
**Eleventh meeting of the Adaptation Committee
Bonn, Germany, 7-10 March 2017**

Background note for the workshop to advance the understanding and overcome challenges relating to the establishment of National Implementing Entities and accessing the Green Climate Fund readiness and preparatory support programme for adaptation

Recommended action by the Adaptation Committee

The Adaptation Committee (AC) may wish to consider the information contained in this background note, agree on the focus of the workshop and provide further guidance to the secretariat on its organization.

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1. Introduction

1. In accordance with its 2016-2018 workplan, the Adaptation Committee (AC) agreed to identify and collect, building on the long-term finance in-session workshop and the high-level ministerial, lessons learned and good practices from national implementing entities (NIEs) of funds,¹ programmes/entities and initiatives, on the necessary enabling environments, institutional arrangements and governance for adaptation.
2. Following the identification and collection of lessons learned and good practices, the AC agreed to organize a workshop in 2017 for the engagement of relevant stakeholders, including experts of NIEs of the Adaptation Fund and accredited entities of the GCF, and National Designated Authorities (NDA), to:
 - a) Advance understanding and overcome challenges relating to accreditation of entities for direct access; and
 - b) Accessing the Green Climate Fund (GCF) for the readiness and preparatory support programme (readiness programme) for adaptation.
3. At its 10th meeting (AC10),² the AC decided that the preparation of the workshop may be informed by a background note developed by the secretariat with input from the GCF and Adaptation Fund secretariats as well as other relevant bodies, organizations and agencies, as appropriate.

2. Scope of the note

4. The background note outlines challenges and lessons learned that could inform the development of recommendations to further enhance countries' access to the GCF, including the GCF readiness programme. In regards to the accreditation of entities for direct access, the note is limited to the establishment of the entities, specifically preparing for the accreditation and the accreditation phase itself.

3. Approaches for collecting and reviewing information relating to experiences of countries

5. In line with the guidance provided by the AC, the following information has been considered in preparing this background note:
 - a) The long-term finance in-session workshop and the high-level ministerial at COP 22;
 - b) The work of the NAP task force on synthesizing information from relevant bodies, organizations and agencies, including the LEG, the NAP Global Support Programmes (NAP GSPs), the United Nations Development Programme (UNDP), the United Nations Environment Programme (UN Environment), the NAP Global Network, and the GCF and AF secretariats; and
 - c) The draft information paper on experiences of countries in accessing the readiness programme, including for the process to formulate and implement NAPs (also referred to as draft information paper on accessing the readiness programme).³ This paper is the result of

¹ The mandate relates to both national implementing entities of the Adaptation Fund and direct access accredited entities of the GCF.

² 13 -16 September 2016.

³ AC/2017/8.

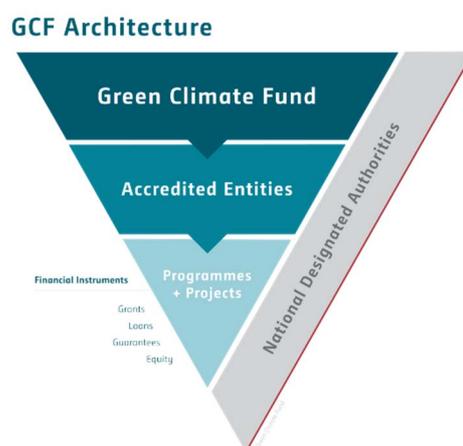
tailored surveys and interviews: first with four developing countries that have had their readiness proposal approved and have moved to implementation, then with the first two countries to have submitted a NAP-related proposal to the readiness programme.⁴ In addition, four delivery partners provided input to the survey between December 2016 and February 2017. A summary of challenges, good practices and lessons learned in accessing the readiness programme is contained in the draft information paper.

