BACKGROUND PAPER

BROKEN CONNECTIONS AND SYSTEMIC BARRIERS:

OVERCOMING THE CHALLENGE OF THE "MISSING MIDDLE" IN ADAPTATION FINANCE

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About this paper

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LIST OF ABBREVIATIONS

AAI	Africa Adaptation Initiative
AF	Adaptation Fund
AIP	Adaptation Investment Plans
ASAP	Adaptation for Smallholder Agriculture Programme
CCM	Country Coordinating Mechanism
CFU	Climate Funds Update
CIFs	Climate Investment Funds
CSE	Centre de Suivi Ecologique
CSOs	Civil Society Organisations
DAEs	Direct Access Entities
DCF	Decentralizing Climate Funds
EDA	Enhanced Direct Access
EIF	Environmental Investment Fund
GGCA	Global Climate Change Alliance
GCF	Green Climate Fund
GEF	Global Environment Facility
LDCF	Least Developed Countries Fund
MDAs	Ministries, Departments and Agencies
MDBs	Multilateral Development Banks
MIE	Multilateral Implementing Entity
NAPs	National adaptation plans
NDAs	National Designated Authorities
NEMA	National Environmental Management Authority
NIE	National Implementing Entity
PPCR	Pilot Program for Climate Resilience
RfPs	Requests for Proposals
RIE	Regional Implementing Entity
RPSP	Readiness and Preparatory Support Programme
SANBI	South African National Biodiversity Institute
SCCF	Special Climate Change Fund
SIDS	Small Island Developing States
UNFCCC	United Nations Framework Convention on Climate Change

1. INTRODUCTION

Climate change is undoubtedly one of Africa's greatest challenges. According to the Intergovernmental Panel on Climate Change (IPCC) special report on the impacts of global warming of 1.5 degrees, climate change will continue to threaten food security, water security, ecosystems, health, infrastructure, national economies, and the livelihoods and wellbeing of people and communities. It will also place increasing demands and stresses on the governance structures and institutions needed to address those impacts – particularly in Africa. Considering Africa's capacity, these impacts pose critical challenges for the sustainable development of the entire continent. A wide range of adaptation actions on all levels, ranging from continental to local, are needed to combat the urgent adverse effects of climate change now, to further support climate-resilient, inclusive and equitable socio-economic development and to increase resilience to future impacts.

African countries face significant challenges to effective climate adaptation. With adaptation needs locally nuanced, effective adaptation will require countries to have a sound understanding of the domestic impacts of climate change, particularly at the subnational and local levels. This is currently lacking in most African countries.

A major obstacle to climate change adaptation for African countries is inadequate climate finance. Public climate finance flows for adaptation are slow to rise, increasingly delivered as loans and significantly below the level needed. According to several recent tracking reports, they constitute just 20 – 25 percent of the overall public funding flowing from developed to developing countries, and too little of it reaches the poorest and most vulnerable countries.[1,2] In Africa, the gap between adaptation finance needs and flows into the continent is already significant and it is likely to widen.[3] The cost of adapting to the impacts of climate change is growing, with estimates reaching USD 100 billion per year by 2030 for Africa.[4] These costs will increase rapidly with higher levels of warming. Households and communities in Africa already carry the heaviest burden in having to deal with severe impacts such as extreme weather events and disasters, in terms of both human and financial costs, with Africa's women often disproportionally affected. While African countries are already investing in adaptation with their domestic resources, the scale at which the impacts are being felt far outweighs the capacity of African countries, its people and communities, to respond at a scale that is sufficient.[5]

It is critical that the funds that are being mobilized at the international level provide targeted support to vulnerable developing countries to respond to climate change impacts in a way that is most effective and most equitable.

The United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement present an opportunity for multilateral processes to support such adaptation action by ensuring that their funding supports the long-term resilience of people and communities, and their agency as important adaptation actors. Through the financing mechanism and related UNFCCC funds, significant amounts of multilateral adaptation finance are to be channeled to help developing countries respond to the adaptation challenge with special consideration for those that are most vulnerable, many of which are in Africa.

Two dedicated adaptation funds were set up under the UNFCCC and the Paris Agreement to support adaptation action for developing countries, namely the Adaptation Fund (AF) launched in 2007 and the Least Developed Country Fund (LDCF) in 2001. Initially set up as an adaptation focused fund, the Special Climate Change Fund (SCCF) now also supports technology transfer. The AF, though small in size, is noteworthy for its innovation in having pioneered direct access to climate funds, which allows developing countries to accredit their own institutions to access funding, without having to go through international intermediaries such as multilateral development banks or UN agencies. While not exclusively funding adaptation actions, the Green Climate Fund (GCF) was established in 2010 with the explicit understanding that it would, as the largest multilateral climate fund, channel a significant portion of multilateral adaptation financing to developing countries. It likewise offers direct access and has significantly expanded the network of developing country institutions that are implementing partners for multilateral climate finance. It is also committed to a balanced allocation between adaptation and mitigation. Both the AF and GCF have made significant investments in capacity building and readiness support for developing countries wishing to access their resources.

Even with these innovations, developing countries are struggling to access climate finance and to deliver sustainable and transformative responses to climate change impacts at scale. According to a recent report, African countries are only meeting approximately 20 percent of their adaptation needs through domestic and international finance, and it is estimated that only approximately 5 percent of all funding flows from international climate funds have been disbursed for locally based climate adaptation interventions.[6,7] The rest of the funds, while meant for climate change interventions, do not reach the levels where they are needed the most- the poor and vulnerable communities.

1.1 WHAT IS THE "MISSING MIDDLE"?

There is an observable gap that inhibits the flow of multilateral climate funds towards their intended impacts. We call this the "missing middle".

The missing middle is the systemic gap in the existing climate finance architecture that inhibits the flow of mobilized and facilitated multilateral climate finance, and thus ultimately hinders the flow of the finance towards its intended purpose and beneficiaries.

The missing middle results primarily from failures to adequately activate, engage, empower, capacitate and resource national and subnational actors, whose sustained role in leading and contributing to processes of multilateral climate fund governance, programming, oversight and execution is critical for the delivery of transformative adaptation.

If the missing middle did not exist, developing country governments would be leading processes to establish climate change adaptation policies, strategies and priorities, and activating fully enabled and capacitated national, subnational and local actors to lead the conceptualization and execution of a sustainable program of work that builds adaptation capacity and resilience to climate change at scale. Such a program of work would be formulated through participatory and inclusive processes, informed by science and local and indigenous knowledge, responsive to the needs of marginalized groups including women and indigenous people, and resourced at scale through complementary multilateral, domestic and other funds that are devolved to the lowest appropriate level.

This paper will underscore the importance of subnational actors (including local and community actors and civil society groups) and the direct access modality in the devolution of climate finance and in the activation of subnational processes that elucidate local responses to climate change, and National Designated Authorities (NDAs) and National Ministries, Departments and Agencies (MDAs), whose enabling functions in developing integrated CCA policy, strategies, identifying and capacitating DAES and setting adaptation priorities are critical. We will show how disconnections and systemic barriers in the architecture of the multilateral climate funds result in these actors being marginalized, and make a set of recommendations for how the disconnections and barriers may be addressed to overcome the missing middle.

We will argue and demonstrate that efforts to overcome the challenge of the missing middle must focus on:

• Recognizing, enabling and harnessing the involvement of subnational actors so that international financing is complementary to and ultimately in support of subnational processes, and subnational actors are empowered and strengthened to be the central actors in delivering maximum benefits at the local level.

• Expanding direct access[8] to multilateral climate funds for developing country entities so that by cutting out a layer of finance intermediation from international implementing entities to the national level, the design and planning, decision-making, execution and monitoring of climate change adaptation responses are shifted closer to national and subnational processes, and thus more likely to be brought in closer alignment with the needs and realities of local people and communities.

• Addressing a range of barriers and making use of many opportunities in the policy and institutional environment that hinder the above.

1.2 REPORT STRUCTURE

The report is structured into seven sections.

Section 1 provides an introduction to the study and defines what we mean by the missing middle.

Section 2 sets out the purpose of the paper, provides an overview of the approach and methodology that was followed to investigate the nature and causes of the missing middle, and presents the structure of the paper.

Section 3 describes the architecture of the multilateral climate funds and the envisaged roles and responsibilities of its actors, with a focus on direct access Entities and subnational actors, who are central to the delivery of climate finance, and critical to overcoming the missing middle.

Sections 4, 5 and 6 examine the reasons for this, by way of an analysis that is organized in three separate but connected sections, according to various stages the project/program funding cycle. In each section, the challenges that are experienced and that cause the missing middle are discussed, along with emerging good practices and specific recommendations for addressing these.

Section 7 re-iterates core cross-cutting principles and presents the final recommendations emanating from the analysis.

2. PURPOSE, APPROACH AND METHODOLOGY

The purpose of this paper is to explore and examine the factors that contribute to this disconnect and associated flow disruptions, and to make recommendations for how the observed challenges can be overcome. Our departure point is that national institutions and subnational actors (including civil society groups and community-based oThis The purpose of this paper is to explore and examine the factors that contribute to this disconnect and associated flow disruptions, and to make recommendations for how the observed challenges can be overcome. Our departure point is that national institutions and subnational actors (including civil society groups and community-based organizations as relevant agents) must be recognized, willing and fully enabled to lead inclusive and participatory climate finance programming and implementation if the desired adaptation outcomes to people and local communities are to be achieved. Direct access and improved activation of subnational actors are critical pathways for enabling this. On careful examination of the architecture of the multilateral climate funds, it becomes apparent that there are broken connections and systemic barriers that hinder the effective flow of funds to where they are needed the most, and from where they can result in the intend impacts on the ground. These broken connections and barriers cause the missing middle[9] and must be repaired for the vision of transformative adaptation to be realized.

This paper is an opinion piece from practitioners within the climate finance system. The findings that are presented are informed by the practical experience of the authors, lessons from implementation and interactions with a multitude of state and non-state actors. The paper contributes a specific Southern practitioners' perspective to what in many instances is a theoretical and academically led discourse.

The authors have focused predominantly on the disconnections within and across the different levels of adaptation finance delivery via the AF and the GCF. In doing so, we are mindful that both funds only represent a small sub-segment of the overall global climate finance architecture.

This paper does not consider other important climate finance channels and actors, which offer developing countries various approaches and different comparative advantages to funding climate actions, but also a multiplicity of differing access and programming requirements. Even just for the main multilateral climate funds, this complicates overall accessibility to climate finance especially for those developing countries with less capacities.[10]

The decision for this narrower focus is deliberate as it enables a deep examination of the AF and GCF as multilateral climate funds under the UNFCCC and the Paris Agreement, with a mandate to prioritize adaptation financing to vulnerable states. Both are heavily invested, including through sustained and iterative capacity building and readiness support activities, in increasing direct access for accredited national and regional developing country entities to their funding and thus provide a core signaling function into the wider climate finance architecture. We believe that a close examination of the AF and GCF pathways provides a mechanism to identify more systemic blockages that appear to be replicated in other climate funds and across the wider climate funding architecture.

