Fund for responding to loss and damage

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Background paper on access modalities in accordance with the Governing Instrument of the Fund for responding to loss and damage[1]

Summary

This document provides a research-based overview and comparison of access modalities used by comparator funds (climate and non-climate funds), including information on triggers/thresholds, rapid disbursement, and small grant funding modalities. This paper should be read in conjunction with the background document on financial instruments, modalities and facilities.

1 This document was prepared by the Interim Secretariat for information purposes only. The Co-Chairs have not had the opportunity to review or comment on the papers and have authorized their transmittal to the Board on an exceptional basis.

Contents

Abbreviations and acronyms

ADB	Asian Development Bank
ADB CDF	Asian Development Bank Contingent Disaster Financing
ADB CSF	Asian Development Bank Countercyclical Support Facility
AF	Adaptation Fund
AFCIA	Adaptation Fund Climate Innovation Accelerator
Cat DDO	Catastrophe Deferred Drawdown Option
CCRIF SPC	Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company
CIF	Climate Investment Funds
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
COP	Conference of the Parties
COVID-19	coronavirus disease 2019
CTCN	Climate Technology Centre and Network
DAE	Direct Access Entity
EDA	Enhanced Direct Access (Adaptation Fund); Enhancing Direct Access (Green Climate Fund)
ESS	Environmental And Social Safeguards
EU	European Union
GCF	Green Climate Fund
GEF	Global Environment Facility
HACT	Harmonized Approach to Cash Transfers
IAE	International Access Entity
MDB	Multilateral Development Bank
MIE	Multilateral Implementing Entity
NAP	National Adaptation Plan
NDA	National Designated Authority
NGO	Non-Governmental Organization
NIE	National Implementing Entity
NUPAS	Non-U.S. Organization Pre-award Survey
PSAA	Project-Specific Assessment Approach
SOE	slow onset events
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
USAID	United States Agency for International Development
WIM	Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts

I. Background and mandate

1. At the first meeting of the Board of the Fund referred to in decisions 1/CP.28 and 5/CMA.5, the Board decided, in its workplan for the second meeting of the Board, to work on the "access modalities, including in relation to the development of relevant indicators and triggers to clarify access, and operational modalities for the Fund, including a functional equivalency framework, in accordance with the Governing Instrument".[2]

2. Paragraph 22 of the Governing Instrument of the Fund for responding to loss and damage (as contained in annex I to decisions 1/CP.28 and 5/CMA.5) provides the mandate of the Board to "(b) develop and approve operational modalities, **access modalities**, financial instruments and funding structures" and to "(l) develop relevant **indicators and triggers to clarify access** to different sources of support provided through the Fund". This mandate is further elaborated in paragraph 49 of the Governing Instrument, which states that "the Board will develop various modalities to facilitate access to the Fund's resources. These modalities may include: (a) **direct access via direct budget support** through national governments, or in partnership with entities whose safeguards and standards have been judged functionally equivalent to those of multilateral development banks; (b) **direct access via subnational, national and regional entities** or in partnership with entities accredited to other funds, such as the Adaptation Fund, the Global Environment Facility and the Green Climate Fund; (c) **international access** via multilateral or bilateral entities; (d) **access to small grants** that support communities, Indigenous Peoples and vulnerable groups and their livelihoods, including with respect to recovery after climate related events; (e) **rapid disbursement** modalities, as appropriate."

3. The Governing Instrument also provides guidance on key matters related to access in paragraph 50, which states, that "the Fund will develop simplified procedures and criteria for fast-tracked screening to determine functional equivalency with internationally recognized standards of national and/or regional funding entities' safeguards and standards to manage funded programmes and projects in country, as appropriate" and in paragraph 57, which states that "in its provision of finance, the Fund will make use of, inter alia, triggers, climate impact relevant indicators, debt sustainability considerations and criteria developed by the Board, and take into account guidance from the COP and the CMA."

4. The Governing Instrument further outlines key considerations in paragraph 41, which states that "the Fund will avoid disproportionate bureaucratic obstacles to the access of resources", in paragraph 45, which states that "The Fund will promote, in all its operations, direct engagement at the national and, where appropriate, the subnational and local level to facilitate efficiency and the achievement of concrete results", and in paragraph 67, which states that "The secretariat will support the strengthening of the capacities of direct access implementing entities, where needed, to enable them to attain functional equivalency with the World Bank's fiduciary principles and standards, on the basis of modalities that will be developed by the Board."

5. Responding to the mandate of the Board and building on the overarching principles set forth in the Governing Instrument, this paper provides a research-based overview and comparison of access modalities used by 10 comparator funds (climate and non-climate funds), including information on triggers/thresholds, rapid disbursement and small grant funding modalities.3 Key considerations for deliberation by the Board are also outlined in the final section. This paper should be read in conjunction with the background document on financial instruments, modalities and facilities.

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[2] Decision B.1/D.3, para. 7(v).

[3] The comparator funds are the Adaptation Fund (AF), the Climate Investment Funds (CIF), the Elsie Initiative Fund, the Financial Intermediary Fund for Pandemic Prevention Preparedness and Response (also called the "Pandemic Fund"), the Global Environment Facility (GEF), the Global Fund to Fight AIDS, Tuberculosis and Malaria, the Green Climate Fund (GCF), the Infrastructure Resilience Accelerator Fund, the Lives in Dignity Grant Facility, and the Migration Multi-Partner Trust Fund of the United Nations Network on Migration.

II. Access modalities

6. There is no internationally recognized definition on access modalities. Generally, discussions in the climate finance space relate to modalities that are used to access and deliver the climate financing, with more prominent debate concerning who has direct access.

7. Access modalities are examined in this document in terms of (1) types of access by entity groups (national (including local and subnational), regional and international) and (2) modes of access, including traditional forms of accreditation and alternative approaches that promote functional equivalency with internationally recognized standards. The traditional forms of accreditation also include fast-tracked screening and/or streamlined approaches.

8. Chapter II.A focuses on the types of access entities that are commonly found in existing comparator funds (both climate and non-climate funds) and chapter II.B presents the various modes of access used (accreditation etc.) through which the access entities are assessed prior to being able to access funds.

A. Types of access by entity groups

9. When examining types and modes of access, it is important to recognize the distinct roles and responsibilities of entities (with “intermediary” functions) directly accessing funds compared with the entities executing the funds to achieve results and impacts in the country, under the leadership and ownership of the country stakeholders at the national, subnational and local levels.

10. The functions of entities that are directly accessing the funds are characterized by the responsibilities and accountabilities that are transferred to entities when the resources of the fund are accessed. This includes channelling the resources to countries, including to the subnational and local level, and overseeing the utilization of the resources to ensure that they are used for the purposes for which they were approved and are implemented in alignment with international standards, as determined by the terms set by the fund. Effectively, this means that access entities are accountable to the fund and thereby would be required to have the institutional policy framework, systems and rules that align with the standards of the fund and are applied in conducting the necessary roles.

11. The functions of the entities that are executing the funds (transferred from the access entities) include the direct implementation of activities and delivery of results on the ground. These entities are accountable to the access entities in implementing the funds in accordance with the approved activities under the policy framework, systems and rules of the access entities. The arrangements for implementation are tailored to each initiative/project and typically are pre-defined prior to the approval of funds. In the case of the climate funds (the AF, the GCF and the GEF), executing entities are established that are responsible for actual implementation of initiatives. Executing entities can be government agencies, civil society, community organizations and/or the private sector.