6. With the accreditation process for national and regional accredited entities of the GCF only recently in operation, the importance of collecting information on the more significant experiences and lessons of the Adaptation Fund on direct access was recognized to be important to inform any future evolution of the GCF procedures. In collecting this information as well as early information from the GCF itself, the note draws substantively from materials available online that offer an analysis of countries' challenges and lessons learned. These materials are being developed by organizations that are supporting countries in their accreditation process and/or regularly monitoring their progress with a view to contributing in enhancing the Adaptation Fund and GCF procedures, and strengthening developing countries' capacity to access these funds.⁵

4. Overview of the GCF architecture and funding cycle

7. The GCF's architecture places a great emphasis on country ownership as the NDAs ensures that accredited entities submit projects and programmes that benefit countries. Upon approval by the NDA, funding proposals for projects and programmes are submitted by accredited entities, cleared by the GCF headquarters, assessed by the Technical Advisory Panel, and approved by the Board before they can be implemented. The GCF architecture and the projects and programmes proposal cycle are presented in figures 1 and 2.

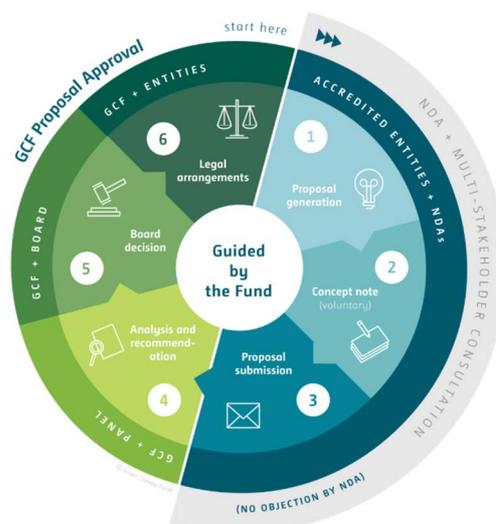
Figure 1. GCF architecture



⁴ In June 2016, since the GCF Board decided on the possibility for countries to receive additional readiness support for the process to formulate and implement NAPs and/or other adaptation planning processes. Decision B.13/09 (June 2016).

⁵ These organizations include: The Adaptation Fund, the Climate and Development Knowledge Network (CDKN), GCF, GIZ, Germanwatch, International Institute for Environment and Development (IIED), UNDP, UN Environment, and the World Resources Institute (WRI).

Figure 2. GCF projects and programmes proposals cycle



Source: GCF available at <www.greenclimate.fund/newsroom/infographics>

5. Overview and status of the GCF accreditation process for direct access entities

8. Under direct access regional, national and sub-national entities can access funding from international funds without going through international intermediaries (e.g. the World Bank or UNDP as implementing entities). Such an approach contributes to reducing transaction costs as they reduce the number of actors involved in transactions and enhances national ownership over available financing (Masullo et. al 2015).

9. While the concept of providing finance directly to institutions at the national level once they meet certain requirements is not new,⁶ the novelty in the direct access modalities of funds such as the GCF and the Adaptation Fund lies in the introduction of an accreditation process to ensure that recipient institutions are capable of effectively planning and overseeing funded activities. This approach was first developed by the Adaptation Fund⁷ and enabled eligible countries to have one NIE accredited by this Fund. These entities are legal entities and can be ministries, development banks or other public or private institutions. During the accreditation process a panel of experts independently reviews each application, looking at the track records of applicants to determine whether they are capable of meeting the accreditation standards. Implementing entities are assessed against three criteria: fiduciary principles and standards, environmental and social safeguards, and a gender policy.

10. The GCF accreditation process builds on the modalities of the Adaptation Fund and allows a country to have more than one accredited entities. The GCF also applies an innovative “fit-for-purpose”

⁶ Since the 2005 Paris Declaration on Aid Effectiveness, donor countries committed to supporting recipient-country ownership of the use of development finance. As a result, the World Bank, as at times, allowed recipient countries to use their own risk management systems to reduce risks associated with project investments (Masullo et al 2015)

⁷ It was also expanded to a lesser extent to the Global Environment Facility (GEF).

accreditation approach, by which the accreditation criteria applied to particular applicants is based on the scale, nature and level of risks of its proposed activities. It also developed recently in partnership with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the World Resources Institute (WRI) an online assessment tool to assist applying entities in understanding and evaluating whether they fulfil the minimum requirements requested to be accredited to receive funding from the GCF. The GCF offers capacity-building support to meet the accreditation requirements through the readiness programme. In addition, in June 2016, the Fund announced a pilot phase for additional modalities to enhance direct access, which provides an initial allocation of USD 200 million for around 10 projects, including for those to be implemented in small island developing States (SIDS), least developed countries (LDCs) and Africa.