We begin this analysis by examining the pathways through which international climate finance is envisaged to flow through international and national institutions and through delivery partners and eventually into vulnerable communities through the realization of tangible benefits that reduce local vulnerabilities to climate change. As mentioned above, the AF and GCF pathways are used as a starting point and provide a schematic framework on which the analysis was done. To a smaller extent, we reflected on some of the lessons that can be learnt from complementary funding mechanisms such as the GEF and bilateral donor funds and implementation arrangements that are not associated with the climate funds, but are useful in exploring innovative approaches that could be instructive for improving climate finance delivery. We then dive deeper into the various components of the project cycle, to explore the causes of the observed disconnections, towards identifying best practice and recommendations for how these may be overcome.

This paper's findings and recommendations are intended to be instructive for accelerating the impact of these funds and for future studies that may seek to broaden the scope of this initial work.

This paper was informed by engagements with selected role players across the climate finance system, an examination of grey and published literature, responses to a survey that was administered to direct access entities of the AF and GCF and an investigative workshop with representatives from Tanzania, Senegal, South Africa, the Africa Adaptation Initiative and an International Civil Society Organization.

3. DISCONNECTIONS AND BARRIERS: THE ARCHITECTURE OF THE MULTILATERAL CLIMATE FUNDS

In order to examine the challenges that hinder the flow of climate finance towards the activation and strengthening of national and sub national agency towards the delivery of sustained and scaled local impact, it is necessary to explore the structures under which the multilateral climate funds operate.

3.1 THE ARCHITECTURE OF THE MULTILATERAL CLIMATE FUNDS

Within the global climate finance architecture, multilateral climate funds as a small but important set of actors envisage funding flowing from the funds, through Accredited Entities, to Executing Entities, who are then responsible for local level delivery and its associated impacts. These actors are enabled by National Designated Authorities (NDAs) and National Ministries, Departments and Agencies (MDAs), who are responsible for establishing policy, regulatory and institutional environments for effective programming and delivery.

Under the AF and GCF, on which we focus here, Accredited Entities can be (sub-)national, national, regional or multilateral. Regional and national entities are nominated by National Designated Authorities (NDAs) to apply for fund accreditation. All Accredited Entities require explicit approval from NDAs when submitting applications for funding in their countries. Accredited entities are expected to develop entity work programs and project pipelines that take into account national climate change priorities that fully engage relevant national and subnational actors and that engage directly with and respond to the needs of the vulnerable sectors and communities. They are also expected to be fully conversant and compliant with the range of environmental and social safeguards, and with fund policies such as those concerning women and indigenous people, that have been put in place to ensure that potential adverse impacts are avoided and/or mitigated and positive outcomes, for example in support of gender equality are achieved.

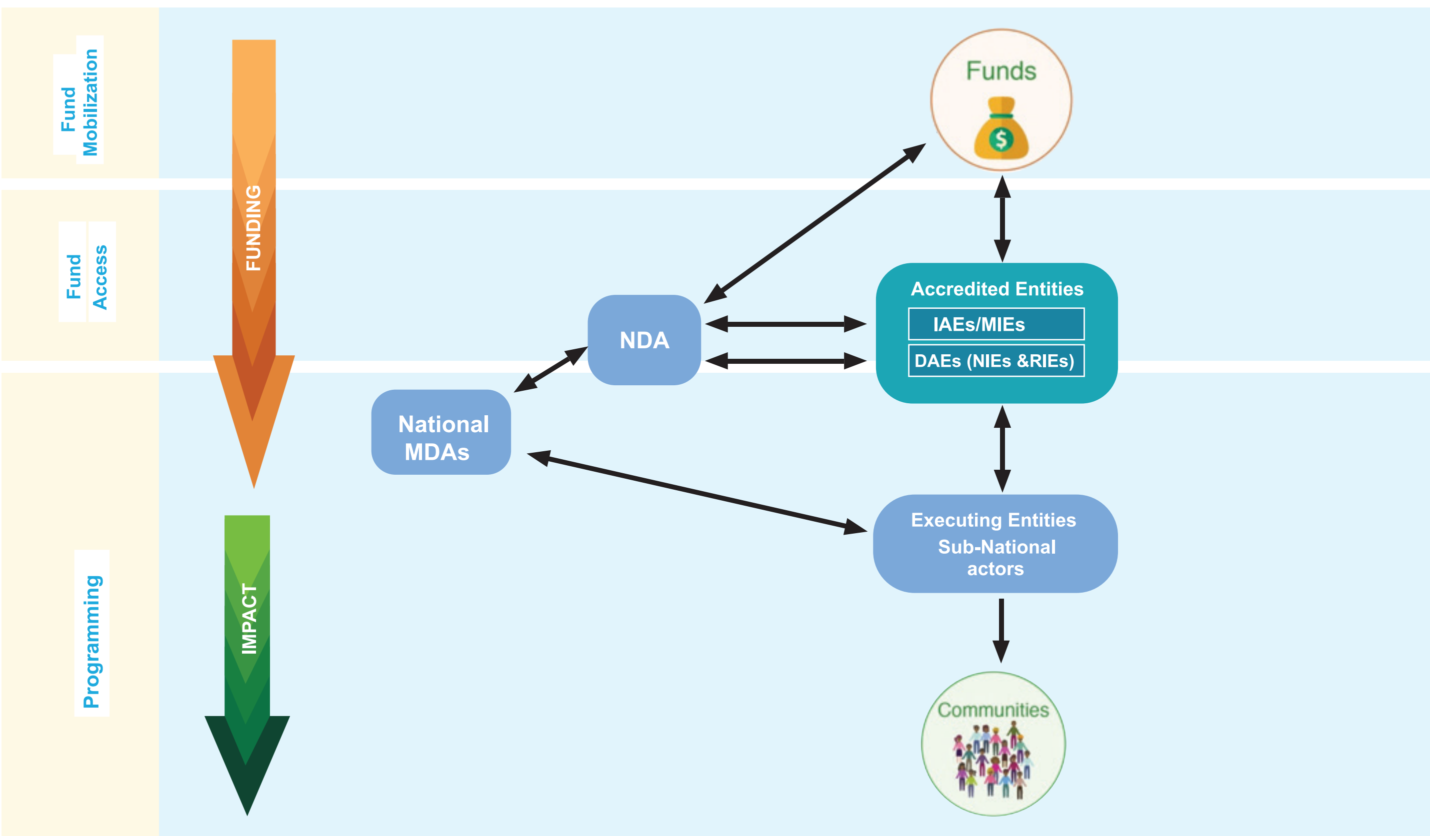
Executing Entities (EEs) are responsible for all project execution functions, ideally from the project conceptualization, through to implementation. They operate under the oversight of the implementing entity, which is legally accountable to the funds for the correct implementation of the funding and the supervision of the EEs' actions. EEs can be international (such as consultants, or international banks), national or subnational and local institutions and experts, and they can likewise often sub-contract specific implementing functions further (for example from the national to the local level). How empowered the EE is (including in its engagement throughout the full project cycle) as a full partner to an AE and which specific functions it fulfills, is largely dependent on the respective AE and its practice/culture of engaging with EEs.

As the core liaison between the recipient country and AF and GCF climate finance, NDAs are expected to fulfil the function of and serve as country coordinating mechanism (CCM) by being able to provide strategic guidance to country-owned investment programs, such as the country programs developed for the GCF, a role that requires NDAs to engage with and/or be familiar with national climate change (adaptation) planning processes, and have working relationships with Accredited Entities that operate within their counties. NDAs are also expected to coordinate strategic guidance received from national Ministries, Departments and Agencies (MDAs) at the national level, and develop a clear idea of the country's needs and priorities.

MDAs themselves can play various functions in a developing country's engagement with multilateral climate funds. Usually an NDA is selected from within their ranks. NDAs through their country coordination mandate are also expected to engage with a broad range of MDAs to reflect the articulation of cross-sectoral and inclusive country-ownership. Selected MDAs also play key roles in the implementation of international climate funding, either as an accredited direct access entity (for example in the cases of Ethiopia, Kenya and Rwanda) or as a preferred national-level EE in cooperation and a sub-contracting role with a multilateral implementing entity for implementation in country.

Figure 1 below presents a schematic diagram of the architecture of multilateral climate funds. A range of other stakeholders that are not shown in Figure 1, including local governments, non-governmental actors, local communities and affected and often marginalized population groups, operate across the system as actors, enablers, implementation partners and beneficiaries.

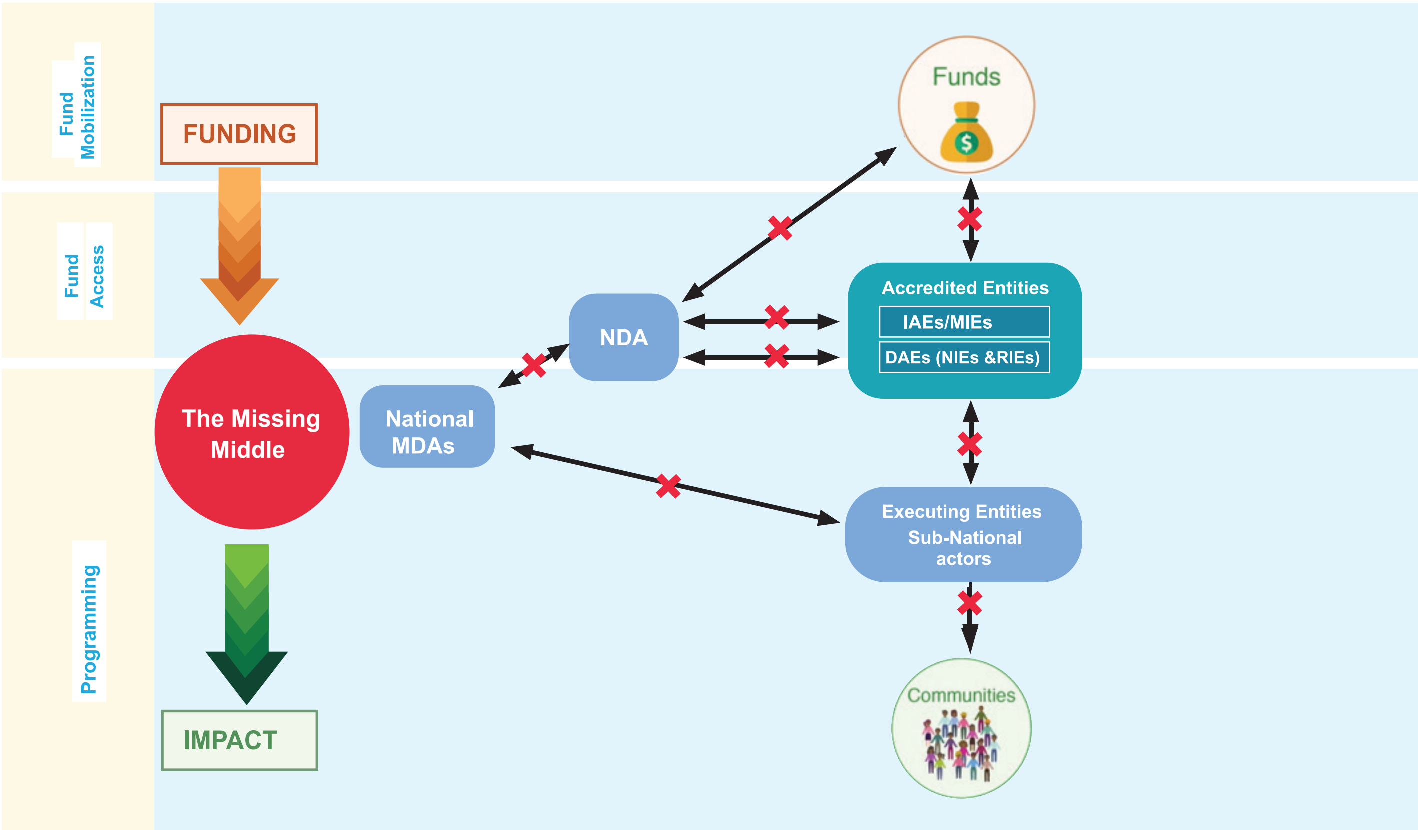
FIGURE 1 Schematic diagram of the architecture of multilateral climate finance, the envisaged flow of funding from multilateral climate funds and its main enablers.



