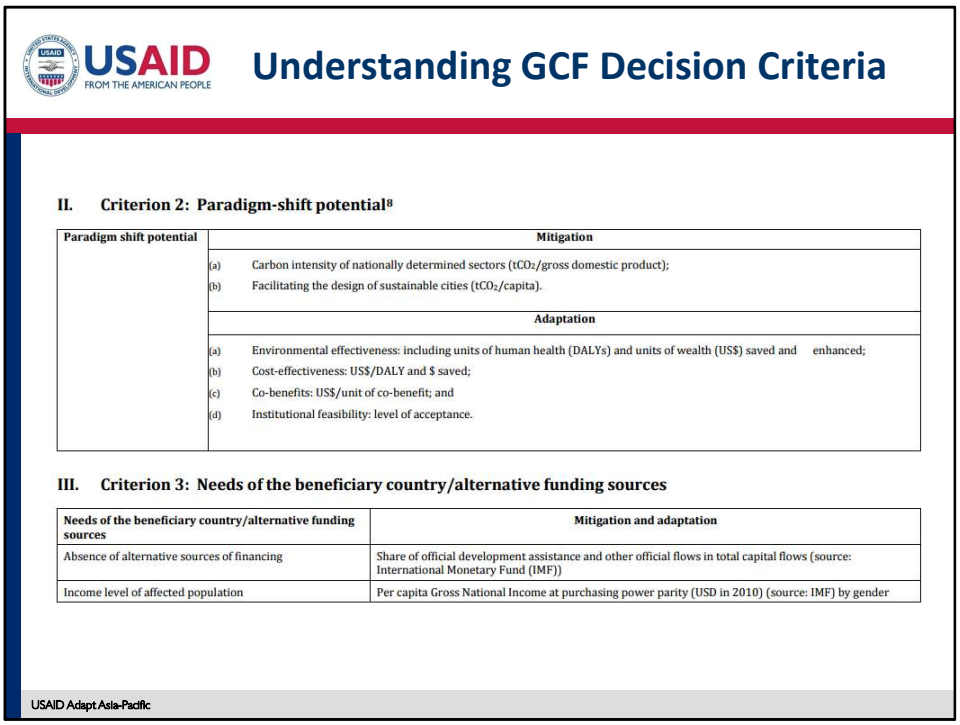
indicators (e.g. debt service coverage ratio) exceed predefined benchmarks.

Material sourced directly from Green Climate Fund Investment Framework, 2014. Download at: http://www.greenclimate.fund/documents/20182/24943/GCF_B.07_06_-_Investment_Framework.pdf/dfc2ffe0-abd2-43e0-ac34-74f3b69764c0, also included in instructor resource pack.

Other information on this slide and the table were sourced from an Asia LEDS Partnership interview with Youssef Arfaoui, Mitigation Coordinator with the GCF (January 2016).



These are some of the GCF's decision criteria.



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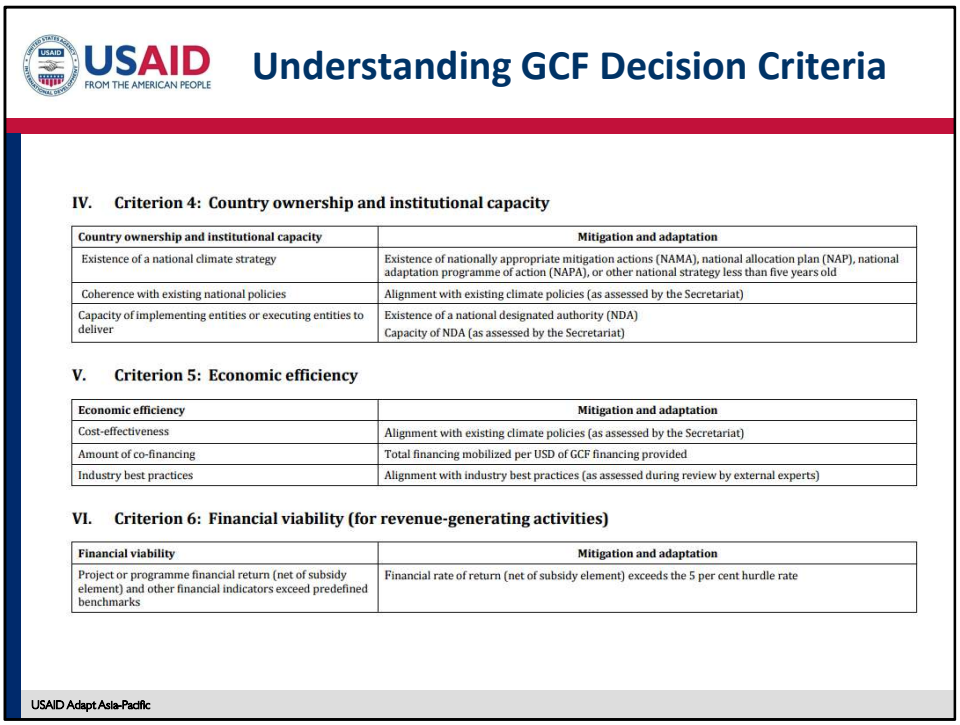
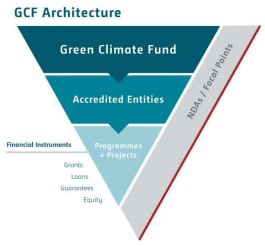


These are some of the GCF's decision criteria.

GCF: Procedural Issues

- Multiple channels of access
- Access through accredited NIE, RIE, IE
- Submit concept note for feedback
- GCF undergoing "growing pains"!



SIZE OF PROJECT/ACTIVITY	
Size	Total Projected Costs
Micro	Up to and including US$ 10 million
Small	Above US$ 10 million and up to and including US$ 50 million
Medium	Above US$ 50 million and up to and including US$ 250 million
Large	Above US$ 250 million

USAID Adapt Asia-Pacific

Multiple Channels of Access. The GCF promises to "work through a wide range of entities to channel its resources to projects and programs", including international, regional, national, subnational, public, & private institutions.

Access through accredited National Implementing Entities, Regional Implementing Entities, and International Entities. Accredited entities can submit funding proposals to the Fund at anytime. To ensure country ownership, the Fund's Board will only consider those funding proposals which are submitted with a formal **letter of no objection** in accordance with the Fund's initial no-objection procedure. Any public or private legally established entity (e.g. government agencies, local banks, companies, cities), with support from the National Designated Authority, can apply to become an accredited entity of the GCF in order to be eligible to submit proposals to the Fund directly. Applying entities may be eligible to receive readiness and preparatory support to meet the GCF's accreditation requirements. For each accredited entity, accreditation is granted for a specific fiduciary function (i.e. grants, concessional loans, equity, guarantees), size of project (see table) and environmental risk category (i.e. high, medium, low). Once accredited, an AE may submit proposals only within what they have been authorized to take on.

Submit a Concept Note for feedback. An AE or executing entity may submit a concept note for feedback and recommendations from the Fund in consultation with the National

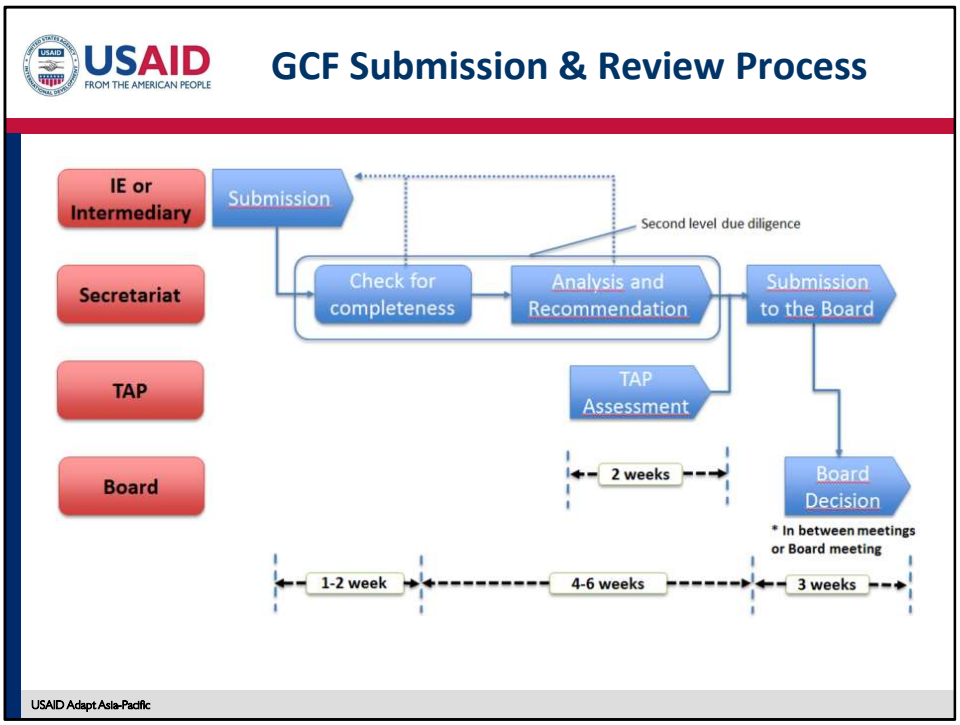
Designated Authority or Focal Point. The recommendation will clarify whether the concept is endorsed, not endorsed with a possibility of resubmission, or rejected. **Facilitator:** The GCF Concept Note template is included in the participant resource pack.