12. The national institutional arrangements for country-level decision-making and implementation on the ground are similar across the climate comparator funds, namely that decision-making on country programming and implementation are devolved to the country focal points and/or national steering committees. For example, the GEF operational focal points are responsible for managing the overall country programming (including decision-making on project/programme pipeline development) and endorsing the implementation arrangements (including the selection of the executing entities) for all projects/programmes. Implementation and execution of activities is conducted by the executing entities and, in some cases, overseen through the establishment of national steering committees or equivalent (particularly in the case of the enhanced direct access modalities in place for the climate funds reviewed). Further elaboration on this and ensuring and enhancing country ownership is presented under Chapter II, C of this paper.

13. Table 1 presents a summary of the types and modes of access of the 10 comparator funds.

Table 1: Summary of types and modes of access of climate and non-climate comparator funds

Name of fund	**Types of access entities**	**Modes of access**	**Dedicated programmes for local, subnational and national entities**
Climate Investment Funds (CIF)	• Implementing Partner – limited to 6 MDBs	• Not to access CIF mainstream funds (PPCR, CTF etc.) - since countries access through their MDB partners that usually meet high-integrity fiduciary principles, safeguards and standards • Through CIF DMG – there might be a	Dedicated Grant Mechanism for Indigenous Peoples and Local Communities enables access to local entities through a national executing agency that is a not-for-profit and non-state organization that meets the programmatic, fiduciary and safeguards requirements of the World Bank (or other MDB). This suggests some type of screening is done although information reviewed does not explicitly indicate a full accreditation process Funding envelope: up to USD 500,000
Adaptation Fund (AF)	• National implementing entities (NIEs) – up to two per country • Regional implementing entity (RIE) • Multilateral implementing entities (MIE) *(ii)* As at 8 Jan 2024 there were a total of 56 implementing/ accredited entities comprising 32 NIEs, 9 RIEs and 15 MIEs. Of the 32 NIEs, 10 were from least developed countries and seven from small islands developing States. (Note: of the 32 NIEs, 10 were from least developed countries and seven from small islands developing States. In terms of the regional distribution of the 32 NIEs and 9 RIEs, 14 entities were from Africa, 15 from Latin America and the Caribbean, 11 from Asia-Pacific and 1 entity was from Eastern Europe.)	• Accreditation (standard). Takes 6–24 months • Streamlined accreditation process for smaller NIEs. Takes 3–6 months • Fast-track accreditation for entities already accredited to the GCF • Re-accreditation and fast-track re-accreditation • Note – all accreditation status valid for 5 years.	1. EDA facilitates access to local and subnational entities only through accredited national entities of the AF. NIEs include ministries, interministerial commissions, government cooperation agencies. Funding envelope: up to USD 5 million per country 2. Adaptation Fund Climate Innovation Accelerator (AFCIA) implemented via UNDP and UNEP-CTCN. AFCIA UNDP open to not-for-profit, civil society organizations including NGOs, business member associations and other associations, cooperatives or community-based organizations registered in a developing country. AFCIA UNEP-CTCN open to countries with no NIE. Funding envelope: UNDP and UNEP each receive USD 5 million to administrate and aggregate a project of small grants (up to USD 250,000 each) 3. AF National Implementing Entity (NIE) Small Grants for Innovation small grants will be awarded to vulnerable developing countries that have accredited NIEs. Funding envelope: USD 250,000 to NIEs
Green Climate Fund (GCF)	• DAEs – national and regional • IAE • Currently there are 128 accredited entities, of which 63% (80) are DAEs and 37%; (48) are IAEs; for 96 of the accredited entities legal arrangements are finalized	• Accreditation (standard) • Project-specific accreditation approach • Fast-track accreditation for entities already accredited to the Adaptation Fund, GEF and the EU Directorate-General for Development and Cooperation (DEVCO) (INTRA) • Fees – from USD 1000 for micro projects (up to USD 10 million) and up to USD 25,000 for large projects (up to USD 250 million)	EDA Pilot – DAEs with the fiduciary standards of grant award and/or funding allocation mechanisms and on-lending and blending are eligible to submit EDA projects. DAEs span a wide cross section of institutions, including ministries or government agencies, development banks, climate funds, commercial banks, private foundations and NGOs. Funding envelope: on average USD 20 million per EDA Pilot proposal
Global Environment Facility (GEF)	• Implementing Agency – limited to 18 institutions, 3 of which are national institutions	• Accreditation • Fees – USD 25,000	Small Grants Programme enables access through international accredited entities, primarily UNDP

Name of fund	Types of access entities	Modes of access	Dedicated programmes for local, subnational and national entities
			and more recently Conservation International and the Food and Agriculture Organization of the United Nations. Funding envelope: Regular grants up to $50,000. Strategic project grants up to $150,000. Planning grants, which range from US$2,000 to US$5,000.
Global Fund to Fight AIDS, Tuberculosis and Malaria	• Eligible public, private and non-governmental partners that are on the country coordination mechanism. • Multilateral institutions can also be eligible, when requested through the country coordinating mechanism to provide for trustee, operational or advisory services. • Otherwise, multilateral institutions will not apply directly for funding.	• No accreditation noted. • A capacity assessment is required for: (i) all new principal recipients who have not previously implemented a grant for the disease component; and (ii) existing principal recipients who will be implementing new activities for which their capacity has not been previously assessed.	No.
Lives in Dignity Grant Facility	The following types of entities apply in partnerships: • Governments, including relevant line ministries and other national or regional state authorities; • Local municipalities; *(iii)* Local non-governmental organizations, refugee-led initiatives, International Displaced Persons-led and organizations led by stateless or other displacement-affected persons, civil society organizations; • United Nations and international agencies; • Regional bodies; • International NGOs; • Academia and foundations; • International and local private sector actors, chambers of commerce, networks of local private actors, organizations and organizations representing workers.	• No accreditation noted. • United Nations Office of Project Services is the grant facility manager. • Implementing entities of the Lives in Dignity Grant Facility are responsible for delivering the results of the approved projects funded by the Facility in line with the grant agreement, logical framework and budget.	No
Infrastructure Resilience Accelerator Fund (IRAF)	• United Nations agencies • MDBs and bilateral cooperations • Non-governmental agencies	• Accreditation using the UNDP HACT risk assessment and its prevention of sexual exploitation, abuse and harassment capacity assessment • United Nations agencies do not need to be accredited. All other eligible organizations need to be accredited including MDBs and bilateral cooperations	No
Financial Intermediary Fund for Pandemic Prevention Preparedness and Response (also called the “Pandemic Fund”)	• There are currently 13 approved implementing entities (United Nations agencies, MDBs, and regional (health entities) • Countries applying through International Bank for Reconstruction and Development	• Accreditation • Takes up to 18 months	No

Name of fund	Types of access entities	Modes of access	Dedicated programmes for local, subnational and national entities
	and/or the International Development Association do not have direct access but can be beneficiaries if they submit a proposal with an implementing entity		
Migration Multi-Partner Trust Fund	• International participating United Nations agencies (PUNOs): these then channel funds to government institutions, migrant communities, communities and civil society organizations in line with the financial regulations and rules of the PUNOs and will retain full programmatic and financial accountability for the funds	• No accreditation noted. • Funds are administered by each PUNO in accordance with its own regulations, rules, directives and procedures.	No
Elsie Initiative Fund	• International participating United Nations agencies (PUNOs) • Countries (troop- and police-contributing countries) • PUNOs and countries then channel funds to civil society organizations	• Accreditation using the UNDP HACT risk assessment. This is applied to countries seeking direct access	

1. Access via national entities

14. National entities cover organizations/institutions operating at the national, subnational and/or local levels, including public and private sector organizations and institutions, non-governmental and civil society and/or community-based organizations. For the purposes of this paper, the term subnational entities refers to entities that operate at the subnational level, including local government, non-governmental and civil society organizations. Local entities refers to farmers, workers, communities and Indigenous Peoples groups and so on that have an active role in the implementation of projects and use of funds.