3.2 DISCONNECTIONS AND BARRIERS

In reality, disconnects and deficiencies occur throughout the system. This is illustrated in Figure 2. It is apparent that the missing middle is a result of disconnections between actors and systemic barriers across the system that block pathways and ultimately hinder the delivery and scaling up of climate change adaptation responses for maximum impact at the local level. Direct access entities and subnational actors must be capacitated, enabled and empowered if the missing middleis to be overcome.

FIGURE 2 Figure 2: The "missing middle" explained. It results from the disconnections and systemic barriers that block pathways and ultimately hinder the flow of funds toward their desired impact



3.3 THE CRUCIAL ROLE OF EMPOWERED SUBNATIONAL ACTORS

Climate change adaptation is locally nuanced, and the granularity of its impact is crucial to understand if locally relevant responses are to be conceptualized and implemented. Increasingly, evidence is emerging about the crucial role that subnational actors have in delivering climate finance at the local level.[11,12,13] Subnational actors are expected to drive and deliver adaptation responses, while local communities and envisaged project beneficiaries are expected to be meaningfully and comprehensively engaged in the processes that elucidate how climate change drivers and hazards impact their livelihoods and well-being, build local capacity and agency for the formulation of responses to climate change, and that are gender-responsive and able to integrate local and indigenous knowledge systems with science.

Subnational governments have the mandate and responsibility for service delivery and local development. They also support the flow of national funds to the local level and play a critical role in resourcing local level efforts, including social protection initiatives. Subnational governments therefore represent an ideal level at which climate change adaptation funds may be targeted – they are close enough to the local level to understand local nuances and priorities and to respond to local issues, yet are at a sufficiently high level to still be strategic and deliver impacts. By bringing the administrative, fiscal, political and decision-making functions closer to the people that are most impacted by climate change, evidence seems to suggest increased levels of participation and improved local governance result in greater impact of climate action.[14] In an ideal situation, climate change responses would be integrated in subnational planning processes, and domestic resources would be harnessed to complement international funding.

Notwithstanding the documented role of some subnational governments in climate change budgeting processes, the set-up of the climate funds and the complexity of accessing and programming GCF and AF resources has meant that in many cases, subnational governments are not included in national climate change planning and programming processes. Subnational governments often do not have the mandate for, or inherent competencies to grapple with, climate change. International capacity-building efforts focus on national MDAs and there are often limited resources in country to engage subnational governments. Further, the roles and responsibilities of MDAs, in relation to NDAs and in relation to project development processes, are frequently under-recognized, and national and subnational planning processes that are crucial enablers for climate fund pathways are often neglected or not acknowledged.

3.4 THE DIRECT ACCESS MODALITY

The direct access Modality was first introduced by the Adaptation Fund in 2009. This approach allows accredited national, regional and sub-regional entities from developing countries to directly access financing, without going through an international intermediary institution. Through the direct access modality, the entity takes a leading role in the planning and execution of the adaptation project, as well as providing oversight to the project and the country, and increases accountability. Direct access can contribute to increasing national agency for adaptation planning and implementation, reduce transaction costs and contribute to building in-country capacity for sustained adaptation.[15,16,17] The direct access modality remains one of the most innovative approaches to financing adaptation globally.

Entities that are accredited for direct access, direct access entities (DAEs), play an important role in facilitating climate action on the ground and delivering benefits to local communities. DAEs also facilitate the strengthening of capacities at the local community level, catalyze partnerships at the various levels of governance and facilitate and coordinate actors at the national and subnational level for climate action. Direct access therefore presents a great opportunity for local and community voices to be heard and incorporated into adaptation planning and implementation. Further, experience from countries such as South Africa and Senegal has demonstrated that DAEs have the potential to build capacity and engage directly with local and subnational actors at the various stages of project development, which is important in bringing in some key actors, which are often ignored by national governments.

With its multiple benefits, direct access is a core feature for further enhancing country ownership over climate finance channeled from the international level. It can serve as a transformative catalyst for national institutions, and by extension, for the larger policy frameworks in which they are anchored. By bringing the implementation of adaptation finance one level closer to the local level. Direct access is a powerful tool for overcoming the challenge of the missing middle.

While direct access represents a significant opportunity for enhanced adaptation action and impact at the local level, many developing countries struggle with significant and multiple barriers, such as becoming accredited by the AF or the GCF. To become accredited as direct access entities, developing country entities have to undergo a thorough accreditation process, which often requires significant institutional capacity building efforts, organizational restructuring and policy development to strengthen institutional governance and performance. Even when accredited, many DAEs in Africa are faced with institutional capacity constraints that limit their ability to program and thus initiate climate action.

In the Sections that follow, we examine the disconnections and systemic barriers and discuss some of the emerging good practice responses that have been put in place to overcome them, both from the funds and from the beneficiaries of the funds.

4. DISCONNECTIONS AND BARRIERS:

THE ARCHITECTURE OF THE MULTILATERAL CLIMATE FUNDS

This next Section examines the issues that affect the development of country-owned, fully inclusive and participatory strategies and project pipelines for climate change adaptation from funds such as the GCF and the AF. It highlights that most strategy and programming efforts focus almost exclusively at national-level actors and their capacities. While this is understandable in the light of the significant challenges that remain at the national level, this focus (by national governments and international climate funds) goes to the detriment of recognizing and strengthening the crucial role of subnational actors in contributing to planning and delivering international climate finance with appropriate action at the most appropriate level, which is often local.

Some of this prioritization is structurally induced, and thus requires focused efforts, a change of the prevailing narrative, as well as willingness by the funds and governments alike to change. In effect, international climate funds such as the GCF and AF are meant to provide funding to developing country parties under the UNFCCC. By design, they are set up to conceptualize country-ownership narrowly to mean approval or endorsement (for example for funding proposals) from a government entity (a national designated authority or focal point) for fund-related activities in the recipient country. This leaves it up to the country itself to decide to what extent it wants to bring in subnational actors, including subnational governments, civil society organizations, domestic private sector actors, local communities and marginalized population groups such as women or indigenous peoples into fund-related planning, readiness or decision-making processes. Funds such as the AF and the GCF can thus issue country ownership guidelines (which an NDA or focal point might choose to follow or ignore), but cannot mandate inclusive subnational engagement processes, as they can for example require from Accredited Entities during project design and implementation. Thus, the principle of country-ownership, if a developing country chooses to interpret it narrowly, can serve to undermine the principle of subsidiarity, namely devolving decision-making on climate action to the lowest possible level that makes sense[18] as a way to guarantee the most effective adaptation outcomes and overcome the missing middle. That puts the responsibility to change on both international funds as well as the national governments of the developing countries they are set up to support.

4.1 THE CRUCIAL ROLE OF SUBNATIONAL ACTORS IN DELIVERING CLIMATE FINANCE

Increasingly, evidence is emerging about the crucial role that subnational actors[19] have in delivering climate finance at the local level.[20,21,22] Subnational actors have emerged to be the unexplored set of actors that are increasingly talked about and dissected segment of the architecture and, possibly, the core connectors in delivering maximum benefits at the local level. Subnational governments have the mandate and responsibility for service delivery and local development. They also support the flow of national funds to the local level and play a critical role in resourcing local level efforts, including local economic development, service delivery and social protection initiatives.

Subnational governments represent an ideal level at which climate change adaptation funds may be targeted – they are close enough to the local level to understand local nuances and priorities and to respond to local issues, yet are at a sufficiently high level to still be strategic and deliver impacts at scale. By bringing the administrative, fiscal, political and decision-making functions closer to the people that are most impacted by climate change, evidence seems to suggest increased levels of participation and improved local governance result in greater impact of climate action.[23] In an ideal situation, climate change responses would be integrated into subnational planning processes, and domestic resources would be harnessed to complement international funding.

Notwithstanding the documented role of some subnational governments in climate change budgeting processes, the set-up of international climate funds and the complexity of accessing and programming resources for example under the GCF and AF has meant that in many cases, subnational governments are not included in national climate change planning and programming processes. Subnational governments often do not have the mandate for or inherent competencies to grapple with climate change. International capacity-building efforts such as the Readiness and Preparatory Support Programme (RPSP) of the GCF focus on national Ministries, Departments and Agencies (MDAs) and there are often limited resources in country to engage subnational governments. Further, the roles and responsibilities of MDAs, in relation to the national designated authorities (NDAs), the official government liaison to the AF and the GCF, and in relation to project development processes, are frequently under-recognized, and national and subnational non-climate specific planning processes that are crucial enablers for climate fund pathways are often neglected or not acknowledged by national governments.

There is a growing portfolio of good examples that demonstrate how subnational governments can be engaged to deliver local adaptation benefits, and how climate finance may be devolved through existing domestic mechanisms. These include, amongst others:

- An AF project in South Africa's uMngeni Catchment that was conceptualized and is being led by a district municipality; and,
- A climate finance devolution pilot program in Tanzania, Mali, Senegal and Kenya supported by the UK government (Box 1).

In the Tanzania and Kenya examples, capacity gaps were bridged with short-term external support provided by non-government organizations and CSOs with a view to jumpstarting and facilitating pilot interventions, but with a clear goal of integration into domestic structures. An important outcome of this pilot program in Kenya is the allocation of one to two percent of individual county budgets to climate change activities. In the South African example, a project management unit was created within the district municipality structure, providing for sustained institutional strengthening and capacity transfer over the duration of the project. A similar approach was adopted in the Tanzania project.

Today, five of the 47 Kenyan counties that have participated in Kenya's climate finance devolution pilot program have legislated requirements for budget allocation to climate-related activities, indicating that this is an important best-practice to be replicated more widely in Kenya, and studied as a model to be applied potentially in other countries as well. In the above case studies, there is insufficient capacity at the local level to support project design and implementation. A best practice emerging therefore is the additional investment that went to support institutional capacity; this was embedded in the project design and forms part of the project support to enable local-level, responsive climate adaptation.

There are other examples of developing countries investing in integrated sectoral plans for climate change adaptation, and where they exist, they present excellent contact points for NDAs and subnational project development processes. All these examples are instructive for how the goal of better subnational government leadership may be achieved more widely.