GCF is undergoing "growing pains". The GCF is a new fund, and as such it is undergoing some startup issues. Some early lessons include:

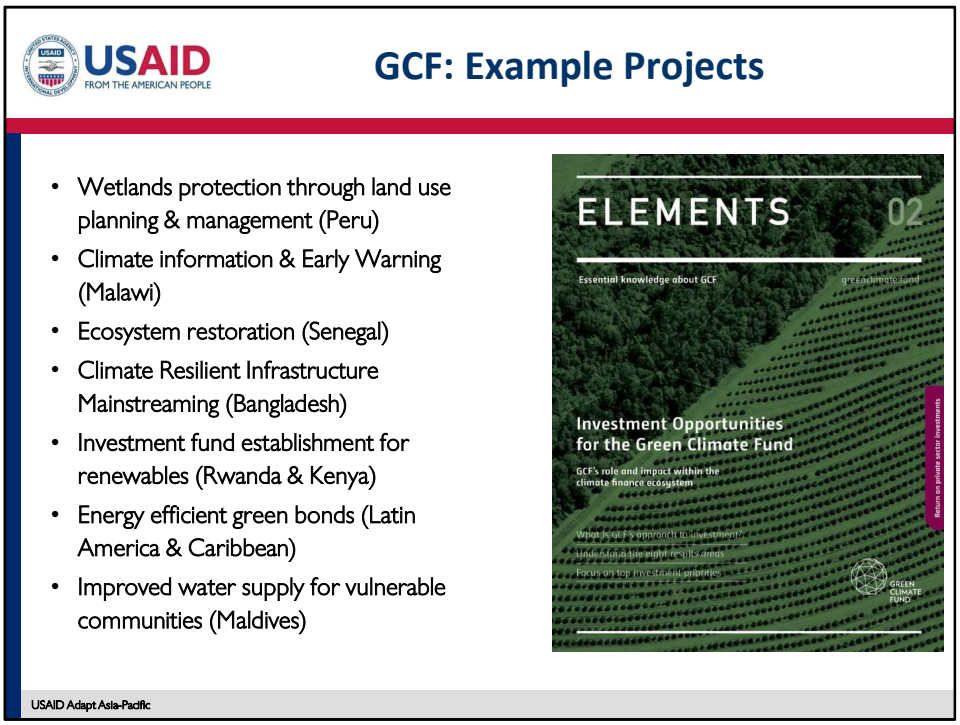
- **GCF projects are different from those in the development banking sector and those funded by development aid funds,** since they combine elements from both of these spheres. Therefore developing a good GCF project requires inputs from a broader range of experts in investment, development, climate change mitigation/adaptation, project finance and market creation.
- **The upfront investment required to prepare a GCF proposal is significant.** It is essentially a one-step process requiring a fully developed proposal, including a feasibility study. Some Accredited Entities may have the resources and experience to fund the preparatory work, which will provide them with a significant advantage. Other Entities, whose funds for this preparatory phase are limited, may struggle to develop proposals despite having good project ideas. Readiness funds are available but progress seems slow, with 74 readiness requests made and only $1.9m grant agreements allocated to seven countries (as of 30 June 2015). For more details, see the GCF's *Report 360: Progress Report on Readiness and Preparatory Support Programme.*
- **GCF documentation requirements are demanding and often confusing**. Even the terminology used by the GCF can be baffling depending on your sector; for example paradigm shifts, project closure and term sheets have ambiguous or multiple meanings. There are also many different valid ways of representing "Theories of Change", yet little guidance from the GCF is available on the desired interpretation.
- **The GCF project cycle is defined but has yet to be fully tested.** To date, informal feedback received from the GCF Secretariat on projects has been timely but minimal.
- **The preparation of a concept before submission of the full proposal is a voluntary step, but should not be skipped!** This is an opportunity for the GCF Secretariat to help guide the Accredited Entities towards a more successful outcome, for example by specifying technical and financial requirements, explaining GCF-specific terminology or requesting more detail on specific elements of the proposed project. Overall, input obtained at the conceptual stage allows for more efficient use of Accredited Entities' time and resources. The GCF is also preparing additional support such as the recently posted "Concept Note User's Guide".
- **While extensive documentation is available in the online GCF "Operations Manual", key information is still lacking.** Information on the Fund's plans, priorities and processes is included in numerous documents produced for each GCF Board meeting (3-4 times a year). At the same time there are important information gaps. Completion of the Appraisal Toolkit is awaited, including the

"Funding Proposal User's Guide" and guidance on project and programme appraisals, and the "assessment sheet" for the project approval process. It's time-consuming to keep on top of all these developments. It's unclear whether this will be feasible for those Accredited Entities with limited resources.

As we've mentioned in previous modules and slides, there are often delays with approving projects and disbursing funding. As of January, 2016, the GCF has a total of 29 submissions under processing at GCF headquarters. Many of the submissions were still in the preparatory stage and required additional project documents, including a full Environmental and Social Impact Assessment, to advance. So it is important to pay attention to these procedures (which will be covered in an upcoming module), or delays will result.



This is an overview of the GCF's review process. Note the timeframe for participants. More information is available from the GCF. One of the important points to cover here is that there are several key points in the process in which proposals can be stalled if they are not completed, or if they have not been completed up to the GCF's standards. This cases delays.



In late 2015 the GCF approved its first 8 projects. All of these projects have co-financing, and consist of grants, loans, & equity investments. The project period ranges from 4 to 12 years (average 6.9 years) and range in total investment from US$8.16 million to US$780 million. GCF grant amounts in these projects range from US$6.24 million to US$40 million. GCF commitment totals US$168 million. Approximately 65% goes to projects focusing on adaptation, and 76% is in the form of grants.

Wetlands protection through land use planning & management (Peru). This project also targets indigenous people and the empowerment of women. It encourages "bio-business" and the exploitation of NTFPs. US$6.24 million grant with US$2.87 million co-financing in additional grants from other sources.

Climate information & early warning (Malawi). This adaptation project aims to increase readiness for extreme events and entails expansion of the meteorological network, installing automatic weather and hydrological stations, buoys, and other instruments, along with improved information dissemination. Engages telecoms and micro- and small enterprises. US$12.3 million grant with US$3.97 million co-financing from other grants.

Ecosystem restoration (Senegal). This project will restore salinized lands through improved knowledge and planning, and implementing measures such as hydraulic works,

reforestation, anti-soil erosion systems, and use of adapted agriculture. US$8.16 million grant, US$0.55 million in co-financing from another grant.

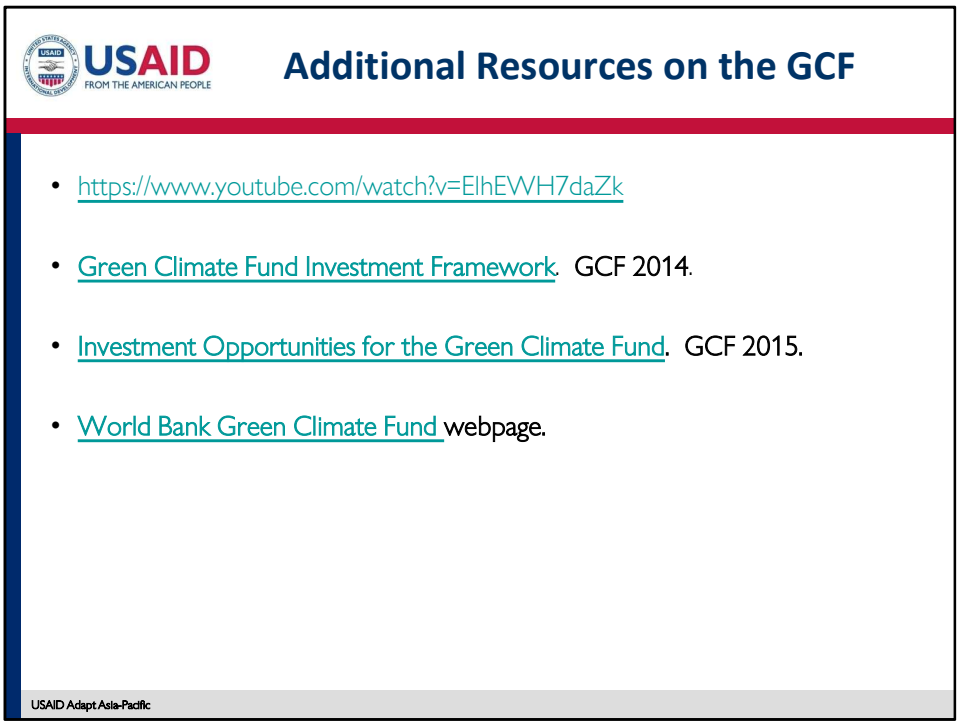
Climate resilient infrastructure mainstreaming (Bangladesh). This project aims to provide cyclone shelters and to protect critical road access as well as safeguards for vulnerable city-dwellers from climate risk. It will establish a national center of excellence for climate resilient infrastructure to inform and guide future infrastructure development throughout the country. Includes a US$40 million GCF grant and an additional US$40 million co-financing in other grants.