15. Many of the climate comparator funds do not have a distinct categorization for national entities within their types of access, which is clearly seen through the concentration of international, regional and multilateral organizations that constitute the groups of access entities. In fact, only a few funds designate categories for national entities; for example, the AF pioneered the “national implementing entity” modality, and the GCF developed the “direct access entity” modality, thereby creating entry points for national entities to directly access finance and manage projects.

16. Further, national entities accredited to the AF and GCF are mostly NIEs and DAEs operational at the national level and with track record. This can be explained by the fact that they have stringent criteria and requirements applied for accreditation, which are necessary for these funds to be able to maintain and ensure that resources are utilized in alignment with internationally recognized minimum standards and requirements.

17. Regarding access via national entities, the GCF Independent Evaluation Unit, in the Second performance review of the Green Climate Fund (GCF, 2023) presented findings which indicated that direct access is limited for several reasons: (1) countries struggle to identify entities and entities struggle with accreditation; (2) country accreditation decisions, programming and capacity-building are not yet sufficiently aligned; (3) the capacities of DAEs remains a major constraint for increasing the proportion of resources channelled through direct access; (4) GCF capacity support through its Readiness and Preparatory Support Programme and the Project Preparation Facility are yet to show major results at scale for DAE programming; and (5) the expectation that IAEs will build the capacities of DAEs (without associated resources or incentives) has not been sufficient to promote collaboration. As a result, the approved project portfolio remains skewed towards IAEs and a relatively small number of DAEs, in terms of both number of projects and volume of finance.

18. The challenges and issues of direct access at the national level is compounded for smaller national entities, especially those at the subnational and local levels, which have

faced significant challenges in meeting the requirements and processes, some of which can take several years.

19. As a result, direct access to resources by subnational and local entities has historically been achieved through the national/regional/international access entities that serve as intermediaries through which funds are accessed and then transferred to the national/subnational/local stakeholders engaged in the implementation of the funds. This approach can allow the resources to reach the subnational and local levels efficiently and can ensure alignment with the minimum standards (through the oversight conducted by access entities) while removing the need for the subnational and local entities to be accredited. Using an intermediary can also benefit a country by allowing it to use the expertise and resources available at the "intermediary" organization (World Research Institute, 2015). This model also increases efficiency and aids effectiveness because processing small grants through trustees such as the World Bank results in high transaction costs (CIF, 2013).

20. For the non-climate comparator funds reviewed, namely, the Elsie Initiative Fund, the Financial Intermediary Fund for Pandemic Prevention Preparedness and Response (also called the "Pandemic Fund"), the Global Fund to Fight AIDS, Tuberculosis and Malaria, the Infrastructure Resilience Accelerator Fund, the Lives in Dignity Grant Facility, and the Migration Multi-Partner Trust Fund of the United Nations Network on Migration, the approach of using an intermediary to funnel resources to the national, subnational and/or local entities is similarly applied.

(a) Dedicated programmes for deployment of resources to local entities

21. The need for easy and fast access to funds, especially in the context of loss and damage-related resources for communities, means it is crucial to have dedicated channels for rapid and tailored programmes for local entities. Examples of dedicated programmes that facilitate the deployment of resources via intermediaries (direct access national, regional or international entities) to subnational and local entities, including Indigenous Peoples, community-based organizations and other non-governmental groups include the AF EDA programme, the AF National Implementing Entity Small Grants for Innovation, the AF Climate Innovation Accelerator (AFCIA) programme, CIF Dedicated Grant Mechanism for Indigenous Peoples and Local Communities, the GCF EDA programme, the GEF Small Grants Programme and the World Bank Enhancing Access to Benefits while Lowering Emissions programme (known as EnABLE). Details on the climate EDA funds are discussed in chapter II.C of this paper.

22. Among those examples, EnABLE is a more recent programme that provides direct financing to Indigenous Peoples and local communities as well as local communities that follow World Bank Procedures for Small Recipient-Executed Trust Fund Grants, whereby the World Bank provides a trust fund grant to a third party, such as a non-governmental organization or a country's Ministry of Health, under a grant agreement. The bank then plays an operational role, such as appraising and supervising the activities financed by the funds. Funds are administered under the operational policies and procedures of the International Bank for Reconstruction and Development and the International Development Association, although the approval process for trust fund grants is determined in accordance with separate processes for trust fund proposals and legal agreements with donors.

23. Small grants play an important role in channelling funds directly to local entities, who are otherwise left out of the large climate funds that are available (Stockholm Environment Institute, 2022, 2023). The longest established small grants programme is the GEF Small Grants Programme, which was established in 1992 and has since delivered over USD 720 million to more than 27,000 community-led projects in 136 countries around the world, including 37 small island developing States and 41 least developed countries (Learning for Nature, n.d.). The joint GEF-UNDP Fifth Overall Performance Study of the GEF Small Grants Programme indicated that although work is needed in areas such as monitoring and reporting, the programme continues to support communities with projects that are effective, efficient and relevant in achieving the goals of the programme while being replicated at the local scale and scaled up and mainstreamed into local and, at times, national development processes.

24. Both the GEF Small Grants Programme and the AFCIA programmes use multilateral implementing entities, specifically United Nations agencies, as intermediaries to on-grant resources to eligible stakeholders in a developing country.

25. Further, AFCIA utilizes two intermediary modalities involving UNDP and UNEP-CTCN that provide different services to support innovation in adaptation to developing countries. The AFCIA programme via UNDP targets grantees at the subnational and local levels while the AFCIA programme via UNEP-CTCN targets eligible countries that do not have a NIE. More recently, the AFCIA NIE small grants programme was established, which, as the name suggests, is channelled through NIEs that are already accredited to the AF.

26. Although small grants cannot address the full spectrum of needs on the ground, they play a crucial role in building local capacities and institutions, raising awareness, enabling connections between different actors, and creating the necessary landscape to receive future finance for loss and damage. Further, small grants can have a complementary role to play next to larger-scale and programmatic finance for countries (Stockholm Environment Institute, 2023).

2. Access via regional and international entities

27. For the purposes of this paper, regional entities are defined as organizations that have the mandate to operate/work across countries within a region; and international entities are defined as organizations that operate/work across countries and regions. Examples of regional entities include the Pacific Community and the Caribbean Development Bank. Examples of international entities (also referred to as multilateral entities by some funds), include the United Nations agencies, MDBs and international financial institutions.

28. Among the climate fund comparators reviewed, fund oversight and management, and implementation are typically undertaken by the accredited regional or international entity. This modality has the longest track record. However, in some cases, there is a difference in geographical scope and accessibility. For instance, under the AF and GEF in order to access resources countries that are eligible to apply for funding must select either their NIE, or a regional implementing entities or MIE. In other cases, for instance in the GCF, countries are able to select any of the GCF accredited entities that can access funds for countries and/or regions as defined by their mandate and legal personality.

29. The same size windows are available for national, regional and international entities under the climate comparator funds reviewed.

30. For the non-climate fund comparators reviewed, fund oversight and management, and implementation are undertaken by intermediaries or implementing agencies that are primarily international agencies such as United Nations agencies.

B. Modes of access

1. Standard approaches to accreditation

31. To access climate funds, institutions undergo an accreditation process that is designed to assess whether they are capable of strong financial management and of safeguarding funded projects and programmes, under internationally recognized standards. For instance, the GCF and the AF accreditation processes entail assessment of fiduciary, environmental and social safeguards standards and gender standards; the GEF process covers the same standards with the addition of the stakeholder engagement requirements.