It is important to ensure that the climate finance delivery system is strongly anchored into the countries' socio-political context, development priorities and governance systems. In Kenya, for example, decentralized climate finance has given subnational actors (such as counties) authority to manage and control their planning and budgeting processes. Ethiopia, on the other hand, has a centralized system that enabled the establishment of a national climate fund that is centrally managed. [24]

An important lesson therefore is that the delivery mechanism of climate funds needs to ensure that they do not undermine the existing recipient country's systems of fund management but rather support countries to develop more inclusive, participatory and devolved adaptation finance planning and delivery processes. The principle of 'subsidiarity' applied to adaptation finance delivery and programming recognizes that, while there is a procedural goal, there is not a one-size-fit-all approach. The chosen climate finance delivery system needs to reflect the political and economic system and be aligned with the country's national development priorities and the decentralization process and stages. Without these considerations, the success and long-term sustainability of the climate adaptation interventions might be undermined. Applied structures and procedures – as well as the political commitment by recipient country governments -- to devolve program development and associated decision-making for climate change adaptation to the lowest possible territorial level can result in more effective, inclusive and needs- driven access to resources.[25]

BOX 1 Decentralised adaptation financxe provision in Kenya, Mali, Senegal and Tanzania

Decentralised Climate Funds (DCF) is a project supported by the UK Government, implemented in Kenya, Mali, Senegal and Tanzania. The project supports communities in the countries above to access locally controlled funds for climate adaptation with the aim of building climate resilient livelihoods.

The governance structure for each of the participating countries includes the development of a Climate Adaptation Fund (CAF), managed by local government and accountable to local communities. At local level, an adaptation committee prioritises funding expenditure. The committee comprises community representatives who have voting right, and local government technical experts.

Some of the documented lessons learnt:

• Building resilient and flexible local institutions. By enabling responsive decision making, local institutions can layer and sequence interventions to suit their context and tackle the underlying drivers of climate vulnerability while reducing the cost of humanitarian response during drought;

• Creates space for collective action and shared use of resource – bringing together different stakeholders – pastoralists, farmers, businesses – to map resources and agree rules for use, tackles underlying drivers of conflict, and building reciprocal agreements of support between communities, further increases resilience;

• Supports the devolution agenda. Using existing devolved government structures contributes to achievement of democratic governance, social accountability for development decisions and the delivery of social services; and

• Delivers transformative change by institutionalising planning and budgeting processes within local government for climate finance, local people are put in charge of their adaptation priorities. Vulnerable communities are empowered to access and exercise oversight over the flow of climate finance from national to local levels.

The project provides practical examples of how decentralised government structures can be used to both deliver climate finance efficiently and improve local capacity for effective responses to climate change. The approach contributes to the identification of more appropriate responses to climate change, and where decision-making and resources are managed by inclusive local institutions that have capacity and flexibility to manage climate risks. This community-driven approach offers greater potential to tackle marginalisation and inequality issues that increase vulnerability of women and other excluded groups to climate change.

Excerpt from: https://pubs.iied.org

4.2 NATIONAL ADAPTATION PLANNING PROCESSES AND COUNTRY-OWNED PIPELINES

Strong policy and institutional frameworks play an important role in enhancing efforts to effectively adapt. Significant international effort is directed towards the development of national adaptation plans (NAPs) and associated capacity building activities, including through funding provided by the GCF's RPSP (Box 2). It is assumed that national planning processes, and in particular NAPs, would be sufficiently granular to enable subnational planning for climate change adaptation, and that through these processes, countries would be capacitated to develop response strategies on which fund-ready projects could be based or built.

BOX 2 The GCF Readiness and Preparatory Support Programme (RPSP)

Through the GCF Readiness and Preparatory Support Programme (RPSP), developing countries under the UNFCCC can apply to resource the strengthening and development of institutional capacities of NDAs/focal points and DAEs to enable them to prioritize and oversee development and implementation of country-driven strategies and programs.[26]

By the end of 2018, 135 countries had engaged with the RPSP, with 122 countries accessing USD 134 million in RPSP resources of which USD 44 million have been disbursed.[27] In 2018, the GCF RPSP underwent several reviews, including an internal one by the Secretariat, an external one by consultants and a thorough assessment by the GCF's Independent Evaluation Unit. While the reviews in general highlighted the value of the RPSP, which with approvals at the 22nd Board meeting had reached USD 310 million by March 2019, a number of improvements were recommended, focusing on simplifying and increasing access to and flexibility of readiness financing and increasing, in particular, support for the development of project concept notes for stronger pipelines by DAEs. A revised RPSP strategy for 2019–2021 aims to apply lessons learnt by a) focusing more on the assessment of a country's specific readiness needs for a unique readiness profile for each country; b) providing multi-year allocation grants; c) offering standardized packages of readiness support to speed up approval from a menu of support; d) offering direct support to NDAs; e) providing technical assistance to DAEs in both pre- and post-accreditation stages; and f) providing specialized technical clinics related to project preparation or sector-specific planning, such as technical workshops on climate rationale and adaptation rationale held in 2018. [28]

Funding of up to USD 3 million per country is separately available for any adaptation planning activities.[29] This includes the formulation and development of NAPs. As of December 2018, 47 percent of approved readiness resources were targeting the development of NAPs and other adaptation planning processes for 23 approved requests worth USD 62 million out of 68 submitted, with the expectation that the proportion of this component of RPSP would continue to grow. [30]

While this is an important starting point for mapping impacts and vulnerabilities, adaptation planning, and identifying national adaptation priorities, more effort is needed to understand localized impacts and specific associated responses. While national processes provide policy and strategic direction at the national level, they are not able to incorporate local climate variability and differences in local capacities and capabilities, and by design, are not guided by bottom up response strategies that are informed by local and indigenous knowledge and the will of local people. Subnational processes, if designed well, are able to be more inclusive and participatory, and can be sensitive to the nuances that are critical for local adaptation planning and delivery. Subnational adaptation planning processes, including those that facilitate both vertical (i.e. national, subnational and local level) and horizontal (i.e. cross sectoral) integration, are critical enablers for project development beyond the NDC or NAP processes. As such, they are also crucially needed to address shortcomings of many NDCs in particular, which frequently are little more than an articulation of sectoral priorities, and often not the results of comprehensive and participatory multi-stakeholder engagement processes within countries but written by international consultants.

Only 13 percent of African countries have developed or are in the processes of developing National Adaptation Plans.[31] For the few African countries that have developed their NAPs, translating NAPs into concrete adaptation investment plans is still challenging and presents a significant barrier to enhanced adaptation action. The Africa Adaptation Initiative (AAI), an African Union (AU) led initiative endorsed by African heads of state, is advocating for the development of Adaptation Investment Plans (AIPs) that would translate adaptation plans into a concrete investment plan to scale up adaptation action. Liberia, for example, has developed a GCF project that will translate its planning process into concrete adaptation investment plans. Gambia has articulated in its Intended Nationally Determined Contribution (INDC) the development of a comprehensive AIP.

The approach of developing AIPs is useful for triggering the implementation of adaptation action. Firstly, it allows governments to further interrogate their national adaptation strategies and policies so as to prioritize the immediate-, medium- and longer-term adaptation issues in a participatory manner, involving all national stakeholders – from private sector to civil society actors. For the AIP to be successful, the priorities need to be aligned with national development goals and objectives. Secondly, the AIP must set clear timeframes for each action and lay down the responsibilities of each of the actors in implementing the AIP. Lastly and perhaps most importantly, it provides a full estimated cost of implementing all the actions. Once developed, the AIP is more easily implementable and is a tool that can be used to foster synergies with sector departments and other non-governmental actors.

Similarly, as an approach to convert planning documents into programming pipelines, the GCF has introduced the development of country programs, to be led by the NDA, as a mechanism to support the development of country-owned investment priorities for the GCF. With 18 country programs completed by the end of 2018, and 15 others at draft stages shared with the Secretariat, the aim is to accelerate completion of further country programs in 2019, including by increasing technical support to NDAs. The GCF Secretariat is also increasing its efforts to correlate country programs with DAE work programs. As these are focusing on concrete climate investment projects, country programs, in creating country-owned project pipelines, can provide an important bridge between national level planning (NAPs, NDCs) and concrete localized climate investment needs and opportunities.

4.3 INCLUSIVE AND PARTICIPATORY PROGRAMMING APPROACHES

The climate change induced vulnerabilities of communities are often massive and intersect with a range of other poverty-induced vulnerabilities as well as structural inequalities, such as gender discrimination. Faced with extreme risk, affected people and communities often prioritize short-term immediate responses, such as overcoming the next drought or next crop failure, over longer-term planning. Community based organizations and local people affected by climate change are often left out of relevant technical discussions and planning for effective adaptation response.

It is widely recognized that for climate change responses to be relevant, effective and sustained, they must be conceptualized and supported by those who are envisaged as local partners and beneficiaries, including population groups, such as women, that in many developing countries have often not systematically been included in determining needs and responses to address climate change. For adaptation action in particular, the Intergovernmental Panel on Climate Change (IPCC), a growing number of UNFCCC decisions and the Paris Agreement have highlighted the importance of addressing gender equality and participation of women for effective climate action. [32]

The codes of good participatory processes and meaningful local engagement, including the mandate to make these processes gender-responsive, are enshrined in the AF's and GCF's project development requirements and safeguards, whereby Accredited Entities are required to demonstrate how (among other things) local partners have been engaged in project development processes, how gender considerations have informed project design and how local and indigenous knowledge has been factored in to complement technical and scientific expertise. Comprehensive and inclusive stakeholder engagement processes of multiple subnational and especially local actors during project design can already be supported through project preparation grants that both AF and GCF offer. [33] And such resources should be factored in project budgets during project implementation to support comprehensive stakeholder engagement plans or project-specific gender action plans that for example the GCF already requires as part of the project documentation for project approval.

There are many good practice examples of community engagement where local responses are conceived and implemented by would-be beneficiaries. Examples include the decentralized climate funds project as shown in Box 1 above. In these examples, a substantial investment in processes that support local level capacity building and bottom-up engagement – often in-project – build local agency for sustained participation.

One core lesson is clearly emerging: The prerequisite for connecting the national level ambition with local level needs and agency, as well as for strengthening the agency of subnational level actors for climate finance programming, is that planning instruments for the country (such as NDCs or NAPs) and for the country's engagement with climate funds (such as the GCF country programs or the AIPs), must be developed with the participation of multiple in-country stakeholders, including subnational governmental and non-governmental actors, local communities and affected and often marginalized population groups, such as women. [34,35]

There is, in particular, room to further develop the practice of participatory monitoring in project design and implementation, whereby potential beneficiaries are empowered to identify and develop project indicators and results management frameworks as a way to more strategically target investments toward desired outcomes. Structured well, participatory monitoring also ensures the feedback from subnational stakeholders and thereby potential course-correction during implementation as needed. The GCF's Governing Instrument mandates the use of participatory monitoring to ensure the impact, efficiency and effectiveness of its funding, and it is included in the GCF's Monitoring and Accountability Framework. [37] The GCF has yet to fully operationalize this approach and regularly monitor compliance of this Framework. Adequate resources and time for inclusive and participatory development of projects are needed to overcome the barriers to the meaningful engagement of potential beneficiaries in adaptation programming processes. Thus, it is important that resources already made available for that purpose, such as funding for (sub-) national level stakeholder engagement processes provided to NDAs under the GCF RPSP, are utilized. Such availability of scarce resources must, however, be matched by the willingness of NDAs and focal points to request readiness funding for and actively engage in such processes. Evidence from the recent assessment of the GCF's readiness approach by the fund's Independent Evaluation Unit (IEU) suggests that this is currently not the case, as the demand of NDAs/focal points for funding for multi-stakeholder engagement processes, in particular the involvement of non-governmental and civil society actors, continues to lag behind other priorities.[38] Furthermore, the specialized skills needed to conceptualize, design and execute such processes must be recognized and procured/supported, including within NDAs and DAEs. Better institutional support, capacity building and collaboration with community development practitioners should be strongly encouraged.