Investment fund establishment for renewables (Rwanda & Kenya). This project will create a new investment fund to drive off-grid solar power in East Africa. It will invest in 10-15 clean energy companies providing household solar technologies. The project aims for a paradigm shift by leapfrogging fossil fuel grids to clean energy, using GCF capital to leverage investment. Includes US$20 million in equity investment, a US$5 million grant for a technical assistance facility, and up to US$82 million in additional co-financing investment.

Energy efficient green bonds (Latin America & Caribbean). This project aims to increase demand-side energy efficiency. The program uses a two-phased approach. First, it will fund energy efficiency projects using loans. Once a sufficient amount of projects are aggregated, the program will bundle the projects so they can be used to underpin the issuance of partly guaranteed green bonds.

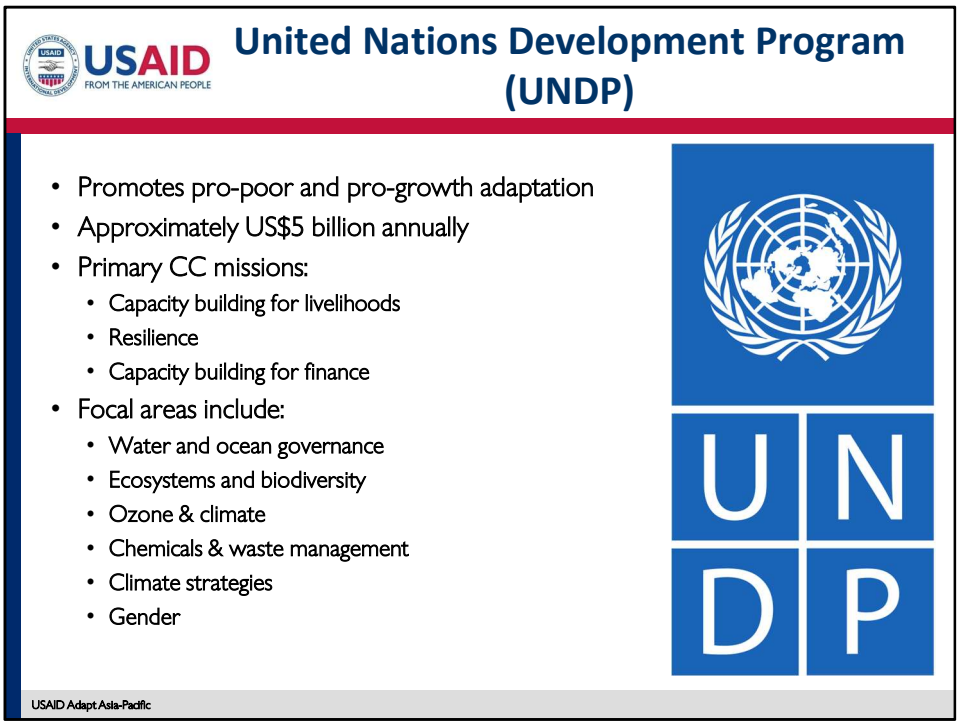
Improved water supply for vulnerable communities (Maldives). This project aims to provide safe and secure freshwater to 105,000 people on the outer islands of the Maldives in response to climate change induced water shortages. It includes integrated water supply systems, decentralized dry season water supplies, and improvements to groundwater quality. The project includes a US$23.6 million grant from the GCF and US$4.59 million in co-financing from the Maldives and UNDP.

The image in this slide is the cover of “Investment Opportunities for the Green Climate Fund”. This document explains the GCF’s eight results areas as well as the Fund’s investment priorities. Download at http://www.greenclimate.fund/documents/20182/44499/ELEMENTS_02.pdf/bfbbc1e8-1b21-44d6-80cc-dcd59406dcfb, also provided in the participant resources pack.



Investment Opportunities for the Green Climate Fund. GCF 2015. Download at: http://www.greenclimate.fund/documents/20182/44499/ELEMENTS_02.pdf/bfbbc1e8-1b21-44d6-80cc-dcd59406dcfb. Also included in participant resource pack.

Green Climate Fund Investment Framework. GCF 2014. Download at http://www.greenclimate.fund/documents/20182/24943/GCF_B.07_06_-_Investment_Framework.pdf/dfc2ffe0-abd2-43e0-ac34-74f3b69764c0, also included in participant resource pack.



The UNDP is working to help countries address the challenges of climate change and remains the largest service provider in the UN system on climate change adaptation and mitigation. The UNDP supports countries to transition toward low-emission and climate-resilient sustainable development, helps them to prepare for and build resilience to the impacts of climate change, and pursue low carbon development pathways that guarantee a cleaner, greener future. The UNDP has supported more than 140 countries to access and implement climate change initiatives.

Promotes pro-poor and pro-growth adaptation. UNDP promotes pro-poor and pro-growth adaptation that encourages climate-resilient economic development and sustainable livelihoods in the face of climate change. Thus a major part of UNDP's focus is on capacity development. UNDP supports creation of robust and responsive state institutions, capable public and private sector management, and skilled human resources that are able to innovate, adapt, and deliver to the changing conditions.

Approximately US$5 billion annually. Donor contributions to UNDP represent about 1/5 of all contributions to the United Nations. Approximately 59% of this goes to programs and projects; an additional 17% are "core funds" that are used mainly to support the world's poorest countries. According to the UNDP, for every US$1 of core resources invested in Middle Income Countries, UNDP leverages US$25 in other resources.

Primary CC missions:

Capacity building for livelihoods. This involves connecting countries to knowledge, experience, and resources to help people build a better life.

Resilience. Helping countries build more resilient societies.

Capacity building for finance. Strengthening the capacity of countries to access, manage and account for climate finance.

Logo sourced from UNDP.

All of these UN organizations have climate change related activities. Some publish reports, some fund projects. It is important to be aware of each of these.

The link at the bottom navigates to http://climate.uu-uno.org/topics/view/51cbfc5ef702fc2ba8124c39/.

The Global Environment Facility was established in 1991 in association with the Rio Earth Summit (1992) to address the world's most pressing environmental problems. It began as a US$1 billion pilot program in the World Bank to assist in the protection of the global environment and to promote sustainable development. The idea was to cover "incremental" or additional costs associated with transforming a project with national benefits into one with global environmental benefits. In 1994 the GEF was restructured and moved out of the World Bank system to become a permanent, separate institution, though the World Bank still serves as Trustee for the GEF and provides administrative services. This enhanced the involvement of developing countries in the decision-making process and in implementation of projects. Since that time it has provided US$14.5 billion in grants and has mobilized US$75.4 billion in additional financing for almost 4,000 projects. The GEF is now an international partnership of 183 countries, international institutions, civil society organizations, and the private sector.

Over the past decade, the GEF has financed a portfolio of adaptation projects and programs in over 124 countries with grant resources amounting to US$1.18 billion. These interventions are reducing the vulnerability of people, livelihoods, physical assets and natural systems to the adverse effects of climate change across key vulnerable sectors, including agriculture, water resources management, infrastructure, and health.

Implementing partners. The GEF has 18 implementing partners. Partners of interest to USAID Adapt Asia-Pacific countries include:

- ADB
- Conservation International
- Food and Agriculture Organization
- International Fund for Agriculture Development
- International Union for Conservation of Nature
- UNDP
- UNEP
- United Nations Industrial Development Organization
- World Bank
- WWF.