11. As of 31 January 2017, 48 entities have been accredited by the GCF, and 23 of them are direct access entities (14 national entities and 9 regional entities); and as of 16 February 2017, 25 national entities and 6 regional entities have been accredited by the Adaptation Fund. Nine national entities⁸ and 5 regional entities⁹ are accredited entities of both the Adaptation Fund and the GCF.

6. Challenges, good practices and lessons learned in establishing direct access accredited entities¹⁰

6.1. Challenges

12. Many developing country Parties have advocated for direct access to the multilateral climate funds to support their adaptation and mitigation efforts. In their submissions to the secretariat in 2013, Parties indicated that such direct access would be beneficial for expediting access to NAP funding, and have urged developed country Parties, development partners and United Nations and international organizations to provide adequate financing through direct access and flexible procedures so that they could start activities that contribute to the formulation of NAPs without delay.¹¹ Since then, a growing number of NIEs/ direct access entities have been accredited by the Adaptation Fund and more recently by the GCF, and these entities have reported on the challenges they have faced but also the good practices and the lessons learned.

13. The following challenges related to establishment of NIEs under the Adaptation Fund have been communicated:

- a) *Limited capacity.* Before applying to the funds, entities need to understand the complex standards and requirements and then collect evidence to prove compliance. For example, experiences of some NIEs of the Adaptation Fund highlighted that capacity-building to fulfil the requirements to be accredited by the Fund is time demanding, particularly if the entity is faced with staff turnover or is impacted by political changes;
- b) *Adoption of new policies and procedures.* When institutional gaps are found, applicants are required to adopt new internal policies and procedures and build additional technical capacities. This can be a deterrent for countries with limited capacity;

⁸ Agence pour le Développement Agricole, Morocco; Centre de Suivi Ecologique, Senegal; Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia; Ministry of Natural Resources, Rwanda; National Bank for Agriculture and Rural Development, India; National Environment Management Authority, Kenya; Peruvian Trust Fund for National Parks and Protected Areas; South African National Biodiversity Institute; and United para el Cambio Rural, Argentina.

⁹ West African Development Bank; Caribbean Development Bank; Central American Bank for Economic Integration; Corporación Andina de Fomento; Secretariat of the Pacific Regional Environment Programme.

¹⁰ Challenges, good practices and lessons learned were extracted from a number of documents as included in annex II.

¹¹ FCCC/SBI/2013/MISC.2.

- c) *Presentation to the funds of documented evidence.* In addition, several NIEs have had difficulty identifying relevant documents – such as policy, procedures, manuals, guidelines – best suited to demonstrate the evidence of capacity or required standards sought by the funds;
 - d) *Language barrier.* In non-English speaking countries translation into English, the working language of the Funds, required additional time and financial resources to engage specialized translators familiar with the technical language of the funding templates;
14. Initial information on the challenges related to the accreditation of direct access entities of the GCF have been communicated as follows:
- a) *Access to information.* Some entities have found it challenging to obtain clear and updated information on the accreditation procedures through the GCF communication channels;
 - b) *Limited capacity.* Challenges similar to the ones reported under the Adaptation Fund (see para 13 a));
 - c) *Language barrier.* Challenges similar to the ones reported under the Adaptation Fund (see para 13 d));
 - d) *Ongoing evolution of the GCF's procedures and requirements.* Challenges relating to securing accreditation are compounded by the fact that the GCF is still a new institution, which is still in the process of establishing its procedures and requirements.

6.2. Lessons learned from the Adaptation Fund that can inform the GCF

15. In the literature that has been reviewed,¹² the following lessons learned from national and regional entities accredited under the Adaptation Fund are shared with a view to contributing in preparing countries for direct access under the GCF and informing further enhancement of the GCF accreditation procedures:

- a) Direct access leads to greater national ownership of adaptation finance. While achieving direct access to climate finance is challenging for developing countries, efforts made can be rewarded far beyond the immediate funds received. Some of the ancillary benefits include:
 - i) For the accredited entity, a strengthening of its international framework of policies and operations; and building its project development capacities to embrace programmatic approaches; and
 - ii) For project partners of accredited entities (i.e. executing entities), an incentive to also undertake institutional development through strengthened monitoring and evaluation;
 - iii) Going through the accreditation process raises the profile of climate change adaptation in-country, and for the accredited entities, this helps improve intra-governmental collaboration and consolidates a commitment to implement adaptation activities on the ground through the project.
- b) Accredited entities (national and others) require clear guidelines and practical suggestions to understand procedures and prepare themselves to effectively addressing the needs of especially vulnerable social groups within countries;
- c) Engaging with civil society at an early stage of the accreditation process is beneficial for getting buy-in when shifting to project implementation;
- d) Countries with institutions that have developed good relationships with international donors and development organisations and have already a track record in delivery of development programmes could find it easier to apply for direct access; and with greater volume of

¹² See references in annex 2.

financing being disbursed under the GCF, disparities among countries could worsen (Bugler and Rivard, 2012). Developing countries with limited institutional capacity, in particular LDCs and SIDS, may not be able to establish accredited entities in the short and medium-term, especially as the GCF will channel even larger amounts of finance than the Adaptation Fund. In such cases regional and multilateral implementing entities can provide access to finance. In parallel, to ensure equitable access to the GCF, these countries need to receive sustained support to build their institutional capacity (Bugler and Rivard, 2012; AF, 2015);

- e) Applicants benefit from institutional flexibility that provides a willingness and ability to adjust procedures and incorporate new policies. Securing sufficient resources to train all relevant staff and suppliers and communicate changes internally is also important

7. Overview and status of the GCF readiness programme

16. The GCF established a readiness programme to provide capacity-building for countries to access GCF funding. The programme is particularly targeting countries with lower capacity to access funding, such as the LDCs, SIDS and African countries. It provides, among other services, technical assistance to countries in identifying strategic investment priorities and preparing or strengthening development strategies or plans for adaptation, such as NAPs and NAPAs.

17. Readiness requests are made directly to the GCF Secretariat (countries@gcfund.org) by submitting a request form provided by the GCF.¹³ The readiness request form summarizes the request, objectives it will achieve and delivery modality. The Country Programming Division of the GCF Secretariat assists countries in developing a full readiness funding proposal based on the readiness requests made. Following a discussion with the GCF Secretariat, countries submit this full readiness funding proposal with information such as detailed description of activities, implementation plan, and budget. The Secretariat has set itself to respond promptly to all readiness requests.¹⁴

18. As of November 2016, the GCF has approved 74 readiness and preparatory support requests, covering 61 countries and totalling USD 21.9 million. Of the 74 requests, 38, covering 32 countries, have received disbursements and are under implementation. Of the 74 approved requests, 32 specifically refer to adaptation, e.g. developing a country programme by building on existing adaptation activities. However, even if requests have not mentioned adaptation activities directly, they may indirectly benefit adaptation efforts in the country, for example, by strengthening the NDA's coordination capacity. Two requests (1.5%) are specifically intended to support the formulation of NAPs and/or other adaptation planning processes. While they have been approved implementation of the activities has not commenced.¹⁵

19. The GCF is also engaging with institutions that are working on readiness initiatives, and has set up a coordination mechanism focused on this engagement.

8. Challenges, lessons learned and good practices related to accessing the GCF readiness Programme

20. A summary of the challenges, lessons learned and good practices related to accessing the GCF readiness programme is available in the draft information paper on accessing the readiness programme (see AC/2017/8).

¹³ Available at <www.gcfund.org/operations/resource-guide.html>.

¹⁴ Green Climate Fund. Readiness Programme Overview. Available at <bit.ly/1NRvZfq>.

¹⁵ Progress and outlook report of the Readiness and Preparatory Support Programme. GCF/B.15/Inf.08. Available at http://www.greenclimate.fund/documents/20182/490910/GCF_B.15_Inf.08_-_Progress_and_outlook_report_of_the_Readiness_and_Preparatory_Support_Programme.pdf/2bc97c50-f211-425e-b69e-1d3c626e31a3.

9. Focus of the workshop and possible guiding questions

21. In light of the information contained in this background note (and in the draft information paper on accessing the readiness programme), and the recognized need to continue to facilitate countries' access to funding for the process to formulate and implement NAPs, the workshop will provide an opportunity to explore how financing for NAPs could be facilitated through accessing the GCF readiness programme and establishing direct access accredited entities.