4.4 CAPACITY OF DAES IN SUPPORTING PROGRAMMING

For many African countries, localized climate action is important in delivering benefits to local communities, and the DAEs play an important role in facilitating climate action on the ground. However, many DAEs in Africa are faced with institutional capacity constraints that limit their ability to program and thus initiate climate action.

The uncertainty of fund availability compounds the matter, with DAEs feeling extreme pressure to rapidly submit proposals so as to get into an ever longer project pipeline or to secure limited and diminishing resources (as the AF is faced with unpredictable financing, and the GCF, during its replenishment process, is facing a limited commitment authority). This rush to rapidly submit proposals often comes at the expense of good participatory process or adequate technical assessment.

Both the AF and the GCF provide capacity building support, including through dedicated readiness financing, to DAEs (Box 3). In the GCF, these can be used to strengthen NDAs and DAEs, develop country programming, including project pipelines, articulate strategic frameworks and provide targeted support for NAPs and other adaptation planning activities. Readiness resources provide much needed support to DAEs during project pipeline development processes, and before project fees from funded projects are available to support core DAE functions.

Access to the GCF readiness funds, however, has proved challenging for many African countries. Statistics from October 2017 indicate that Africa is the largest region with readiness requests – 40 percent of total requested from the fund are from African countries. Of the total requests, Africa represented the lowest percentage in terms of approvals in relation to the number of requests submitted. This demonstrates a gap in the demand for readiness support vis-à-vis support received.[39] Updated numbers paint a slightly more differentiated picture as Table 1 illustrates; while approvals of African readiness requests for NDA strengthening and country programming and DAE support have increased, approvals for requests from African countries for developing strategic frameworks and adaptation planning activities continue to lag behind those of other regions.[40] As readiness aims to support the institutional and strategic and programming set up for countries to implement climate action, such challenges in getting readiness funding requests approved and implemented may undermine the potential and progress of country ownership that would facilitate the establishment of direct access modalities at the national level.

Even when the readiness funds are accessed, there are significant challenges experienced by DAEs in programming and implementation of activities. Some DAEs have reported that the rigid rules of the GCF RPSP constrain readiness finance recipients' ability to implement activities effectively and in a timely manner. As one African DAE reported, at times during readiness implementation, it might be necessary for DAEs and delivery agents to adjust/modify funding and activities as the need arises, based on sound information and emerging issues. But that flexibility is currently not given not under the GCF rules, which requires re-authorization of funding for any readiness support readjustments that exceed 10 percent of the approved funding amount, making it difficult for DAEs or readiness delivery partners to implement. Requesting a re-authorization of adjusted funding proposals often results in significant delays that are detrimental to the implementation of the activities. To remain true to the spirit of the RPSP, as proposed by some DAEs, once a readiness proposal for a country has been approved, more flexibility could be given to the country's NDA to decide on necessary readjustments during implementation.

In addition to capacity building efforts through dedicated readiness support, several initiatives that aim to address capacity challenges have been put into place, either by the funds themselves, countries and CSOs. These focus on creating opportunities for developing countries and their partner Accredited Entities (AEs) to:

• access information and capture and share lessons

• undertake country to country learning exchanges

• develop internal skills for the formulation of fund-ready projects

• engage in regional conversations about adaptation responses.

These efforts must continue to be appropriately and adequately resourced, with increasing leadership from developing countries. Two examples of such efforts include the Africa Adaptation Initiative (AAI) and the LDC Initiative for Effective Adaptation and Resilience (LIFE-AR). Both are owned and led by the countries themselves, and some interest has been expressed by bilateral developed country development agencies to support them. [41]

BOX 3 Case studies of capacity-building efforts

AF capacity-building efforts: communities of practice and the Readiness program

Under the AF's Readiness Programme (AFRP), a series of different capacity building efforts and resources are available to NIEs of the fund.[42] The AF has made a significant effort to create an active community of practice around NIEs for sharing and exchanging lessons, thus encouraging ongoing capacity building through this network. For the past six years, the AF has held annual readiness seminars for NIEs, bringing together climate finance experts and practitioners for capacity building. In parallel, the fund runs a series of readiness webinars for NIEs to share and learn from experiences of other entities and to encourage an NIE network that collectively engages with topical issues. [43] Recently, it began running workshops through the Readiness Support Package program to enhance capacity for direct access to climate finance. This year, the AF has initiated an effort to hold annual country exchange visits among NIEs under its Readiness program as part of an effort to build further capacity to implement and execute high-quality projects. NIEs implementing similar adaptation projects with the fund can participate in the exchange. These exchanges are expected to provide NIEs with capacity and insights to support the community of practice, enhancing the practice of sharing of advice and building ties between NIEs. [44]

AF Readiness Resources for Direct Access

The AF has several grants and funding windows set aside to build capacity and enhance the practice of direct access in developing countries vulnerable to climate change. The South-South cooperation grants support potential NIE candidates during accreditation with the AF.[45] This, combined with the development and availability of clarifying documents such as the NIE Accreditation Toolkit, has eased the accreditation process for direct access entities as demonstrated by the gradual increase in the rate of NIE approval.[46] The fund also provides grants for building technical capacity within institutions, known as the technical assistance grants. Finally, the fund also has grants available to support the development of projects.

During COP24, the AF instituted three new grant windows: project scale-up grants, learning grants and innovation grants.[47] Project scale-up grants support the scaling-up of projects currently under implementation and up to two grants of USD 100,000 can be approved annually until 2022. Under the learning grants, USD 150,000 per project is available until 2022 for NIEs that are implementing projects that are at or past the mid-term evaluation mark, for the purpose of transferring knowledge and lessons learnt to other NIEs and the rest of the adaptation community.[48, 49] Innovation grants are limited to USD 250,000 per NIE and they target development of on-the ground innovative adaptation practices.[50]

TABLE 1 Number of countries by region, in terms of type of GCF readiness support requested and received (as of end 2018)

Region	Type of Readiness Support (in number of countries)							
	Country Programming and NDA Strengthening		Direct Access Entities Support		Strategic Frameworks		Adaptation Planning	
	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved
Africa	55	39	21	17	20	9	31	8
Asia Pacific	44	33	14	10	22	17	12	5
Latin America & Caribbean	38	32	24	21	17	16	14	8
Eastern Europe	13	11	1	1	1	-	11	2
Total	150	115	60	49	60	42	68	23

Source: Document GCF/B.22/08, Table 2, p.7.

4.5 CO-FINANCING REQUIREMENTS AS A PROGRAMMING CONSTRAINT

While theoretically the GCF is able to support, as the AF does, full cost adaptation funding in the form of grants, in reality, the GCF's encouragement of co-financing has increasingly pushed Accredited Entities to provide a substantial amount of co-financing, including for adaptation measures. The GCF's push on co-financing has focused not just on efforts for leveraging the private sector (which is more difficult to achieve in adaptation than mitigation investments as often a clear return-on-investment is elusive), but also for public sector support for adaptation – where it seems to be the rule, not the exception. This requirement is biased in favor of financial institutions such as development banks, both regional and international, which can blend different pots of money, including their own resources and those accessed from other finance providers. In particular, this disadvantages DAEs, which are typically governments: they are not financial institutions with access to easy capital, are without access to other financial providers, and who work closely with communities whose contribution to the project implementation is more often in-kind. This has constrained many African countries in moving forward with programming and implementation of adaptation action.

As currently defined, co-financing in the GCF is primarily understood as additional financial resources provided by project proponents and their partners (for example, government agencies) as a direct financial contribution to the implementation of a project. This does not take sufficiently into account the non-financial contributions DAEs can bring to a project, such as the ability to mobilize in-kind support of affected communities to construct or maintain project-related structures, mainstream climate considerations into planning and policy processes (and thus leverage sectoral or whole of government budgets) or aggregate through outreach and engagement of micro-scale investments by individual investors such as farmers and households, unless the project proponent is able to calculate and present such contributions as financial value. Non-financial contributions taken together are in fact a more suitable indicator for country ownership or project sustainability than a finance leverage ratio. As a recommendation, the GCF should therefore, when formulating its co-financing policy, codify a much broader understanding of co-financing in the sense of co-contribution, recognizing that in-kind contributions or domestic resources already mobilized for climate efforts through regular budget processes provide different ways of leveraging GCF financing, even without being 'converted' and calculated to the equivalent of a financial value. This re-formulation of the co-financing ratio more accurately recognizes the nationally dedicated climate finance and related resources that countries are already channeling to address their adaptation needs and the actions that they are taking to influence overall development investments in line with the requirement under Article. 2.1c. of the Paris Agreement to make all finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. [51]

4.6 RISK PERCEPTION AND WILLINGNESS TO ENGAGE WITH NEW CLIMATE FINANCE ACTORS

Under its risk management framework, the GCF has articulated its risk appetite by indicating its willingness to support investment risks that other climate funders are unwilling to take. Unfortunately, to date, the GCF has narrowly interpreted this mandate to take investment risk. It has focused on large-scale, private-sector financial intermediation approaches and related fiduciary risk environments, and has mostly applied to its mitigation investments. So far, the GCF has shown little willingness to extend the same risk appetite to the format of investments: for example, as of March 2019, the GCF's USD 200 million EDA pilot program has only approved two proposals. The EDA pilot enables DAEs to reach local communities through via small grants or loans, thus supporting decentralized finance access and empowering communities to take necessary action. Both projects approved under the EDA pilot were adaptation related and were only approved with a long list of conditions. Instead of placing ever more onerous due diligence procedures on DAEs providing local finance access in small tranches under the EDA pilot (and thus potentially undermining the pilot approach itself),[52] the GCF's risk appetite should be adjusted to 'take bigger risks with smaller finance tranches', as those benefit local communities directly, and consider the risk of those locally targeted investments not happening. [53]

Additionally, the GCF's risk appetite should be re-interpreted to allow for the engagement and support of a broader set of subnational public sector actors and climate-action supporting finance mechanisms, such as locally-controlled adaptation funds piloted under the Decentralizing Climate Funds (DCF) project, described in Box 1 on decentralized finance from Kenya, Mali, Senegal and Tanzania.[54] Community-centered direct finance access components could also be integrated in GCF adaptation projects and programs implemented by both DAEs and MIEs.

4.7 CLIMATE INFORMATION IN THE DEVELOPMENT OF THE CLIMATE RATIONALE

For the GCF to consider funding a proposal, a clear articulation of the climate rationale is needed. A climate rationale is the technical/scientific basis that supports the proposed climate intervention, providing the evidence for how the intervention addresses underlying climate-related vulnerabilities.