Serves as financial mechanism for several organizations, including:

- Convention on Biological Diversity
- UNFCCC
- Stockholm Convention on Persistent Organic Pollutants
- UN Convention to Combat Desertification
- Minamata Convention on Mercury.

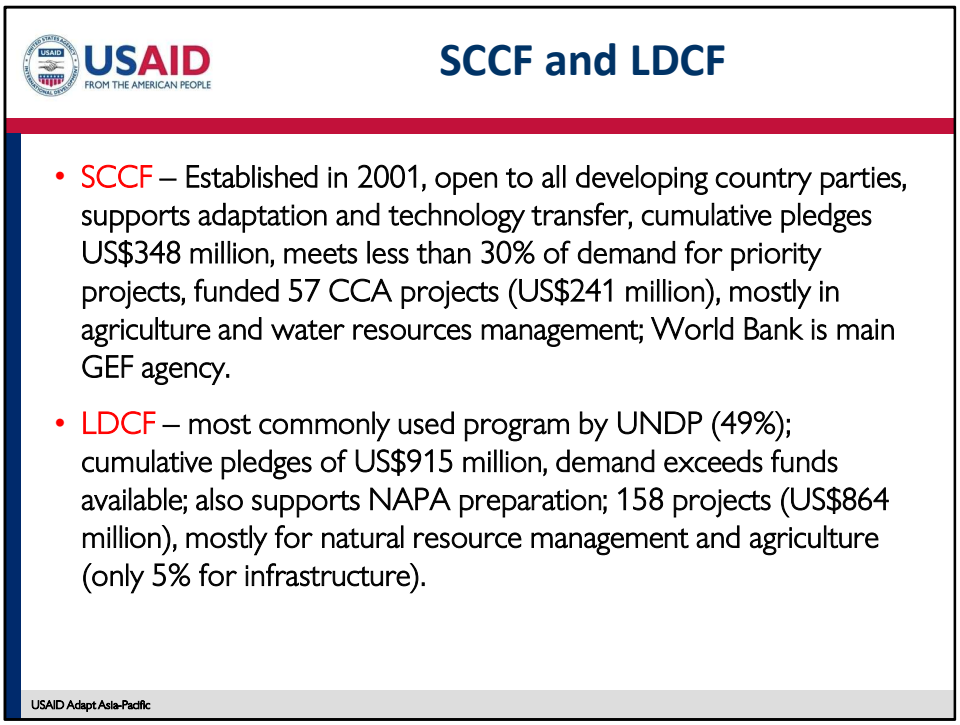
The GEF also administers the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF), which will be discussed on the next slide.

Seeks integrated approaches to climate change. Over the years the GEF has become increasingly involved in both mitigation and adaptation activities. Because the threats to our climate and environment are multi-disciplinary in nature, the GEF works to support a range of multilateral environmental accords, including the UNFCCC, CBD, and UNCCD.

Funds from periodic replenishment. The GEF receives funding through a replenishment process that happens every 4 years and is denoted by a round number. GEF-6, for example, was completed in April of 2014 and will provide more than US$3 billion in funding towards climate change activities. The ability to leverage funds to attract additional public and private sector financing is an important consideration for the GEF; it estimates that the US$3 billion committed in the latest round of replenishment (GEF-6) can be used to leverage more than US$30 billion. US$225 million of this $3 billion has been allocated to support UNFCCC-related reporting and assessments, including Intended Nationally Determined Contributions, and to help integrate their findings into national policy planning and implementation.

Manages the SCCF & LDCF. The SCCF is the Special Climate Change Fund, which was established in 2004 to provide financing to developing countries for activities, programs, and measures complementary to funding provided by the GEF. The LDCF stands for Least Developed Countries Fund, which was established in 2002 to support the preparation and implementation of national adaptation programs of action (NAPAs). By June of 2015, NAPA implementation project proposals had been submitted by 49 lesser developed countries for

funding from the Least Developed Countries Fund for a total of US$906 million, and US$3.72 billion had been mobilized in co-financing to address NAPA priorities.

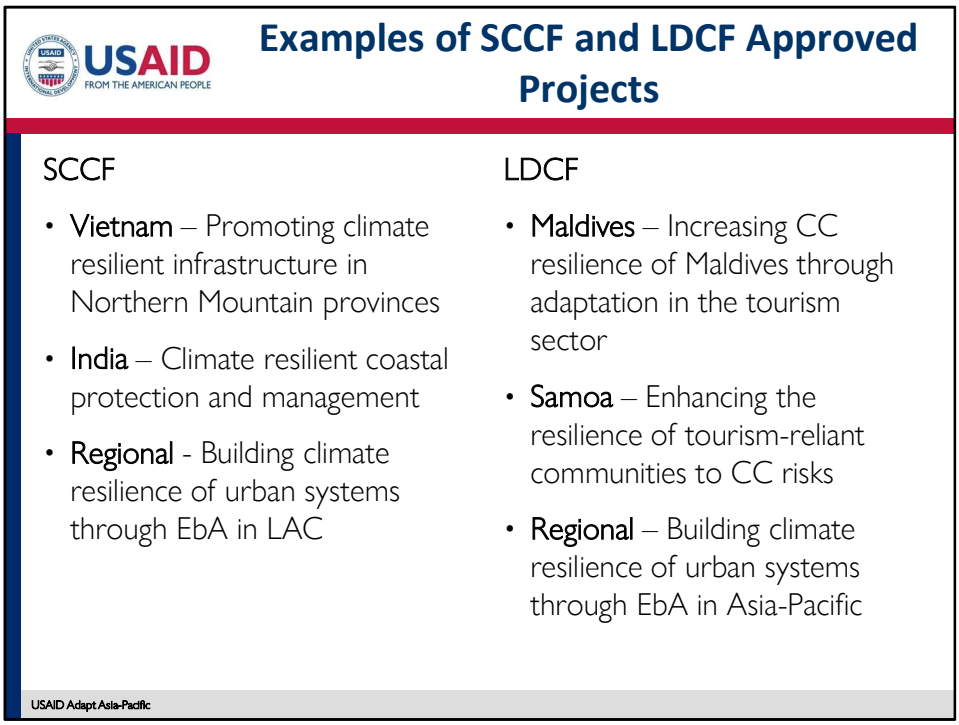


Note to Facilitator: Information on accessing the **SCCF** can be obtained at: http://www.thegef.org/gef/sites/thegef.org/files/publication/23470_SCCF.pdf.

Lessons learned from both funds are available at: http://www.thegef.org/gef/sites/thegef.org/files/documents/LDCF.SCCF_.7.4_RBM%20implementation%20paper_v.7.pdf

SCCF. Over the next few years the GEF will continue to use the SCCF to support priority investments in climate resilient development across the areas of intervention identified by the COP, and consistent with national sustainable development agendas.

LDCF. Over the next few years, the GEF will utilize the LDCF to continue to finance the preparation and implementation of NAPAs, in which LDCs identify their urgent and immediate adaptation priorities.



Note to Facilitator: Project documents (or links to their websites) can be made available to participants for additional information.
EbA = Ecosystem-based Adaptation
LAC = Latin America and Caribbean

Reduce Vulnerability. The first strategic objective is to reduce the vulnerability of people, livelihoods, physical assets, and natural systems to the adverse effects of climate change. The GEF finances adaptation in the poorest and most vulnerable countries in the world, including 51 LDCs and 34 SIDS. In the 2014-2018 period, the GEF aims to enable the most vulnerable developing countries, in an expedited manner, to address their most pressing adaptation needs, particularly those identified in LDC NAPAs. The Fund also will support a transition towards a continuous, progressive, and iterative national adaptation plan (NAP) process that identifies and addresses medium- and long-term adaptation needs.

The second strategic objective is to **Strengthen institutional and technical capacity** for effective climate change adaptation.

Mainstreaming of CC. The third strategic objective of the 2014-2018 period is to integrate climate change adaptation into relevant policies, plans, and associated processes. "The GEF's approach to adaptation is based on the fundamental recognition that climate change can potentially impact all aspects of human, social and economic development". This also involves "pursuing…initiatives that cut across both adaptation and other GEF focal areas".