32. Considering the need to strengthen the capacities of national entities to meet and maintain accreditation to the funds, the AF and the GCF provide readiness funding to support in institutional and capacity strengthening, as follows:

(a) The AF provides small grants (up to a maximum of USD 150,000) under its readiness programme to help NIEs provide peer support to countries seeking accreditation with the Fund and to build capacity for undertaking various climate finance readiness activities. Peer support is offered through the Community of Practice for Direct Access Entities, which is a community made up of the accredited NIEs that pioneered direct access and the accredited DAEs of the GCF. The aim is to provide an avenue for knowledge exchange, learning and experience sharing, collaboration and peer support within the community of NIEs and DAEs to increase the effectiveness of entities in accessing resources and implementing adaptation and mitigation projects and programmes through direct access. Also notable is that the AF has Project Formulation Grants available to build the capacity of NIEs in project preparation and design;

(b) The GCF, through its Readiness and Preparatory Support Programme,[4] provides technical assistance grants to help NDAs strengthen country programming frameworks and institutional capacities, as well as supporting potential DAEs to build the capacities required to achieve accreditation and develop pipelines. Also notable is that the GCF has the Project Preparation Facility, which provides financial and technical assistance for the preparation of project and programme funding proposals, can be accessed by DAEs for projects in the micro and small-sized category;

(c) The GEF does not provide grant funding to support accreditation; however, it provides support to accredited entities through Project Preparation Grants for the preparation of a full-sized or medium-sized projects;

(d) The CIF does not have a readiness programme nor dedicated support for accreditation.

33. Most of the non-climate funds reviewed did not appear to have a standard accreditation process, except the Pandemic Fund, for which there was no readiness grant to support the accreditation process, which could be due to the fact that the 13 approved implementing entities are United Nations agencies and MDBs.

2. Fast-tracked accreditation

34. Within some climate funds, various modalities of accreditation have emerged to overcome the complexity and rigidity often found with standard accreditation modalities. In this regard the GCF and the AF are notable because they have reciprocal fast-tracked accreditation processes:

(a) According to GCF Board decision B.08/03, "entities accredited by the Adaptation Fund that fully meet its accreditation requirements and are approved by the GCF Board to be included in the list of fast-track eligible entities are allowed to apply for fast-track accreditation process for the GCF basic fiduciary standards and specialized fiduciary standard for project management. Entities eligible for fast-track accreditation are not required to complete the fast-tracked sections of the accreditation application";

(b) According to AF Board decision B.28/38, building on the above process, it decided to "fast-track the re-accreditation of implementing entities accredited with the GCF within a period of four years prior to the submission of the accreditation application to the Adaptation Fund".

(c) The AF fast-track accreditation modality is available to all applicant entities that had been accredited by the GCF within a period of four years prior to the submission of the accreditation application to the AF.

(d) The GCF fast-track accreditation allows for entities to be fast-tracked through accreditation if they have been successfully assessed by the GEF, AF or EU 6 Pillar assessment.

35. The fast-track accreditation process does not mean automatic accreditation, but is understood to be a part of the accreditation process whereby the assessment process required to achieve accreditation may be shortened. For instance, under the GCF accreditation process, if the fiduciary and environmental and social principles and standards of the other funds or

[4] The GCF Readiness and Preparatory Support programme has supported 40 direct access applicants to establish capacities to meet and maintain the GCF accreditation standards and 15 DAEs have been supported to improve their accreditation status or/and effectively implement GCF-funded activities. The recently created DAE support modality under the Readiness Strategy 2024–2027 will enable DAEs have direct access to USD 1 million per entity over a four-year period, to establish and advance DAEs' capacities to effectively programme, implement and report on funded activities.

institutions and their accreditation or due diligence processes are found to be comparable to the GCF fiduciary standards and ESS (i.e. no or no significant gaps), then the accreditation review (Step 1 of Stage II for entities under direct access or international access) will be shortened where the review is considered complete because of the comparability in standards, and no further review of the application is required for those comparable standards. However, if gaps are identified, then the review focuses on assessing how the entity addresses the identified gaps between the other principles or standards and the GCF fiduciary standards and ESS. Using the fast-track accreditation process can reduce the time frame for accreditation by half compared with that of regular accreditation, providing there are limited gaps in compliance.

36. Further, a gap assessment of institutions accredited by other relevant funds and their potential for fast-track accreditation5 (commissioned by GCF) also offers interesting insights into the fast-track accreditation process:

(a) Entities accredited by EU Directorate-General for Development and Cooperation (DEVCO) and in full compliance with its fiduciary standards are eligible to apply under the fast-track accreditation process for the GCF basic fiduciary standards, the specialized fiduciary standard for grant award and/or funding allocation mechanisms and ESS;

(b) Entities accredited by AF and GEF and in full compliance with these funds' accreditation requirements, are eligible to apply under the GCF fast-track accreditation process for the both funds' basic fiduciary standards, the specialized fiduciary standard for project management, and ESS.

37. The literature review indicates that fast-track accreditation is one of the two most supportive factors for GCF DAE accreditation to date: out of the 59 nationally accredited DAEs, 25 DAEs benefited from the fast-track process and prioritization of accredited entity applications during secretariat assessments.

38. However, while DAEs have constituted an increasing proportion of the GCF accreditation portfolio, the approved project portfolio remains skewed towards IAEs and a relatively small number of DAEs, in terms of both number of projects and volume of finance. One of the reasons for this is that accreditation requirements do not sufficiently take account of an entity's capacity to prepare and implement climate projects (GCF, 2023). This trend is also the same for the AF: although NIEs constitute approximately 57 per cent of all accredited implementing entities (see table 1), NIEs are managing the implementation of approximately 29 per cent of the 132 AF projects approved by June 2022. Meanwhile, MIEs constitute 25 per cent of all implementing entities and manage 60 per cent of the projects. Regional implementing entities implement the rest (AF, 2023).

3. Streamlined and/or simplified screening processes that promote functional equivalency

39. Regarding approaches for functional equivalency with internationally recognized standards, the literature reviewed did not uncover, explicitly, any frameworks used by the comparator funds that facilitate this. However, insights could be gathered from (1) simplified/streamlined accreditation modalities implemented by several funds; and (2) various tools used by international organizations to assess the fiduciary capacities of national institutions/organizations that are selected to implement initiatives/projects in countries.

(a) Differentiated accreditation modalities

40. Given the intensity and complexities of the traditional approaches to accreditation coupled with the increased attention on enhancing access for national and subnational entities that have limited institutional structures and capacities, several funds have implemented

[5] The assessment and gap analysis compares the accreditation processes and fiduciary standards and environmental and social standards of the GEF, the AF and the EU Directorate-General for Development and Cooperation (DEVCO) with the GCF accreditation processes and basic fiduciary standards and specialized fiduciary standards as well as the GCF ESS, including the institutional capacities to manage the environmental and social risks and impacts.

simplified procedures and approaches to advance the accreditation process. The most notable simplified model emerging from the literature review is the AF “streamlined accreditation modality”.6 The process entails no changes to fiduciary, environmental or social standards; instead it opens up possibilities for a smaller national entity to demonstrate its competence and capacity to meet acceptable requirements (Step 2). It offers mitigating measures that better reflect the institution’s capacity, risk profile and ability to handle projects of a manageable size (Step 3) and is typically available for applicants that execute or implement projects up to USD 1 million, have up to 25 members of staff engaged in projects, and have annual administrative expenses of up to USD 1 million. However, these criteria are not rigid and there are cases where applicants falling outside these ranges were also considered (AF, n.d.(a), 2022).

41. A review of the AF streamlined accreditation process found that one of the main lessons is that, in addition to allowing smaller NIEs to access funds for direct climate action,7 the process has set them up to access climate finance from other bilateral and multilateral entities and has built their institutional capacities through the accreditation process itself, as well as post-accreditation. However, the time frame and effort needed for accreditation through the streamlined process is not shorter or less rigorous than the regular accreditation process because entity constraints in capacity, experience and especially fiduciary standards could not be easily overcome (AF, 2022).