A major challenge in the development of funding proposals is access to sound and recent climate data that can be downscaled to support the targeted interventions, articulating a robust climate rationale in the design of effective and targeted projects and programs. Capacities to collect, manage, analyze and store climate data differ significantly by region and by country. The governments of Angola[55] and Namibia[56] identified poor general data availability as a barrier to developing proposals and articulating their adaptation challenges in a fundable proposal. The government of Lesotho [57] cites limited data-collection capacity and insufficient local data to prepare and present its projects according to donor requirements. [58] DAEs widely experience institutional limitations and challenges to clearly articulate the climate rationale of envisaged projects; they often do not have access to the required climate data, tools and technical expertise to frame arguments in ways that meet funder requirements.

4.8 THE 'CLIMATE CHANGE ADAPTATION' AND 'DEVELOPMENT' DIVIDE

Compounding the challenge for many African countries is that the climate rationale needed is mostly to distinguish between development and climate change adaptation. This requirement for making the case for climate additionality and beyond 'business-as-usual' development contributes to a perception that climate change adaptation is different to development, that the strategies needed to address climate change are completely unrelated to those needed for development, and that additional, separate resources are needed to govern, program and oversee the executing of climate change responses. It also undermines efforts that seek to repurpose domestic resources towards development that is integrates climate change, and places misdirected pressure on project development where complementarity and mainstreaming of climate change adaptation into development efforts would be more desirable and sustainable. This framing also results in subnational actors, whose core business is not climate change, sometimes concluding that addressing climate change impacts is beyond their delineated scope of work, which can result in failure to mobilize existing domestic resources towards adaptation action. Instead of valuing and encouraging an integrated approach, talking about the additional costs of a climate response seems more dictated by the politics of climate finance than actual utility. [59]

Likewise, ongoing efforts by the GCF to apply an incremental cost approach to financing adaptation measures, despite the Governing Instrument's assurance that developing countries are eligible for full cost financing,[60] complicate access to adaptation funds for many Accredited Entities focused on local adaptation impacts. Not only are incremental cost methodologies complex and many DAEs face technical challenges in making those calculations, they are also counterproductive to the desired investment impacts as it is difficult to separate adaptation and development on the ground because they are inextricably linked and delivered concurrently. In particular, adaptation investments often need to address immediate adaptation deficits in the face of current levels of climate variability or incidents of extreme weather before investments in adaptation strategies that address longer-term risks.[61] These facts were also highlighted in a technical expert workshop the GCF convened in March 2018 and in a consultancy paper it commissioned to help guide the process of redefining its own understanding of suitable adaptation approaches.[62] It is recommended that approaches to climate change programming are revisited to incentivize and encourage the mainstreaming of climate change adaptation responses as part of ongoing development efforts. This needs to include reducing the burden to articulate climate change responses as separate from and additional to development efforts, reducing the burden of direct co-financing, and (where appropriate) recognizing development finance and efforts as co-finance to adaptation efforts.

It is crucial that the GCF works to refine and re-articulate its adaptation approach[63] in a way that does not succumb to codifying via a narrow reading of climate rationale and incremental cost requirements, a false dichotomy between development and adaptation approaches at the local level. Doing so, would inhibit and potentially prevent those activities particularly that address immediate adaptation needs of the most vulnerable people and communities, such as strengthening social support services while other lasting resilience building efforts focus on diversification or innovation. This has to go hand-in-hand with a review and revision of the GCF's result management and performance measurement system, including for adaptation. According to an internal independent evaluation,[64] the GCF Secretariat needs to provide better guidance to Accredited Entities for data collection, supplying measurement protocols and methodologies for indicators and how to use them, including by elaborating smarter indicators (at the portfolio and the project level) that go beyond simply counting beneficiaries or quantifying built infrastructure and instead capture societal and policy improvements in support of lasting resilience building of communities.

4.9 CHALLENGES WITH LANGUAGE AND JARGON

Another challenge in proposal development for African countries is language complexity and jargon. English is the language used for providing information, communicating and submitting proposals in the GCF and AF. This presents a challenge for many non-English speaking developing countries – not only to access and understand documents from the funds, but also having to spend significant time and resources translating documents back and forth to get them into a state where they can be submitted to the fund.

Even for those proficient in English, deciphering the jargon is complicated and specialized consultants are hired to navigate the requirements. These are challenging for institutions who have not developed (and cannot afford to develop) these specializations in-house, and who struggle to access the needed support.

Many DAEs need targeted support for proposal development and sufficient time to build related institutional capabilities. The GCF has responded to this challenge by increasing the assistance Secretariat staff provide to DAEs to help them turn, for example, concept notes into funding proposals, and providing a new pilot six-month on-boarding plan for new DAEs.[65] While more still needs to be done, the GCF would need to support the building of core technical capacity within DAEs that are able to understand such jargon and be technically competent to produce proposals that meet the GCF's standards and expectations. Once the DAEs have sufficient core capacity, the GCF could sustain this by providing regular training workshops for proposal writing and staff development within the DAEs.

4.10 THE ROLE OF MIEs IN CAPACITY STRENGTHENING OF NATIONAL ACTORS

Notwithstanding the desirability of direct access, and the long-term vision to make it the predominant climate finance access modality, it is recognized that, especially in the short- to medium-term, it is unrealistic and impractical for all developing countries to have DAEs; even when DAEs are in place, it is challenging for them to have the capacity to be able to deliver on all climate change investment areas. Many developing countries, even those with applicant DAEs in the AF's and GCF's accreditation pipeline, are turning to MIEs that have relevant experience in developing and implementing adaptation programs to address their immediate and urgent adaptation needs. Ideally, this continued reliance on MIEs would be temporary, as developing countries should simultaneously encourage national institutional strengthening and governance upgrades to take better advantage of the opportunities direct access provides.

Nevertheless, as these processes take time, the deep experience MIEs have in climate funds programming and access to specialist expertise, which remains elusive for many DAEs for the time being, is prolonging their dominance in international climate finance access and delivery. MIEs have significantly more experience in project development than DAEs – having built core institutional capabilities for project development and implementation over many decades and benefiting from climate finance set-ups that prioritize their access, like from the GEF for most of its history or the Climate Investment Funds (CIFs). For many African countries, international access via MIEs is still the main mechanism to access funds from international sources, [66] although the accreditation of a number of African regional DAEs (e.g., BOAD, DBSA) provides some additional choices.

In both the GCF and the AF, national direct access projects and programs so far have received only a minority share of approved funding, although their share is higher in the AF than in the GCF (see Figure 3). In the AF, as of February 2019, some 30 percent of approved funding was channeled through national DAEs and about 12 percent of approved funding was programmed through African national DAEs. [67] In the GCF, only 7.4 percent of funding approved by March 2019 was channeled through national DAEs, with just 3.3 percent programmed through African national DAEs. [68]

However, challenges exist with many MIEs. MIEs are not coordinated by NDAs. They are able to approach MDAs directly and thus sideline NDAs as a country's climate financing coordination mechanism, and sometimes only involve NDAs when 'no objection letters' (a requirement by international climate funds under the UNFCCC) are needed after proposals have been prepared. This failure to engage NDAs early, or even have the NDA initiate project development in approaching MIEs with own funding ideas, undermines the role of NDAs and can contribute to missed opportunities for integrated national planning and programming for climate change adaptation.

In contrast to DAEs, which have a vested interest in bringing projects to their own countries, MIEs can pick and choose the countries they want to engage with, depending on own institutional priorities, national regulatory frameworks they deem particularly welcoming of their efforts or to find a 'match' for project or business ideas they are interested in developing further or already have in the drawer. This not only often disregards countries' needs and priorities but can also leave countries in urgent need of adaptation funding support (the 'orphans' of climate finance), while other countries (the 'darlings' of climate finance) might receive disproportionate attention and a concentration of projects. This tendency for MIEs to prioritize engagement in particular developing countries might result in the avoidance of countries with serious governance constraints, such as some LDCs, conflict-affected and post-conflict countries. And unfortunately, these countries are also likely not to have DAEs, making it difficult to impossible for them to access multilateral climate finance.

FIGURE 3 Approved funding by the GCF and the AF and its disbursement via different access modalities.

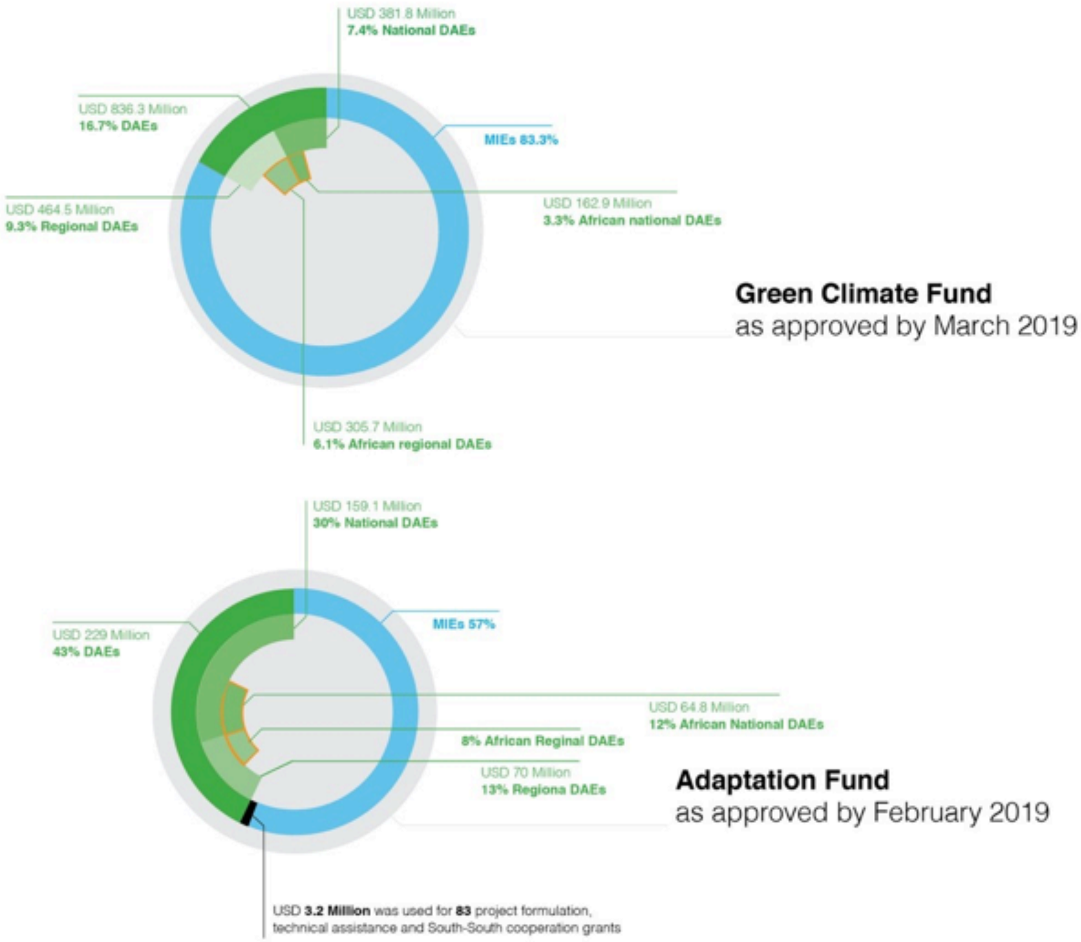


Figure 3: Approved funding by the GCF and the AF and its disbursement via different access modalities.