Several funding modalities. The GEF provides financing to various types of projects ranging from several thousands to several million dollars from the GEF Trust Fund, the

SCCF, & LDCF. These include:

- Full Sized Projects (FSPs)…these are projects over US$2 million. Project concepts may be developed by governments, non-government organizations, communities, the private sector, or other civil society entities, and must respond to both national priorities and the GEF's strategic programming objectives. Project proponents work closely with national GEF Operational Focal Points (who formally endorse project concepts) and GEF Partner Agencies to develop concepts and move through the GEF project cycle. FSP concepts are approved by the GEF Council; after 18 months of preparation the fully developed FSP is endorsed by the GEF CEO for subsequent approval by the GEF Partner Agency to start project implementation.
- Medium Sized Projects (MSPs)….projects up to US$2 million. MSPs have expedited procedures for approval so they can be designed and executed more quickly. Approval is delegated to the CEO.
- Enabling Activities (EAs)….projects up to US$1 million. EAs are a means of fulfilling essential communication requirements to Conventions, provide a basic level of information to enable policy and strategic decisions to be made, or assisting planning that identifies priority activities within a country.
- Programmatic Approach (PA).
- Small Grants Program (SGP)…up to US$50,000 for NGOs in developing countries for community-based projects. This program is implemented by the UNDP on behalf of the GEF and is executed by the UN Office of Project Services.

Core sectors: The GEF has several core sectors, including:

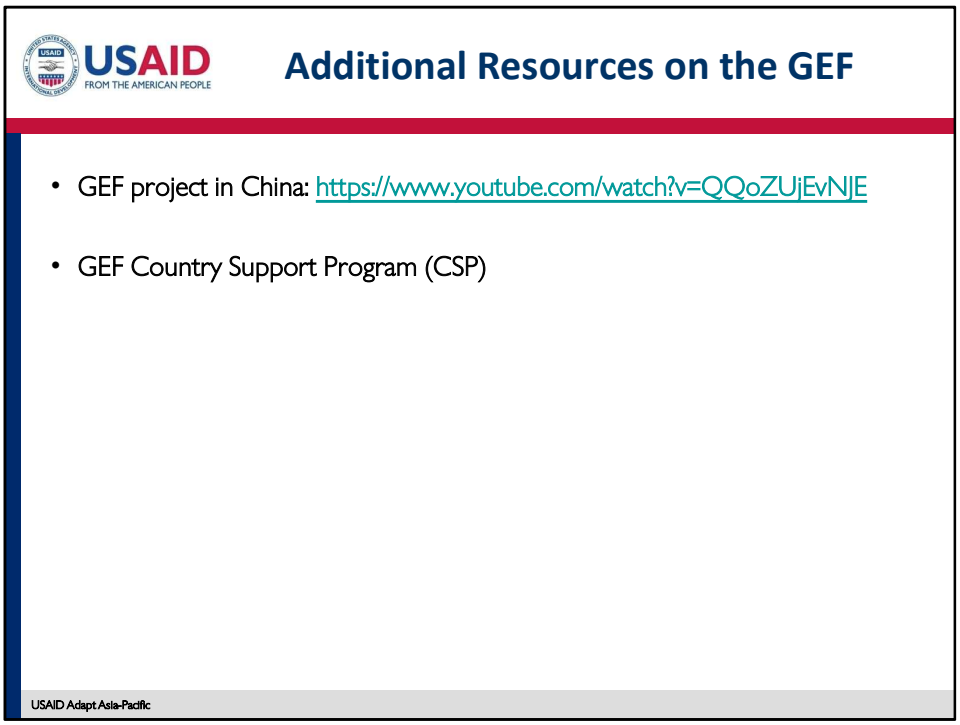
- Water resources management
- Coastal zone management
- Infrastructure (includes transport & energy)
- Disaster risk management
- Natural resources management
- Health.

Note that climate change is being mainstreamed into these core sectors, so general GEF funds, in addition to the LDCF and SCCF, should be investigated as potential sources of support for your adaptation portfolio.

PREDOMINANTLY ECOSYSTEM BASED ADAPTATION

MOVING TOWARDS DIRECT ACCESS

The image shown in the slide is the cover of the GEF Programming Strategy on Adaptation to Climate Change for the LDCF and SCCF. It can be downloaded at https://www.thegef.org/gef/sites/thegef.org/files/publication/GEF_AdaptClimateChange_CRA.pdf. It is also included in the participant resources pack. The publication lays out the new programming strategy for the GEF for the 2014-2018 period.



GEF Country Support Program: this was designed to provide information and support to countries in accessing funds. The main objective of the CSP is to strengthen the capacity of recipient country partners to effectively and strategically access GEF and other financing for programs with global environmental benefits as well as adaptation outcomes and to improve overall national and constituency coordination on global environmental issues, including adaptation.

Priorities include adaptation, integration, and mitigation. USAID's climate strategy has three overarching objectives:

- Adaptation includes helping countries and communities prepare for and adapt to climate change
- Integration includes factoring climate change knowledge and practice into all USAID programs
- Mitigation involves helping countries slow or curb carbon emissions while spurring growth through clean energy and sustainable landscapes.

SERVIR Program. SERVIR is helping people in more than 30 countries access and use satellite imagery and climate and weather information to make better decisions about development. A collaboration between USAID and NASA, SERVIR has established hubs in Eastern and Southern Africa, Central America, and the Hindu Kush-Himalaya and Lower Mekong regions by partnering with regional technical institutions. SERVIR is helping to integrate science into useful products and tools that support better decisions about livelihoods, disasters, and economic development.

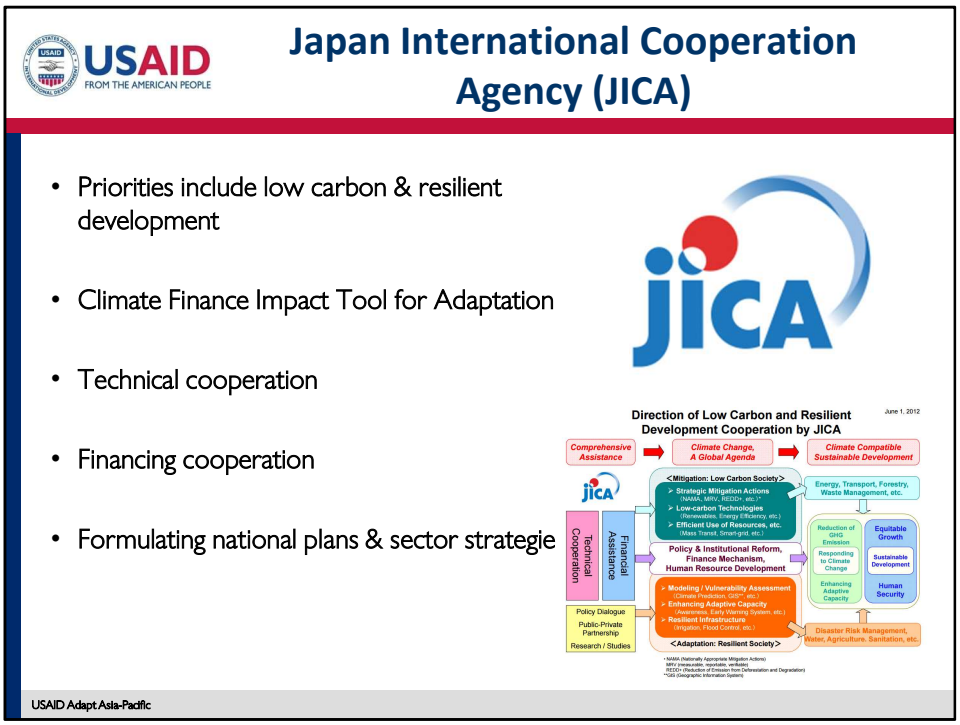
Climate Resilience Development Framework. USAID's *Climate-Resilient Development Framework* (2014) offers a simple yet robust five-stage approach to help decision-makers and development practitioners at all levels systematically assess climate-related risks and

prioritize actions that promote climate-resilient development. Developed by USAID's Global Climate Change Office, this "development-first" approach helps decision-makers and practitioners integrate climate considerations directly into development activities across multiple sectors, keeping the focus on achieving development goals despite a changing climate. Working with USAID missions, governments, and other stakeholders, the framework has been used in Barbados, Jamaica, Nepal, Peru, the Philippines, St. Lucia, Tanzania, and West Africa. Download at https://www.usaid.gov/climate/climate-resilient-development-framework, also included in participant resources pack.

Climate Services. USAID is delivering timely, tailored, decision-relevant information on climate to help developing countries build resilience to climate change. Climate services means the delivery of information about long-term weather conditions. This includes data, statistical analyses, tools, and other information resources about historical weather patterns and expected future climate conditions – including temperature and precipitation scenarios, sea-level changes, and glacier coverage – and their potential impacts on agriculture, infrastructure, health, and other sectors. Decision-makers are using climate information to help manage current climate risks and build resilience to future climate.