42. The AF streamlined accreditation process aligns its accreditation process further with the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008) as well as the Paris Agreement, which emphasizes the importance of efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties, in particular for the least developed countries and small island developing States, in the context of their national climate strategies and plans.

43. Another possibly relevant although slightly different approach to advance accreditation is the GCF Project-specific Assessment Approach Pilot, which complements GCF institutional accreditation. The PSAA aims to streamline and broaden access to climate finance by working with new partners, countries and technologies that have been underserved by the existing GCF accredited entity network. The PSAA is an assessment of the capacity of an entity to meet GCF accreditation standards to implement one project or programme that is aligned with developing countries’ priorities and the GCF strategic objectives. GCF accreditation standards apply (to the extent applicable to the specific project for which the applicant is seeking funding) and entities are obligated to uphold these standards throughout the duration of the project/programme. If a PSAA entity has the potential to be a long-term partner, it may pursue institutional accreditation after completing the PSAA. Each entity will be capped at a maximum of one approved funding proposal under PSAA. The PSAA modality accelerates access to GCF resources, reduces transaction costs for the implementation of one innovative climate project, and can potentially build a track record to enable an entity to apply for institutional accreditation. However, the PSAA is still in the process of being operationalized with the first PSAA projects expected for Board consideration in the final Board meeting of 2024, and evidence for the efficiency and effectiveness of the PSAA will become available in the future.

(b) Examples of tools to assess the capacities of national partners

44. Among the non-climate funds reviewed it was noted that Infrastructure Resilience Accelerator Fund accreditation is based on the UNDP HACT risk assessment and the UNDP

[6] The process is based on the following five areas: (i) an assessment of the potential risks for the AF by supporting a project based on the capacity and nature of an NIE; (ii) greater emphasis on identifying alternate ways to meet the requirements of the fiduciary standards; (ii) added flexibility for an applicant to show how it uses mitigating measures to meet the spirit of the fiduciary standards; (iv) reduced time and effort for the applicants to go through the accreditation process; and (v) alignment where possible with the fit-for-purpose approach of the GCF.

[7] Smaller NIEs from the Federated States of Micronesia (2015), the Cook Islands (2016), Armenia (2016), Tuvalu (2019) and Honduras (2021) have been accredited through the streamlined process to date, with a majority now implementing effective adaptation projects in the field with AF resources (AF, 2022).

prevention of sexual exploitation, abuse and harassment capacity assessment;8 while for the Elsie Fund Initiative, only the HACT risk assessment framework is applied.

45. The HACT framework,9 endorsed by the United Nations Sustainable Development Group in 2014, is a common operational (harmonized) framework for transferring cash to government and non-governmental partners, irrespective of whether these partners work with one or multiple United Nations agencies. The objectives of the HACT framework are to support a closer alignment of development aid with national priorities and to strengthen national capacities for management and accountability, with the ultimate objective of gradually shifting to national systems. It is intended to serve as a simplified set of procedures on requesting, disbursing, providing assurance and reporting on funds to effectively manage risks, reduce transaction costs and promote sustainable development in a coordinated manner. The HACT framework comprises four interrelated processes: (1) macro assessment (awareness of public financial management); (2) micro assessment (financial management capacities); (3) cash transfers, disbursement and reporting; and (4) assurance planning and implementation, spot checks and special audits.

46. Other notable tools emerging from the literature include the United Nations Office for the Coordination of Humanitarian Affairs internal capacity assessment tool, the Australian Department of Foreign Affairs and Trade's Australian NGO Cooperation Program, the ADB proactive integrity review, the Global Fund for Children's organizational capacity index, the USAID NUPAS and organizational capacity assessment tools and the World Bank's project concept assessment tool.

47. The United Nations Office for the Coordination of Humanitarian Affairs internal capacity assessment tool10 assesses a partner's capacity in four key areas: (a) governance and institutional capacity; (b) programme and partnership capacity; (c) operational and financial capacity; and (d) the UNDP implementing partner protection from sexual exploitation and abuse capacity assessment. If a prospective NGO partner has undergone an assessment associated with the HACT framework, the outcome of that assessment may be used as a proxy score for section (c) of the internal capacity assessment (Operational and financial capacity); similarly, if the NGO partner has already completed the UNDP implementing partner protection from sexual exploitation and abuse capacity assessment, this can be used as a proxy for section (d) of the internal capacity assessment process.

48. The Australian Department of Foreign Affairs and Trade uses two types of accreditation for assessing national NGOs under Australian NGO Cooperation Program that are rigorous risk management processes at two levels: base level or full level.11 Although the criteria are the same for each level, there are differences in indicators and standards expected for each level and these are applied commensurate with the nature and significance of risk. The accreditation review is based on the policies and procedures of the Australian NGO Cooperation Program, and assesses their application in practice. It considers whether the policies, and the procedures which give effect to the policies, would reasonably be expected to satisfy the accreditation criteria (spanning governance and risk management, development approaches and management, approaches to partnership and collaboration, communications and financial management) if implemented consistently across Australian NGOs over a reasonable period. A sample of projects, partnerships and records is selected to

[8] The UNDP implementing partner protection from sexual exploitation and abuse capacity assessment does not have any legal effects and will serve as a reference tool in connection with the UNDP system-wide response to sexual exploitation and abuse when working with implementing partners. The assessment process consists of a (1) partner self-assessment; (2) UNDP entity review and preliminary determination of partner capacity; (3) documented decision including capacity-strengthening implementation plan; (4) appropriate monitoring and support activities; and (5) final determination of partner capacity.

[9] Available at https://view.officeapps.live.com/op/embed.aspx?src=https://popp.undp.org/sites/g/files/zskgke421/files/2023-12/FRM_Financial%20Management%20and%20Implementation%20Modalities_Harmonized%20Approach%20to%20Cash%20Transfers%20%28HACT%29_1.docx.

[10] See https://gms.unocha.org/en/content/capacity-assessment-2.

[11] See https://www.dfat.gov.au/sites/default/files/accreditation-guidance-manual-final.pdf.

assess and test whether the procedures are being followed and whether they give effect to the policies in a manner which satisfies the accreditation criteria. The accreditation review process does not assess the effectiveness or impact of the Australian NGO's development or humanitarian activities. In some circumstances, funding support from the Australian Department of Foreign Affairs and Trade is available for technical assistance for Australian NGOs preparing for accreditation. Accreditation status is awarded at a particular point in time, so Australian NGOs must be re-assessed for accreditation at least every five years.

49. The proactive integrity review 12 is a mechanism used by the ADB to root out areas of vulnerability, noncompliance and integrity risks in projects financed or administered by ADB. The proactive integrity review comprises checklists that are completed by implementing and executing partner agencies to (1) identify and assess the integrity risks in procurement, contract and asset management, and financial management; and (2) recommend measures, where necessary, to mitigate these risks to ensure project funds are used for the intended purposes. The implementation of the recommendations is monitored by ADB. ESS and gender are not covered by this assessment.

50. The Global Fund for Children's organizational capacity index 13 is another self-administered assessment to determine an organization's capacity in planning, fundraising, governance, human resource development, financial management, monitoring, learning and development, community and external relations and information technology. This self-assessment should be completed by the head of the organization and may include input from various stakeholders such as board members, staff and community members. It should be repeated when applying for a renewal of grant (usually annually).