MIEs are also often only interested in working in target countries where they feel they get the necessary institutional return on their engagement in the form of project implementation fees or other services for which they receive compensation. This model of project-based support, with engagement ending as soon as project implementation is completed, usually does not prioritize and thus negatively impacts the long-term building and strengthening of institutional capacity, especially at the subnational level, and in turn, project and impact sustainability.

Heavy reliance by African countries on MIEs may slow progress in institutional strengthening, country ownership and obtaining direct access. A new financial and engagement model may be needed to unlock the support of MIEs for DAEs. Such a new model has to be also mindful, and build in accountability safeguards, to address the inherent conflict of interest MIEs have in their engagement with DAEs, as providing technical advice and capacity building to DAEs is aimed at rendering MIEs increasingly obsolete. Accountability mechanisms by international climate funds that require and support the transfer of skills from MIEs to DAEs as a condition of allowing for continued access to those funds are sorely needed.

Some attempts have been made, for example in the GCF's initial accreditation framework, which mandated multilateral access entities accredited to the GCF via fast-track accreditation to support the development of national DAEs.[69] However, while this requirement exists, so far the GCF Secretariat has largely failed to hold its fast-tracked MIEs accountable for how well they have attempted to fulfil this mandate. Likewise, fast-tracked MIEs, especially multilateral development banks (MDBs) and UN agencies, have sidestepped this responsibility and instead soared ahead with bringing own project proposals to approval. Of the 102 approved GCF projects and programs by March 2019, only 27 or a quarter, are programmed through direct access, with 15 approved from national DAEs and 12 from regional DAEs, while 75 approved projects are from MIEs.[70] Only fairly recently have new MIE candidates seeking GCF accreditation been asked as part of the required documentation to outline how they would seek to fulfil this mandate.

In 2020, many of the MIEs, including many MDBs and UN agencies, will begin to seek the required re-accreditation to the GCF (after the initial five-year accreditation term). As policies guiding the GCF re-accreditation process still need to be developed, these could provide an important opportunity to hold MIEs accountable for how well they support national institution-building and potential DAEs. Part of the re-accreditation requirements could, for example, be an ex post evaluation of how much MIEs have done over the past five years to support the capabilities of new and potential DAEs or in-country systems as well as an ex ante commitment to do such capacity building over the next few years. Such concrete actions could include the commitment to 'twin' with existing DAEs as co-implementation partners or use DAEs as executing entities in GCF project implementation. Such learning by 'joint implementation' should be encouraged and showcased as good practice. In GCF targeted Requests for Proposals (RfPs), such as those under GCF pilot programs where proposals are judged by additional criteria, joint implementation efforts could be scored higher and be prioritized. Such targeted mandates, and strict accountability frameworks to ensure that they are complied with, are necessary to overcome MIE's inherent conflict-of-interest. As evidenced by the current practice, most MIEs are not interested in engaging with DAEs in capacity-building efforts where the potential outcome is diminished future MIE roles in the country.

Nevertheless, given their dominant role in implementing a large share of international adaptation finance, MIEs must play a stronger role in overcoming some of the challenges and systemic disconnections that African countries experience in accessing climate finance. To do this, MIEs would need to strengthen their linkages with national processes, improve their transparency and direct increased effort towards broadening the engagement of subnational actors. Requiring subsidiarity as an operating principle for implementing international climate finance in developing countries would be one core step toward this goal, with immediate implications for MIEs and ending their 'business-as-usual' approach to climate finance delivery.

Applying the principle of subsidiarity, namely that implementing entities must make every effort to engage expert capacity and partners at the most local level feasible, would help make such outreach a best practice part of doing business in climate finance recipient countries. This would, for example, mandate MIEs to issue transparent calls for proposals in the countries in which they seek to work (once Governments have conducted the cross-societal and sectorial coordination necessary to prioritize their programming). It would force MIEs to outline and implement explicit efforts to build the institutional capacities of new national, subnational and local actors in project formulation and implementation, including by engaging them as partners for local implementation efforts and as sub-contracted executing entities, in similar ways to the approaches that have been adopted by some DAEs. MIEs would also have to support capacity-building and transfer processes to local experts by hiring them as part of their project implementation teams.

5.DISCONNECTIONS AND BARRIERS:

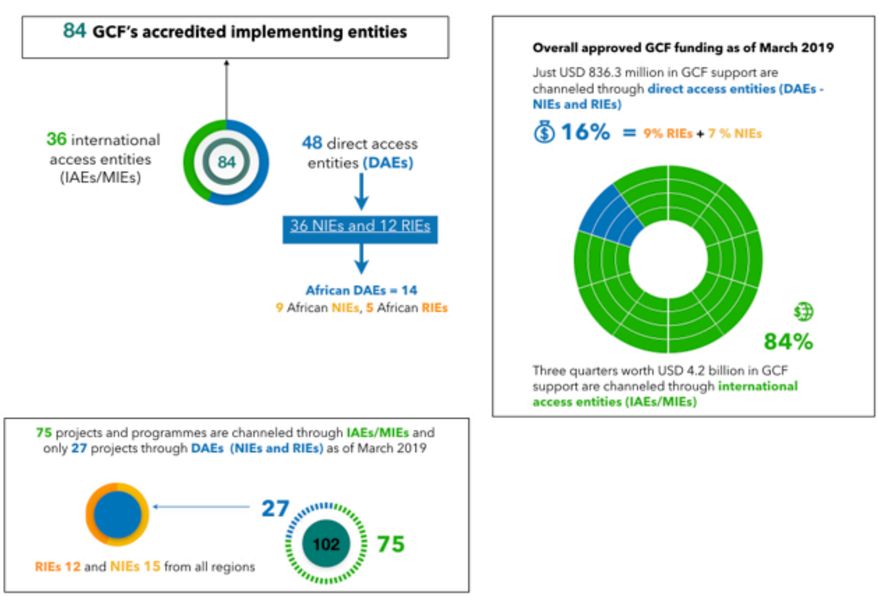
ACCESS TO PUBLIC MULTILATERAL CLIMATE FINANCE

The majority of international public climate finance continues to be programmed through multilateral entities such as UN agencies or MDBs including through the CIFs, which exclusively implement through MDBs.

The AF fundamentally transformed the international climate finance architecture in 2010 by fully operationalizing the direct access modality and accrediting its first DAE, the Centre de Suivi Ecologique (CSE) in Senegal. The modality allows accredited national and regional entities from developing countries to directly access financing and manage all aspects of climate projects, from design through implementation to oversight and monitoring and evaluation, without going through an intermediary institution. Ultimately, this is intended to reduce transaction costs and increase national ownership for the use of the resources. As of March 2019, the majority of the AF's 46 implementing entities were DAEs, with 28 NIEs, six RIEs, and only 12 MIEs.

The GCF and GEF have followed the AF lead to differing extents in allowing for direct access. As of March 2019, the GCF had accredited 36 national and 12 regional entities, and the GEF had accredited 5 regional and national entities among its implementation partners of 18 GEF agencies. The 48 DAEs are now the majority of the GCF's 84 accredited implementing entities versus 36 international access entities, with many more DAE applicants in the GCF's accreditation pipeline. However, the strength in numbers of DAEs among GCF implementation partners is so far not matched by an equivalent majority share of GCF approved funding being channeled through DAEs. On the contrary, of the 102 projects approved by the GCF by March 2019, 75 projects and programs worth USD 4.2 billion (or 84 percent) in approved GCF support are channeled through IAEs. Only 27 projects, with USD 836.3 million in GCF support, are channeled through DAEs, or just 16 percent of overall approved GCF funding, as of March.[71] This is shown in Figure 4 below.

FIGURE 4 Imbalance of GCF approved funding between international and direct access entities.



5.1 THE INNOVATION AND POTENTIAL OF DIRECT ACCESS

Although both regional and national entities can benefit from direct access as accredited entities, we focus discussion primarily on the role of national DAEs, which form the overwhelming majority of DAEs accredited to the AF (with 28 national to six regional DAEs) and the GCF (with 36 national to 12 regional DAEs). In both funds, African DAEs have a significant presence: the AF has 12 DAEs from Africa (10 NIEs and 2 RIEs) while the GCF counts 14 African DAEs (9 NIEs and 5 RIEs). [72]

The direct access modality can contribute to increasing national agency for adaptation planning and implementation and to building in-country capacity for sustained adaptation. [73,74,75] Direct access also has an important role to play in strengthening the pathways for translating international climate finance disbursements into local action by building and reinforcing important connections between actors and structures on multiple domestic governance, decision-making and implementation levels.[76] These connectors/ connections enable climate finance flows to subnational and the local levels. The direct access modality, as one of the more innovative approaches to climate finance, will best fulfil its potential if it is also enhancing the access of subnational and local actors, governmental and non-governmental, to channel and implement multilateral climate finance.

DAEs can be transformational if the right kind of support is provided both domestically and from the multilateral funds. They have the potential to ensure cohesion between national and subnational planning, catalyze partnerships with subnational actors that are new to climate change programming and provide on-site capacity support though the value chain, especially to subnational actors as needed. In contrast to multilateral implementing entities that engage primarily with national level entities as their main counterparts, there are examples where DAEs in their project proposals engage directly with subnational entities. Senegal, for example, was able to set up a Decentralised Climate Fund (DCF) which enabled local authorities and organizations to identify and prioritize local adaptation interventions that would strengthen resilience of the local communities.[77] This process enabled young people and women to effectively participate in decision making at the local level.[78] This cascading of implementation toward the local level and more direct engagement of subnational level actors is critical for (re-)establishing some often-neglected connectors, including institutions, capacities and relationships, with the potential to be highly transformative as these connectors are supported, and new actors are brought into the implementation of international climate finance flows. While this process can be transformational, it needs sustained and continuous support and adequate capacity at all levels to design and deliver.

Several DAEs have attested to the multiple benefits of direct access, and in particular, its potential to help deliver transformative, sustained and fully country-owned adaptation action that goes beyond a focus on national government action. Box 4 below, in drawing on the experience of DAEs accredited to both AF and GCF, summarizes some of the multiple benefits of the direct access modality.

BOX 4 Multiple benefits of Direct Access

Experience 1: South African National Biodiversity Institute, South Africa–

Following a nomination by the Department of Environmental Affairs, the South African National Biodiversity Institute (SANBI) was accredited as South Africa's NIE to the AF in September 2011, and with the GCF in 2016. SANBI was reaccredited with the AF in 2019.