High Mountains Adaptation. Developing countries in high-mountain regions are facing significant climate change impacts such as rising temperatures, melting glaciers, and related threats to water quality and water supply. Temperature changes and other climate impacts dramatically affect hydrologic patterns in these high-mountain watersheds. Higher temperatures often lead to glacial melt, resulting in unpredictable water supplies, reduced water quality, increased threats from glacial lake outburst floods (GLOFs), and related impacts on economic development, lives and livelihoods. GLOFs are a major concern in the Himalayas and the Andes. USAID is assisting communities as they develop local adaptation plans, supporting an international community of practice and funding applied scientific research. These activities can help save lives and preserve development gains by reducing vulnerability to climate change.

The image in this slide is the cover of USAID's Climate Change & Development Strategy 2012-2016. Download at: http://pdf.usaid.gov/pdf_docs/PDACS780.pdf, included in participant resources pack.



Priorities include low carbon & resilient development. The mission of JICA is to help inclusive and dynamic development in developing countries. Specifically, JICA endeavors to contribute to sustainable development through equitable economic growth and human security. In light of this mission, JICA will help activities to curb greenhouse gas emissions and to enhance capacity to adapt to climate impacts in developing countries in the context of sustainable development. JICA's strategy document can be downloaded at: http://www.jica.go.jp/english/our_work/climate_change/pdf/direction.pdf.

Climate Finance Impact Tool for Adaptation. JICA has produced concepts and guidelines for mainstreaming adaptation considerations into projects that contribute to reduction of vulnerability against climate change, and sustaining adaptive capacity and resilience. This tool contains detailed information for 15 "sub-sectors", several of which correspond to the focal areas discussed in section 2 of module 2.

Technical cooperation. This include dispatching experts, accepting overseas trainees, supporting preparation of development plans.

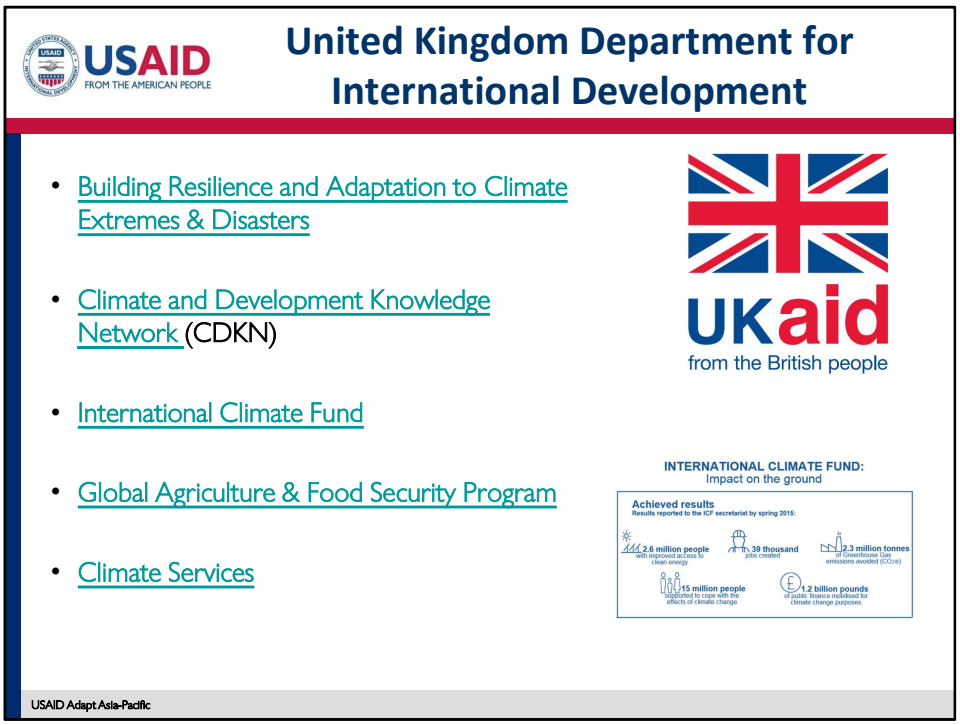
Financing cooperation. This includes finance to projects (such as infrastructure), programs (such as support for development policy), and financial intermediaries (responding to small-scale financing needs through financial institutions in developing countries, called

“two-step loans”.

Formulating national plans & sector strategies. For steady implementation of adaptation measures in developing countries, JICA feels it is crucial to formulate appropriate national and sector level plans and strategies, such as the National Adaptation Plans (NAPs). When formulating these plans and strategies, it is desirable to incorporate the results of scientific analysis, such as climate change prediction and impact analysis based on GIS (geographic information system). On the other hand, it is also necessary to support responses to meet the needs in developing countries based on the precautionary principle and no-regret policy with consideration to adaptive capacity specific to the region, sector and/or community.

Note that the Japanese government has implemented a tax on carbon that is generating a significant amount of funding for the government, which is being used to stimulate investment in CC mitigation through a public-private loan mechanism. Some of these funds are also being used to support adaptation activities.

The diagram featured in the lower right corner of this slide is a schematic of the direction of JICA’s Low Carbon and Resilient Development Cooperation programs. It was sourced from http://www.jica.go.jp/english/our_work/climate_change/pdf/conceptual_diagram.pdf, last accessed 2/22/2016.



Building Resilience and Adaptation to Climate Extremes & Disasters. BRACED is supporting activities that build resilience to weather extremes and reduce the risk of disasters at the grassroots level. It is also building evidence on what works to inform improved policies and will support national, regional and international organizations to prepare for the expected increases in the frequency and severity of climate extremes.

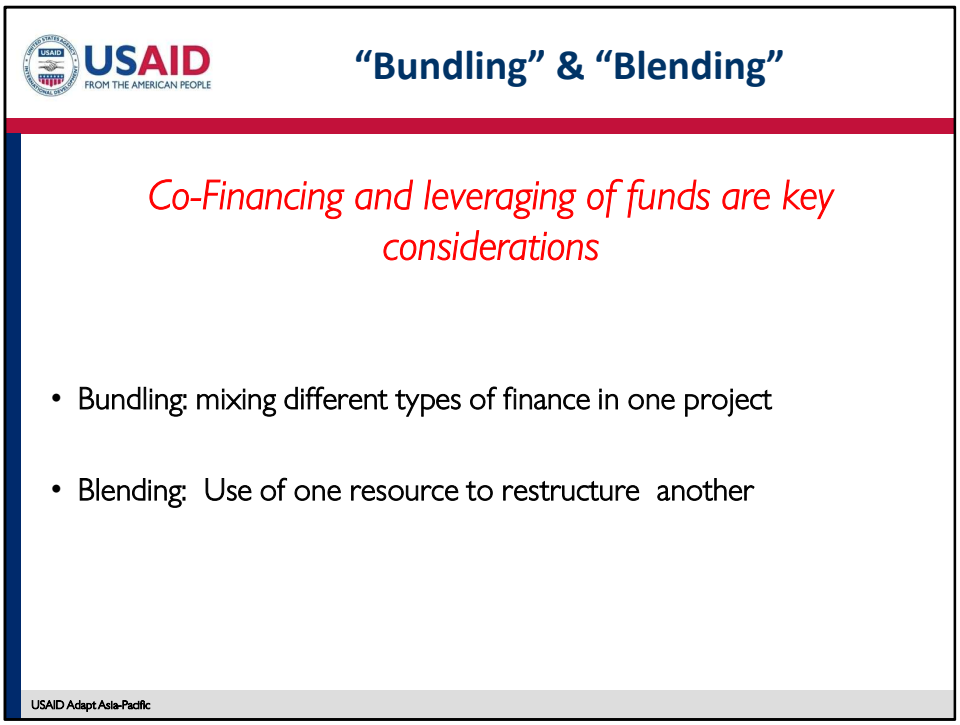
Climate and Development Knowledge Network. The CDKN identifies the best opportunities and creates practical policies, while supporting decision-makers access the best available information, research and advice, such as basic climate impacts data and cost-benefit analysis of adaptation approaches.

International Climate Fund. The International Climate Fund is the UK government's commitment to developing countries to help them address the challenges and benefit from the opportunities presented by climate change. The Prime Minister has said that the UK government will provide £5.8 billion from the existing 0.7% official development assistance (ODA) budget to the International Climate Fund between April 2016 and March 2021, including at least £1.76 billion in 2020. This is in addition to the support for the current phase of the ICF - £3.86 billion between April 2011 and March 2016.

Global Agriculture & Food Security Program. The Global Agriculture and Food Security

Program's (GAFSP) overarching goal is to increase the incomes, and food and nutrition security of those in low income countries through productivity improvements in agriculture, building their resilience and helping them adapt to climate change.