51. USAID has designed NUPAS and its organizational capacity assessment14 as tools to support capacity development. NUPAS is a selection tool for determining a potential partner's responsibility and whether special award conditions may be required. NUPAS may also be used to determine the eligibility of an organization when competition is limited to "local entities". It looks at financial and managerial capacity, method of financing to be used by USAID, and degree of support and oversight necessary. The organizational capacity assessment is a facilitated self-assessment tool recommended for use shortly after an award is made and periodically repeated to show progress and subsequent priorities. NUPAS is not intended as a substitute for an organizational capacity assessment, or the associated capacity development action plans as contemplated by USAID Forward's local capacity development reform efforts. The NUPAS and the organizational capacity assessment are complementary tools designed for different purposes and time periods.

52. Finally, there is also the World Bank project concept assessment tool (known as PCAT),15 which considers whether an investment's cost is reasonable and resistant to change. It examines the project's financial viability, technical considerations, legal and other miscellaneous considerations such as private investors' interest in the project.

C. Ensuring country ownership

53. The Governing Instrument is clear on the importance of and need to promote country ownership. As such, the review of the comparator funds examined access modalities and related processes that strengthen or weaken country ownership.

54. The climate funds reviewed require that NDAs/focal points16 work closely with the access entities to ensure concept notes and proposals are aligned to national strategies and goals, and to provide country endorsement before proposals are submitted to the boards of the funds for approval. Beyond the national focal points, the operational guidelines of the

12 For more detail see https://www.adb.org/sites/default/files/publication/688641/proactive-integrity-reviews.pdf.

13 See more details: https://nonprofitbuilder.org/storage/299/Organizational-Capacity-Index-Assessment-Tool-GFC.pdf.

14 See more details: https://www.usaid.gov/sites/default/files/2022-05/303sam.pdf.

15 See more details: https://www.thegpsc.org/sites/gpsc/files/module_2.pdf.

16 For AF the are called designated authorities, for the GCF they are national designated authorities, and for the GEF they are called GEF operational focal point.

reviewed climate funds do not explicitly request access entities to establish/engage with national stakeholders/coordination groups/committees that include a wide cross section of stakeholders, which could further devolve decision-making and other responsibilities such as execution, when funding is approved, to the wider national and subnational level.

55. The experience of the Lao People’s Democratic Republic in implementing institutional arrangements to set up a strong NDA is an example of how countries can strengthen their NDAs to access climate finance and develop strong project proposals with the support of GCF Readiness Programme. The Lao People’s Democratic Republic established a national committee on the GEF and the GCF as a cross-sectoral committee responsible for reviewing project proposals and approving GCF no-objection letters for funding proposals and nominating national entities for accreditation to the GCF. The Lao People’s Democratic Republic also identified provincial coordinators at the subnational level for communication and coordination with the NDA and has established a technical working group on climate change, which meets on an ad hoc basis and facilitates communication, cooperation and coordination between ministries on climate change and climate finance.

56. Of the climate funds reviewed that have enhanced direct access windows, it is notable that in general when projects are approved, national steering committees need to be established or existing national coordination mechanisms are leveraged (preferred option by most funds) as a part of the governance arrangements for projects, to ensure relevant and diverse stakeholder engagement in the oversight and decision-making at the project level. Stakeholders typically include government ministries/departments, the private sector, academia, civil society, Indigenous Peoples and other vulnerable groups. The work of the national steering committee is complemented by a national executing agency. Under this division of roles and responsibilities between the national steering committees and national executing agencies it is possible to devolve subgranting decision-making (fund management), implementation and/or execution to the national level, which promotes country ownership and capacity-building.

57. It is also notable that the additional levels in the funding model of enhanced direct access require “more substantial financial management capacities across the different levels of project execution” (AF, 2020, p.3) and more technical assistance and management (AF, 2020). Therefore a “strong project design and management skills as well as streamlined decision-making across the levels” (AF, 2020, p.3) is necessary to implement the project in a sustainable way.

58. In summary, the enhanced direct access funding approach requires more financial and human resources than other approaches but it has the benefit of empowering the local ownership.

59. Examples of how the funds reviewed promote country ownership:

(a) For the GCF, country ownership is promoted by articulating a clear approach for countries to access the Fund through identifying, designing and implementing projects and programmes that advance the implementation of their nationally determined contributions, national adaptation plans and national priorities, with entities serving as a vehicle to implement country priorities. The Readiness Strategy 2024–2027 places countries in the drivers’ seat by providing USD 4 million per country over 2024–2027 for strategic planning of climate investments and associated capacity-building requirements;

(b) For the CIF Dedicated Grant Mechanism for Indigenous Peoples and Local Communities, pilot countries must have national governing bodies that are established. The World Bank has an observer role on this body, thereby promoting the transfer of decision-making, ownership and leadership to local and subnational entities. Also notable is that the national steering committee has the power to raise funding through other programmes, thereby enabling them to promote complementarity and coherence;

(c) The GEF projects/programmes, including the Small Grants Programme , have national steering committees and technical advisory groups (when needed), that are established by the country programme (entity or host institution). The role of the national steering committee is to serve as the main decision-making body in a country and NGOs form the majority of its membership. The technical advisory group is voluntary and is made up of national experts that provide technical input and guidance on proposals in specialized areas of work. Each participating country programme develops its own country programme strategy, through a multi-stakeholder participatory process, which all small grants should be in support of, thereby promoting a coordinated country owned process;

(d) Uniquely, the AF EDA empowers the accredited partner/national implementing entity to shape the national institutional and governance arrangements to meet the needs of the project. However, requests for funding should articulate how implementation arrangements will contribute to capacity-building, multi-stakeholder engagement and use of practical locally led solutions and how funnelling of funding to vulnerable communities will be achieved. The value of the AF EDA approach is that it allows countries to develop a governance arrangement that meets the project and country context while guided by key principles that uphold the interests and benefits of subnational stakeholders;

(e) The Global Fund to Fight AIDS, Tuberculosis and Malaria requires a country coordination mechanism to be established and that national executing agencies (called principal recipient) be utilized. The country coordination mechanism should be chaired by a senior government official and should include broad representation from governments, NGOs, civil society, multilateral and bilateral agencies and the private sector. The mechanism should be at the highest national level responsible for national multi-partner and multisectoral development planning. The role of the United Nations agencies, multilateral and bilateral agencies and other development agencies in the mechanism should be country partnership-driven and reflect the roles of these partners in in-country AIDS, TB and malaria programmes;

(f) The Migration Multi-Partner Trust Fund of the United Nations Network on Migration has the flexibility to act as a "feeder fund" to a country trust fund which deals with migration related priorities. Investing directly into existing country funds strongly promotes country ownership;

(g) The Lives in Dignity Grant Facility requires a local project advisory committee structure composed, at a minimum, of representatives of the relevant authorities, of displacement-affected persons, EU delegations, United Nations and civil society with expertise in forced displacement and refugees, and internally displaced persons-led community-based organizations, if active in the context of project implementation. The local project advisory committee plays a key role in advising and coordinating efforts with the Lives in Dignity Grant Facility.

D. Triggers

60. As requested by the Board17 this paper also outlines the approaches used by comparator funds for triggers from the perspective of rapid disbursement modalities and programmatic support.

1. Rapid disbursement

61. Paragraph 8 of the Governing Instrument of the Fund for responding to loss and damage (as contained in annex I to decisions 1/CP.28 and 5/CMA.5) states that "The Fund will provide support for responding to economic and non-economic loss and damage associated with the adverse effects of climate change. This support may include funding that is complementary to humanitarian actions taken immediately after an extreme weather event …"

62. During a climate hazard induced crisis, a key factor in initiating early recovery activities to safeguard livelihoods is the speed at which funding is disbursed and gets to where it needs to be. Rapid disbursement can be measured in terms of the time frame between the crisis and disbursement and/or the time frame between approval and disbursement.