22. Policy questions relating to establishing of direct access accredited entities could include the following ones:

- a) What key lessons could be learned from the Adaptation Fund on establishing NIEs for direct access to climate finance?
- b) Building on the information in this background note, what are the main challenges faced by national and regional entities seeking accreditation to the GCF and how could these challenges be overcome in the most time and cost efficient way?
- c) How can long-term capacity support for direct access entities be ensured, including through the GCF readiness programme?
- d) How to ensure that the establishment of direct access accredited entities also provides ancillary benefits in countries (e.g. strengthening of financial institutions, capacity building, etc.)?

23. In discussing countries' experiences in accessing the GCF readiness programme, the following policy questions could be posed:

- a) What are the different types of country coordination and stakeholder engagement mechanisms of potential value for coordination of (i) GCF readiness activities and (ii) the NAP process?
- b) How can synergies between the GCF readiness programme and the NAP process be explored and promoted at the country level? What could be the entry points?
- c) What are benefits and challenges of standard templates for NAP proposals to the GCF readiness programme given the required flexibility in a country's NAP process? What are possible, more flexible, alternatives?
- d) How could GCF funding complement other adaptation funding sources (for e.g. how could it support the scaling up of adaptation projects funded by other funds)? What could be the potential role of the GCF readiness programme in this regard?

10. Possible agenda for the workshop

24. A possible agenda for a two-day workshop is presented in Annex 1.

11. Next steps

25. Based on this background note, the AC may wish to agree on the focus of the workshop and core guiding questions, and provide further guidance to the secretariat on its organization.

Annex 1: Possible Agenda

Day 1

Session 1: Welcome and introduction
<ul style="list-style-type: none"> • Opening remarks • Setting the scene: meeting inputs, objective, structure and expected outcomes
Session 2: Experiences and lessons learned in direct access accreditation
<ul style="list-style-type: none"> • Understanding the role of the GCF direct access accredited entities and the accreditation procedures, including fast track accreditation for accredited entities of other funds, presentation by the GCF • Q&A
Coffee/tea break
<p><i>Session 2, cont.</i></p> <p>Lessons learned from NIEs of the Adaptation Fund, presentation by the Adaptation Fund</p> <ul style="list-style-type: none"> • Discussants highlighting good practices, lessons learned and challenges (i.e. NDAs, accredited national and regional entities and organizations providing readiness support) • Q&A
Lunch break
Session 3: Accessing the readiness and preparatory support programme (readiness programme)
<ul style="list-style-type: none"> • Overview of the readiness programme, presentation by the GCF • Experiences and lessons learned in accessing the GCF readiness programme, presentation by the Adaptation Committee • Country discussants highlighting good practices, lessons learned and challenges • Q&A
Coffee/tea break
Session 4: Identifying initial recommendations
<ul style="list-style-type: none"> • Plenary discussion to identify initial recommendations • Outlook to day 2

Day 2

Session 5: Reflection in small groups
<ul style="list-style-type: none"> • Recap day 1 and outline of day 2 • Participants will continue to reflect in small groups on challenges and good practices in: <ul style="list-style-type: none"> ○ Establishing direct access accredited entities under the GCF, and ○ Accessing the GCF readiness programme, including for NAPs
Coffee/tea break
<ul style="list-style-type: none"> • Rapporteurs will report to plenary on the discussions in the small groups followed by an open plenary discussion on synergies between the role of direct access accredited entities of the GCF and activities under the readiness programme

Lunch break
Session 6: Developing recommendations
<ul style="list-style-type: none">• Open plenary discussion to further develop recommendations, in particular recommendations to the GCF, to other financiers, and to national actors
Session 7: Closing
<ul style="list-style-type: none">• Summary of the workshop and closing

Annex 2: References

Adaptation Fund. 2015 *Independent Evaluation of the Adaptation Fund – First phase evaluation report*. August 2015. Available at <www.adaptation-fund.org/wp-content/uploads/2015/11/TANGO-ODI-Evaluation-of-the-AF_final-report.pdf>.

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<www.gcfreadinessprogramme.org/sites/default/files/Simple%20Guidebook%20for%20NIE%20Accreditation%203.0_0.pdf>.