Climate Services. Climate services range from hurricane warning and response systems, to pioneering agricultural techniques, to flood resistant infrastructure planning, to supply chain resilience analysis. Climate services bring relevant data and information together to support adaptation and mitigation programs, and to assist with climate risk management at all levels. Climate services involve strong partnerships between information providers and information users, such as government agencies, for the purposes of interpreting and applying information for decision-making, planning, sustainable development, prediction and outlook. Interest in climate services is gaining a greater focus around the world, driven by the growing awareness of our vulnerability to extreme weather events and the need to cope with current and future impacts of climate change. Many British companies also provide a variety of climate services. Local UK Trade and Industry (UKTI) offices can assist with contacts.



Bundling. This refers to the use of different types of finance within a single project or program.

Blending. This involves the use of one resource to restructure the terms of another, non-grant resource. The International Finance Corporation, an arm of the World Bank, allows financiers to blend small amounts of public concessional funds with private sector commercial funds to finance first-of-a-kind projects that have a high development impact and a strong potential to create a demonstration effect, but have not yet established a commercial track record. Blending helps to overcome obstacles such as uncertain returns, lack of market knowledge and capacity as well as macroeconomic challenges and business environment risk.

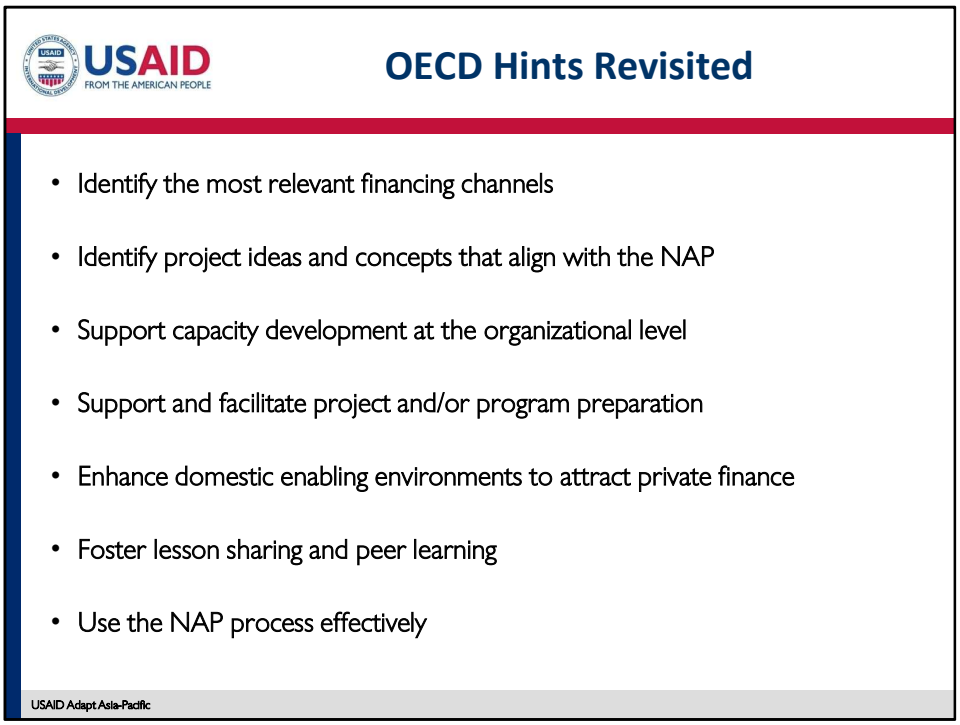
In 2014, blending was often used by Multilateral Development Finance Institutions to use market rate loans (which constituted 84%, US$40 billion of multilateral DFI climate finance commitments) combined with concessional resources from Climate Funds. These "blends" primarily supported sustainable transport and renewable energy projects.

Note that the Fiji project that we have alluded to at several places in this course is an example of blending, as it utilizes funds from several difference sources, including the ADB, GCF, and others.

Both of these need specific financial mechanisms and capabilities at the national level.

Information for this slide was sourced from:
Sierra-Escalante, Kruskaia. 2016. "Stirred, not shaken: blended finance for climate action". World Bank. http://blogs.worldbank.org/climatechange/stirred-not-shaken-blended-finance-climate-action, last accessed 4/1/2016.

Vaneweerd, Veerle, Yannick Glemarec, and Simon Billett. 2012. Readiness for Climate Finance: A Framework for Understanding What it Means to be ready to use Climate Finance. UNEP. 32pp.



Identify the most relevant international financing channels. Find the most relevant CF sources and channels in light of a country's priorities, needs and capacities. There are a variety of tools available, including:

- Climate Funds Inventory (G20). This contains information about 91 climate funds.
- UNFCCC Funding for Adaptation Interface. This provides a summary of adaptation funding options available from various sources, each with an information factsheet.
- http://www.adaptasiapacific.org/funds-compendium – most relevant sources for A-P.

It may be useful to develop a database on the most relevant funds.

Support capacity development at the organizational level. National coordinating institutions and National Designated Authorities (NDA) help to secure access to funding and also enhance country ownership of funded activities and provide co-ordination among relevant actors. Enhance organisations' institutional capacities to understand the modalities of climate funds and to access and use climate finance.

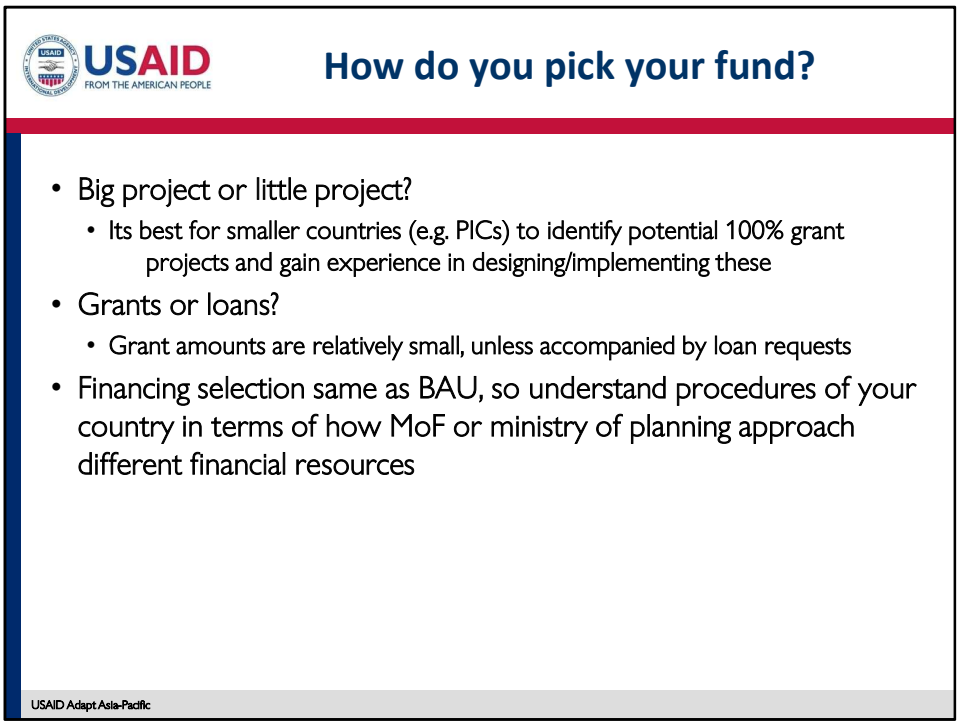
Support and facilitate project and/or program preparation. Enhance countries' political awareness and technical capacities to prepare project and programme proposals for funding.

Enhance domestic enabling environments to attract private finance. Develop robust and predictable regulatory frameworks and well-designed economic incentives to attract public and private international climate finance.

Foster lesson sharing and peer learning. Strengthen the capability of entities to monitor and evaluate adaptation in order to share lessons learned for scaling up future finance inflows, and to meet applicable reporting requirements.

Use the NAP process effectively. Make use of NAP process to identify a country's national adaptation needs and priorities (including financial needs), and communicate them to funding sources.

Resources for this slide include:
Toolkit to Enhance Access to Adaptation Finance: For Developing Countries that are Vulnerable to the Adverse effective of Climate Change. OECD 2015. Download at http://www.oecd.org/env/cc/Toolkit-to-Enhance-Access-to-Adaptation-Finance.pdf. Also included in participant resource pack.