63. None of the climate and non-climate comparator funds examined have rapid disbursements and triggers. Instead, the following specialized funds set up to offer rapid

[17] Decisions B.1/11, para 7(a)(v).

disbursements and utilize triggers were reviewed: the World Bank Catastrophe Deferred Drawdown Option (Cat DDO), the ADB CDF, the ADB CSF, the ADB COVID-19 Pandemic Response Option, the ADB Asia Pacific Disaster Response Fund, the CCRIF SPC and the Pacific Catastrophe Risk Assessment and Financing Initiative insurance programme.

64. The World Bank's Cat DDO is designed to provide immediate liquidity to countries of up to USD 500 million or 0.25 per cent of gross domestic product in the form of budget support to manage natural or health-related disasters. The drawdown trigger is the member country's declaration of a state of emergency and then a formal request for disbursement from the World Bank. Thereafter, disbursement occurs in a matter of days, if not hours. Funds may be disbursed fully or partially. It has a revolving fund feature, meaning that amounts unpaid prior to the closing date are available for subsequent drawdown. Cat DDO can rapidly disburse funds because policy dialogue (usually centred around disaster preparedness) takes place prior to approval, and implementation of conditions should take place well before disbursement. The prerequisites for a borrowing client include an adequate macroeconomic policy framework and a satisfactory disaster risk management programme in place (or under preparation), which the World Bank will monitor periodically.

65. The ADB CDF was introduced in 2019 to provide rapid and flexible financing to its member countries impacted by disasters triggered by natural hazards. The ADB CDF policy allows ADB to provide assistance at the inception phase of an emergency response in the form of contingent budget support, to complement other emergency assistance financing instruments and sources. Loan processing, and essential developing member country policy dialogue and reforms, are completed before the occurrence of a disaster triggered by a natural hazard. The ADB CDF is accompanied by policy actions that enhance long-term disaster resilience, which helps with tackling the underlying sources of vulnerabilities and mitigate disaster risk. Such an arrangement enables ADB to engage in up-front and in-depth policy dialogue on disaster resilience and preparedness in collaboration with partner governments, and to quickly provide necessary budgetary resources for a post-disaster response. Disbursements, either full or partial, are triggered after an actual disaster is confirmed by the developing member country's declaration of a state of emergency, or its equivalent, depending on the developing member country legislation or practice. All member countries are eligible for the ADB CDF upon meeting the requirements of policy-based lending, including satisfactory completion of a set of substantive legal, institutional and policy reforms to disaster risk management captured in a policy matrix, based on prior actions. Disbursements are made when pre-agreed disbursement conditions are met (ADB, 2022).

66. ADB has other rapid disbursement mechanisms that take a different approach: instead of conditionalities, they simply require access criteria relating to the crisis and provide financing after crises strike. An example of this is the ADB CSF, which was created in response to the global financial crisis of 2008–9, and only requires fulfilment of general conditions relating to countercyclical investment. Similarly, in response to COVID-19, ADB created the COVID-19 Pandemic Response Option under the general ADB CSF, for which the access criteria required countries to demonstrate that they are "proactively mitigating the current and potential future economic impact of COVID-19" (ADB, 2022).

67. The ADB Asia Pacific Disaster Response Fund is another special fund that provides fast-tracked grants to developing member countries for life-saving purposes in the immediate aftermath of major disasters once triggers are met.18 However, unlike the ADB CDF, grant agreements are put in place after the trigger criteria are met, and there are 18 steps in the business process before funding is disbursed (ADB, 2022b, pp.11–15). This means that the rate of disbursement of resources is slower than the ADB CDF, the ADB CSF, the ADB

[18] Conditions for assistance. Assistance may only be granted once the following emergency conditions have been met: (i) a disaster triggered by a natural hazard has occurred in a developing member country of the ADB; (ii) an emergency has been officially declared that is of a scale beyond the capacity of the country and its own agencies to meet the immediate expenses necessary to restore life-saving services to the affected populations; and (iii) the United Nations humanitarian/resident coordinator has confirmed the scale and implications of the disaster and has indicated a general amount of funding that would be required to assist in alleviating the situation (ADB, 2022(b)p.2).

COVID-19 Pandemic Response Option and the World Bank Cat DDO. For this reason it is not further examined in this paper.

68. Key lessons emerging from a recent study of MDBs' crisis response instruments19 indicate that disbursement speed is much faster where instruments have elements designed in advance and policy actions that are already completed prior to approval, where the level of capacity and experience of countries and local entities in dealing with the process for access and management of funds is known, and where the country's capacity for negotiating conditions and developing proposals often determines their ability to access resources (Aboneaaj et al., 2022). Pre-arranged finance also builds the confidence of local actors to plan and implement anticipatory actions given that the necessary financial resources are already in place.

69. In terms of catastrophe risk pools such as the CCRIF SPC, which offers parametric insurance that rapidly disburses funds without having to wait for an on-site loss assessment (unlike traditional indemnity-based insurance), policies are triggered if the modelled loss is above a minimum value specified in the contract (CCRIF SPC, 2015). Payouts above the trigger level increase with the level of modelled loss, up to a pre-defined coverage limit. CCRIF makes payouts within 14 days after a hazard event triggers a country's policy. It is notable that CCRIF SPC is most efficient when used to cover those events which overwhelm the capacity of the State to respond effectively to high-intensity, low-frequency events and to ensure that there is some measure of liquidity available to governments quickly as resources are mobilized to assist with the longer-term recovery and redevelopment processes.

70. The Pacific Catastrophe Risk Assessment and Financing Initiative uses similar triggers to those used by the CCRIF SPC. A trigger is calculated to represent the magnitude of loss that would be expected to occur once every 10 years on average (a "1-in-10-year event"), meaning that every year a country has a 10 per cent chance of a payout being due per policy held. For any modelled loss above the trigger, the amount of the payout increases as the modelled loss increases up to a pre-defined coverage limit per policy. This means higher payouts are due for more severe events.

71. Given that none of the other climate comparator funds reviewed have rapid disbursements that are trigger based, this means that the Fund for responding to loss and damage would be transformational, if appropriate modalities are put in place to facilitate rapid disbursement.

2. Programmatic support

72. Paragraph 2 of the Governing Instrument of the Fund (as contained in annex I to decisions 1/CP.28 and 5/CMA.5) states that "the purpose of the Fund is to assist developing countries that are particularly vulnerable to the adverse effects of climate change in responding to economic and noneconomic loss and damage associated with the adverse effects of climate change, including extreme weather events and slow onset events." Paragraph 3 of the Governing Instrument of the Fund (1/CP.28 and 5/CMA.5) also goes on to state that "…the Fund will also endeavour to assist those countries in mobilizing external finance to strengthen their efforts to respond to loss and damage while supporting both the achievement of international goals on sustainable development and the eradication of poverty."

73. Given this mandate it may be beneficial to have a programme-based approach.

74. Drawing on the perspective of comparator funds like the GCF, CIF and GEF, a programme-based approach implies that there is support long-term country-led programs, funding supports national priorities, there is open, transparent, diverse and active engagement of national stakeholders, and there is opportunities for other donors and partners to invest and support the long term plan that maximises cost effectiveness and efficiencies, there can be a set of interlinked projects (possibly engaging multiple sectors and/or having a thematic focus).

[19] The study by Aboneaaj et. al., (2022) reviews crisis response instruments from the two largest MDBs, ADB and the World Bank, using speed as the primary aspect of interest.

75. The foregoing will be particularly important for responses to SOEs, because SOEs have no clear start and end date, which is made more complicated through the complex and compounding interactions within and among SOEs and even with extreme events, resulting in direct and indirect or cascading impacts (United Nations Office for Disaster Risk Reduction, 2023). Similarly, addressing noneconomic losses from both sudden and slow onset events is a medium to long-term recovery activity given the sensitive and complex issues surrounding displacement, loss of cultural heritage and Indigenous knowledge, etc.