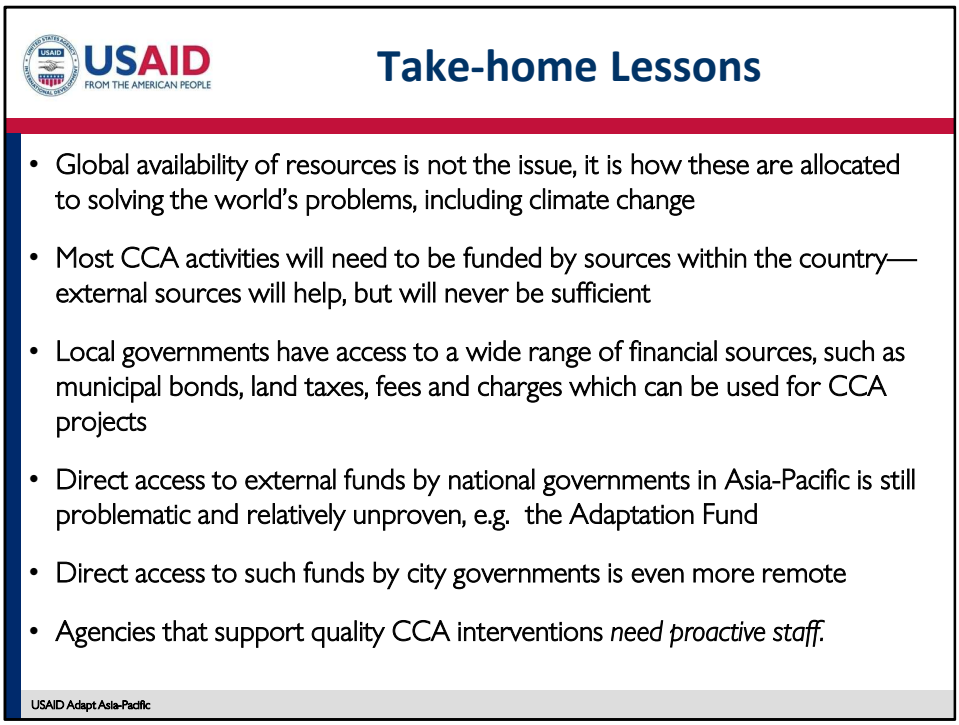
If you are climate proofing a road or railway, loan financing might be best.

Climate finance is a special case of development finance.

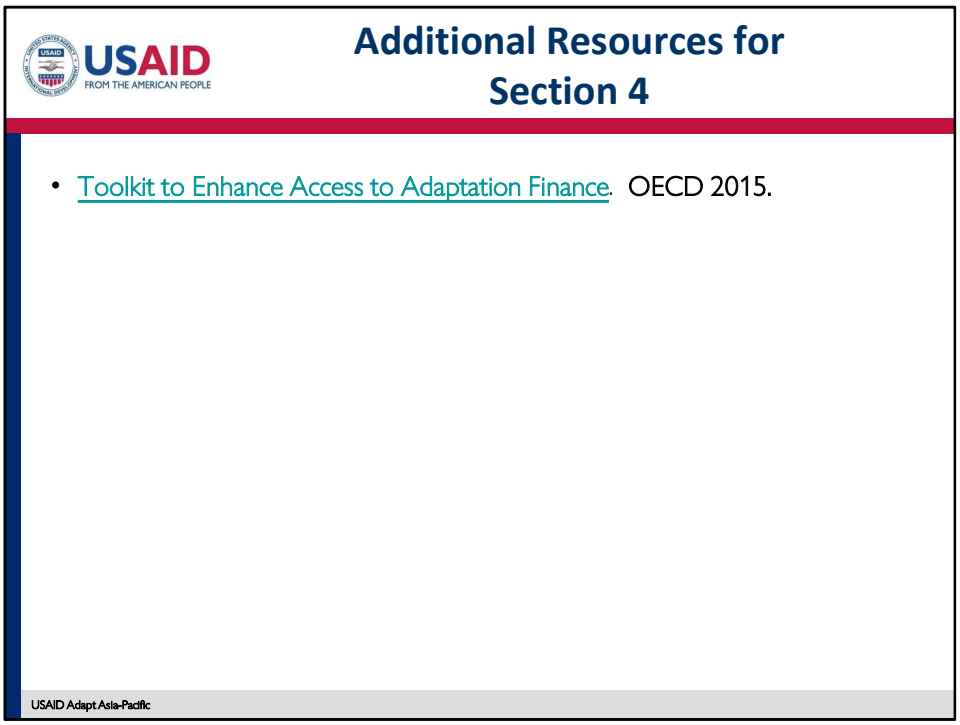
It is best to continue with proven sectors/agencies where past normal development project success is likely to be replicated in new CCA projects -- i.e. in the infrastructure, energy, urban, water supply sectors new CCA projects are likely to be successful; and less successful in those sectors that have been more difficult to address historically – agriculture and natural resources management.

Grants or loans? *Grants* are appropriate for projects that aim to help populations adapt to climate change impacts but have no cash flow. These projects likely have meaningful benefit but have no income-generating activities. In these cases, for GCF to invest, projects must demonstrate bankability and sustainability, meaning they must not only be financially viable, but also have a sustainability plan to run when the duration of GCF funding has elapsed. Such a financing plan might include direct finance from the host country and commitments from donors. In the absence of sustainability provisions, GCF will not recommend grant projects to its board for decision.

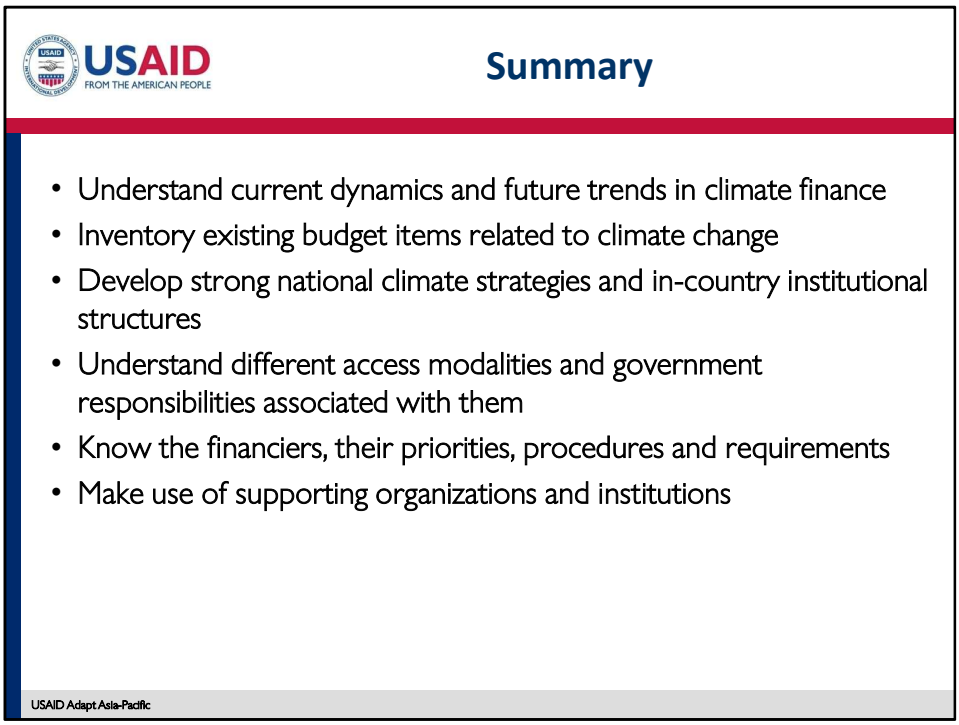
Concessional loans would be used in a situation in which a project is income generating to make the project financially viable at the initial stage. A concessional loan achieves this by helping the project developer access "cheap money" to get the project started (thus lowering the project cost) which in turn lowers tariffs passed on to the consumer, thus increasing affordability. An example would be a renewable energy project where energy is generated, sent to the electricity grid, and sold to consumers.



Notes to Facilitator: Engage workshop participants *in a discussion of these various "lessons" and ask them if they have "lessons" that differ from these, or that they consider more important. Allow a healthy discussion of these critically important decisions to take place.*



Toolkit to Enhance Adaptation Finance: For Developing Countries that are Vulnerable to Adverse Effects of Climate Change, including LIDCs, SIDS, and African States. OECD 2015. Download at http://www.oecd.org/env/cc/Toolkit-to-Enhance-Access-to-Adaptation-Finance.pdf. Also included in participant resource pack.



Develop strong national climate strategies and in-country institutional structures. This cannot be emphasized enough.

Session 1 Outcomes: SELF CHECK

- Understand directions and trends in global adaptation finance
- Describe why your project is an appropriate use of public funds
- Distinguish which parts of a project are most appropriate for public finance, and which parts are more matched to public-private partnerships and other sources of financing
- Understand the procedures in your country for accessing funds for adaptation
- Understand the eligibility criteria, priorities, and evaluation criteria of relevant financiers

A Hui Hou!