76. Triggers/thresholds/criteria used for funds that provide programmatic support, particularly as it relates to SOEs and addressing noneconomic losses, is an emerging area of work. Referencing the work of the WIM, no explicit triggers or thresholds for SOEs were identified, but rather, the WIM calls for more technical work in this area. In terms of noneconomic losses, tools and methods of evaluation of losses have been compiled by the WIM20 that can more readily inform the development of triggers and/or thresholds of the Fund.

77. The WIM has indicated that ongoing monitoring and adaptive management will elucidate how slow onset processes respond to climate change over a range of spatial and temporal scales and there will be the need for thresholds and triggers to identify the "point of no return". Further, the WIM noted that when addressing SOEs, context-specific approaches need to be considered; for instance, risks are site-specific and may require different actions depending on how the underlying risk factors vary within a given area (United Nations Framework Convention on Climate Change, 2012) on multiple sectors. This logic is also applicable to the ex post situation when recovery and reconstruction are under way and need to address context-specific underlying vulnerabilities – another rationale for the need for programmatic and flexible funding support.

78. There are no existing funds that use triggers or thresholds for SOEs and noneconomic losses. However, the World Bank's Community-Driven Development programme21 has been commended for its flexible yet large-scale approach (Soanes et al., 2017, in Stockholm Environment Institute, 2022, p.15). The programme gives local communities and decision makers direct control of their financial resources, which are mostly provided as block grants to villages and municipalities. Community-driven development interventions are not predetermined and offer flexible approaches to project identification and development (Stockholm Environment Institute, 2022). Further, the World Bank's experience and lessons learned in managing a multiphase programmatic approach, 22 including the experiences with pre-defined triggers and its effects on flexibility and adaptability, can be leveraged by the Fund.

III. Considerations

79. On the basis of the literature review and research presented above, several key considerations and reflections are identified in this section, which could inform the Board as it discusses the direction and shape of the access modalities for the Fund for responding to loss and damage.

[20] See https://unfccc.int/resource/docs/2013/tp/02.pdf .

[21] As at June 2022, the World Bank supported 373 active community and local development projects in 96 countries (including 96 countries supported by the International Development Association) for a total lending of USD 42.4 = billion (69 per cent of which is International Development Association or International Development Association /blend). See https://www.worldbank.org/en/topic/communitydrivendevelopment#2.

[22] The multiphase programmatic approach allows countries to structure a long, large, or complex engagement as a set of smaller linked operations (or phases), under one programme. This approach also encourages more learning and adaptation, because subsequent phases will be informed by lessons learned in previous ones. This will help to ensure that operations are more responsive to changing country circumstances.

A. Country ownership

80. Clear requirements and objectives for country ownership will be critical to set in order to ensure that a multitude of stakeholders from national to local level are "owning" and leading the efforts to respond to loss and damage in their countries. First, operationally, the definition of "country" needs to go beyond national capitals and include a multitude of stakeholders, while especially paying attention to those most affected by climate change. For instance, existing or newly established governance mechanisms that have a wide stakeholder representation should be utilized from proposal development and providing oversight during implementation. This role will be particularly important if programmatic access is utilized by the Fund. Second, the architecture around capability and opportunity for country ownership needs to be built and supported. "Capability" could refer to sustained training, capacity building and financial support to national, subnational entities; and "opportunity" could be provided through dedicated programs and guidelines to facilitate access. These are in-keeping with the recommendations of the recent evaluation of GCF's country ownership approach.

B. Intermediaries and devolving decision-making to the national level

81. A clear articulation of the expected functions of the access entities will be important indicators for how the access modalities and criteria for access would be designed. For instance, if the expected function of the access entities (be it national, regional or international) is that, as intermediaries, they conduct oversight of the funds to ensure alignment with the minimum fiduciary and ESS standards of the Fund, then a mechanism for assessing the ability and capacity of these entities will be required prior to allowing them to access funds. This would imply that not all entities may be able to directly or easily access funds – especially the smaller entities at the subnational and local levels that face limitations in capacity and track record. However, an approach of facilitating direct access for subnational and local entities through "intermediaries", with complementary national governance systems such as national steering committees and national executing agencies, provides a model that devolves decision-making and implementation of the funds to this stakeholder group and strengthens their ownership and capacities – all of which are in-keeping with the underlying principles and intent of direct access – while reducing the time and transaction costs associated with accreditation and the management of entities by the Fund.

C. Simplification and functional equivalency

82. If, on the other hand, the key priority is enabling many entities from local to international level to directly access the Fund (without intermediaries), then the requirements and expectations to meet internationally recognized standards would need to be significantly simplified to allow for the broader set of entities to become access entities to the Fund. Simplification will, however, have implications, because the Fund may face difficulties in maintaining high fiduciary and ESS standards and due diligence, which will in turn increase the risks associated with the implementation of programmes. Furthermore, given that each access entity operates under different legal and policy frameworks, this will enhance the complexity for the Fund in setting and managing standards and requirements.

83. On the basis of the lessons learned about the standard accreditation models used by the climate funds, it will be crucial to explore alternative modalities for assessing entities for functional equivalency in paving the way for swift operationalization and efficiency of the Fund. The fast-track assessment approach adopted by the AF and the GCF could be an option to swiftly on-board an existing group of access entities that have already been accredited to specific funds and/or multilateral development banks, as decided by the Board (e.g. World Bank financial intermediary fund such as AF, CIF, GCF and GEF). In addition, for new access entities, a simple, rapid and pragmatic capacity assessment tool/framework/checklist for assessing key institutional capacities against a streamlined functional equivalency framework could be explored. As an option, elements of the functional equivalency

framework could also be differentiated based on the size and/or scope of funding being accessed (e.g. for smaller grants and/or readiness/capacity-building grants).

D. Direct budget support

84. While direct budget support emerged as the instrument yielding fastest disbursement rates (Aboneaaj et al, 2022), this may limit access to local entities; therefore a differentiated approach (e.g. a separate window for funds) for access by local entities using a simplified process for certification, commensurate with the amount of grant available, maybe explored by the Board.

85. Further, the Board may want to strongly encourage governments directly accessing funds through national budgets to use existing disaster response and recovery funds, social protection programs and cash transfer mechanisms that have been put in place to address the immediate needs of the most vulnerable in the response and early recovery processes.

E. Local/small grants programme

86. Dedicated programmes for direct deployment of grants to subnational and local entities, including Indigenous Peoples, community-based organizations and other non-governmental groups, will be crucial in addressing the need for easy and fast access to funds, especially in the context of loss and damage-related resources for communities. Having reviewed the existing approaches presented in chapter I, additional analysis of best practices for the design, governance and implementation arrangements of the programmes could inform the design of a dedicated local and/or small grants programme for the Fund.

F. Triggers

87. Triggers should not be rigid but allow for flexibility. The rapid disbursement modalities to be adopted could consider incentivizing pre-agreements on key parameters and conditions for rapid disbursement, including offering capacity-building and technical support to receive and utilize funds.

88. The Fund could explore partnerships with insurers and risk pools to leverage private sector expertise and capacity in quick disbursement of funding.

89. The Board is encouraged to prioritize triggers related to programmatic funding approaches that can be linked to national-level loss and damage programmes, including using loss and damage assessments that have been developed to inform recovery from recent events. Programmes may also include planning for SOEs using applicable scenarios of projected impacts and anticipated recovery needs resulting from slow onset climate events. The SOE projections can inform the establishment of country- and context-specific triggers for the release of funding.

90. The Board may want to invite WIM to provide guidance in identifying suitable triggers and thresholds for disbursements related to loss and damages from SOEs and noneconomic losses. Again, triggers and thresholds should not be strict or rigid to promote flexibility.

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