Direct access to climate finance has enabled the following multiple benefits for SANBI and South Africa:

- Improved governance, including policies and procedures, for climate change adaptation at the national level, across several ministries and in collaboration with civil society.
- Climate finance priorities are better and consistently reflected in subnational and national policy and planning processes, resulting in stronger alignment and linkages
- Continual learning from past programming and implementation experiences to inform current and future national and subnational planning processes and priorities.
- SANBI and its partners have greater institutional capacity to design, implement, and evaluate climate change adaptation activities.
- SANBI has stronger and more well-established institutional policies and procedures for climate finance programming and oversight, and has built institutional capacity in subnational partners iteratively during project programming and implementation processes.
- Consultative and iterative project planning and programming, involving a range of actors, some of which are new to climate change adaptation and who did not see their role in support of climate change action prior to the capacity building and consultation processes that accompanied planning and programming.

Experience 2: Centre de Suivi Ecologique in Senegal

In 2010, Senegal's Centre de Suivi Ecologique (CSE) became the first NIE to be accredited globally (to the AF). The Centre created a separate team for the effort to become an NIE. The CSE governance structure also played a critical role in the accreditation process as it allowed oversight from stakeholders at all levels (local project-level, regional and national), which contributed to increased levels of transparency and financial responsibility.

CSE formed a group of experts to support prioritization of adaptation projects to ensure the quality of projects selected. The Government of Senegal's continued prioritization of and participation in the climate change arena has also been identified as a stimulus since it reinforced a culture of continuity and sustainability.

Multiple benefits include the following:

- The NIE process supported the development and strengthening of Senegal's institutional capacity by improving accounting, fiduciary, and transparency practices within CSE.
- CSE, through close interaction with the NDA, developed a country program for the GCF, which now forms the basis for adaptation planning in Senegal. The highly consultative process of developing this program brought together a diverse set of stakeholders and has resulted in a whole of government approach. It is this process that has led the CSE to develop a guide for Local Government Units to better access climate finance.
- CSE provides support to other potential African DAEs under the AF through peer-to-peer support. It has, for example, supported Kenya's National Environmental Management Authority (NEMA) in its accreditation process with the Adaptation Fund by providing guidance from its own experience, sharing lessons learned, and providing trainings for NEMA staff.

5.2 BARRIERS TO DIRECT ACCESS

While direct access is proving to be successful in a limited but growing number of cases, many developing countries struggle with becoming accredited by the AF or the GCF. Multiple challenges exist, from being able to accredit their institution of choice to building and sustaining capacity necessary.

For accreditation, the first major challenge for potential DAEs from many African countries is the lengthy, complex and bureaucratic process of accreditation by the funds. The accreditation process requires a thorough understanding of and institutional ability to comply with the funds' standards and processes, required documentation in English as the working language of the fund, a challenge particularly for entities from francophone Africa. Lack of clarity on accreditation processes has been a barrier – for example, Tanzania and Botswana have been unable to take advantage of existing international climate finance from the GCF and the AF due to a lack of knowledge and capacity on how to access these funds. The Tanzania National Climate Change Strategy has outlined that a critical mass of climate change expertise needs to be built first to access available international financial and technical resources to address climate change.[79] Currently, only 14 African institutions are accredited for direct access by the GCF, nine as national DAEs and five as regional DAEs. [80]

National and subnational institutions undergoing the accreditation process need to demonstrate their competencies and experiences in managing such resources and a good track record of implementing relevant climate related interventions. As a result, many undergo extensive institutional reconfiguration to meet the funds' stringent standards and then demonstrate the use of them.[81] This takes time and requires resources. Kenya and Namibia spent 30 months from the time their national institution was nominated to the time the accreditation process was completed with the AF. [82] Some but not all African DAEs accredited for the AF profited from the fast-track accreditation granted to them for the GCF based on thorough compliance checks during the previous AF accreditation efforts. For example, CSE from Senegal received accreditation to the GCF within four months, Rwanda's Ministry of Environment in a little over six months; in contrast, despite fast-track, it took South Africa's SANBI almost 16 months to become accredited with the GCF. [83]

For low-resource countries, significant additional investment (financial and human) is required to get them direct-access ready. This accreditation complexity barrier, for some countries, has discouraged many national institutions to the extent that they would opt to work with a MIE, with already established financial, environmental and social safeguards systems, including gender mainstreaming policies and practices, instead of seeking their own accreditation and investing in their national institutions. While this might be the easier and faster solution, at least short- to mid-term, it is counter to the visionary goal of the funds and their governing frameworks which foresaw direct access as a core modality aimed at increasing access and ownership to the funds by smaller and poorer countries.

While the accreditation process is rigorous and requires substantial effort and investment to ensure the institution meets the relevant fiduciary standards, environmental and social safeguards, and gender mainstreaming policies and capabilities, going through the process has significant benefits that can work to the entity's advantage in the medium to longer term, and not just with respect to accessing funding under those multilateral funds offering direct access. As a result of direct access, the institutional structures and processes of prospective DAEs are strengthened, especially if coupled with continued targeted capacity support - this is leading to increased performance and effectiveness in managing finances and ensuring the institution- wide application of environmental and social safeguards. In addition, accreditation as a DAE by the AF or the GCF provides a signal to climate finance providers more generally that the national institution has proven that it is 'climate-finance ready' in meeting international standards and implementation procedures.

However, several issues are important to consider in order to strengthen DAEs. Firstly, the importance of selecting entities that have the appropriate competencies and experience cannot be overemphasized. Some of these characteristics include abilities to transparently manage and report on financial resources, mandates to work with other institutions, and a good track record of implementing projects and managing resources. This is particularly important as the AF currently allows only one national DAE to be accredited per country. In contrast, in the GCF, [84] no restriction is placed on the number of DAEs per country, with African countries like South Africa or Morocco already having accredited two or more institutions, ideally selected to operate within the country with complementary capacities (use of financial instruments, intermediation) and approaches (such as specific sector expertise). Secondly, the entire accreditation process requires strategic long-term support from the government.

Some streamlined approaches could help in facilitating increased and quicker DAE accreditation, especially of subnational entities and those specifically targeting local-level and community engagement, including non-governmental entities. This would be possible without sacrificing fiduciary standards or safeguards, particularly if focused on accreditation for entities to implement smaller-scale activities with little to no risk of causing environmental or social harm or contributing to gender discrimination or human rights violations (so called Category C projects).[85] The AF introduced a streamlined accreditation process aimed at benefiting especially such smaller entities and smaller countries (see Box 5). The GCF's fit-for-purpose accreditation approach could likewise differentiate its accreditation categories further, in particular, in its current 'micro' category for projects up to USD 10 million, by adding an even smaller project category exclusively for Category C projects. This new 'super-micro' category could be exclusively reserved for smaller or subnational entities, such as community trust funds or local climate funds, and could require less onerous documentation requirements by allowing, for example community testimony to supplement or substitute for written policy documents in some cases.[86] On the accreditation side, this would be the complementary approach to the GCF's Simplified Approval Process (SAP) Pilot Scheme for smaller-scale, low- to no-risk project proposals. [87]

BOX 5 The AF's streamlined accreditation process

The AF approved its streamlined accreditation process in 2015 as a way to make it more feasible for smaller entities and countries to dedicate the necessary time and resources. This process is designed to open up possibilities for a smaller NIE to access the resources of the AF while taking into account their limited capacities. It allows these smaller entities to provide alternative documentation for each fiduciary standard they need to comply with by showing compensating/ mitigating measures, practices and controls without exposing the AF to significant additional risks.

This approach is available to Small National Implementing Entities (SNIEs), defined as those that execute or implement projects up to USD 1 million per project or program, employ up to 25 professional staff, and have annual administrative expenses of up to USD 1 million. Streamlined entities usually start out with access to funding amounts that may be less than USD 10 million, which is the usual limit for AF implementing entities. This is a way to build capacity through implementation, and the streamlined entity can have such conditions re-evaluated and possibly lifted by the Fund.[88]

The Micronesia Conservation Trust (MCT) in the Federated States of Micronesia, a small grants provider typically making grants between USD 10,000 to 50,000, is one of three NIEs that have been approved through the AF's streamlined access feature. The AF accreditation in turn facilitated MCT's accreditation to the GCF via its fast-track process.

5.3 SOUTH-SOUTH SUPPORT FOR ACCREDITATION

Experience has shown that providing opportunities for South-South capacity building support in readiness efforts, such as the AF's South-South Cooperation Grants[89] and a platform to exchange and engage on the experiences of accreditation and project development seems to yield positive results. The GCF is now also engaging accredited DAEs to support other direct access applicants through such South-South technical support. Like the AF Learning Platform, the GCF platform would allow for an exchange of ideas, best practices and lessons learnt at different stages of the accreditation and proposal development process with other African countries, enabling positive results. The Africa Adaptation Initiative (AAI) has developed a flagship program on knowledge management for adaptation planning, to address this gap: this clearly is an opportunity for the GCF to build on, and learn from.

5.4 ENHANCING READINESS SUPPORT

For African countries to benefit from the direct access modality, and have operational DAEs, it is crucial for both the GCF and the AF to extend their existing efforts to provide longer term, iterative institutional support to assist nominated African DAEs to become accredited, develop project pipelines and strengthen its capacities to provide oversight. Unlike MIEs, or financial institutions whose AF and GCF-linked roles and responsibilities build on their core business, would-be DAEs need to set up new institutional capabilities in order to perform their envisaged roles. Additionally, DAEs are not financially supported to develop project proposals: project management fees do not cover the period between accreditation and project approvals. DAEs also do not have internal resources to perform the functions that are additional to their core mandates, developing country governments are usually unable to provide such support (and especially not for protracted periods of time), and current readiness funds are not set up to provide this kind of post-accreditation support for project preparation.

Even under the GCF's revised RPSP strategy (see Box 2 for further details) that was recently approved by the Fund,[90] recipients are still constrained by allowable allocation areas for readiness funding, which are well suited for the procurement of specialist skills for the production of deliverables, but challenging to use towards the gradual building of core institutional capacity. This can be detrimental to progress within the DAE, as it can take time to make the case to allocate national budgetary resources to a DAE for such upgraded staff capacity.

Therefore, in addition to the readiness support that developing countries can access from the GCF, it would be most beneficial to get readiness financial support for building long-term internal institutional capacity in DAEs, including for creating new positions within the DAE. These staff can then work with national and other experts, to strengthen their institutions, devising and implementing relevant policies and governance arrangements in support of their anticipated growing roles in climate finance. They would also be able to participate in and benefit from the range of capacity building opportunities that are on offer. Capacity-building efforts cannot succeed if DAEs lack the core institutional capacity to participate in these processes in the first place.

5.5 ROLE AND CAPACITY OF NATIONAL DESIGNATED AUTHORITIES

NDAs are the fundamental starting point of climate finance of UNFCCC mechanisms - they help ensure that funds' flows are directed toward national priorities. Strong enabled NDAs are ideally expected to function as country coordinating mechanisms (CCMs) [91] with the ability to provide strategic guidance to all accredited entities with anticipated project footprints in their countries. They are also expected to identify potential applicants and support the accreditation of DAEs, ensure that MDAs are engaged in national adaptation planning processes, and that national actors are aware of international resources that can be accessed and mobilized towards national capacity building, planning and readiness efforts.

Several barriers impede the effectiveness of NDAs. In many countries, NDAs have limited understanding of the funds and even of climate change adaptation and mitigation. For a long time, international civil society organizations (CSOs) have been pushing for a government entity to take on the role of an NDA that has authority and power within the national governments, and thus would have the capacity to act as a CCM. This could be, for example, the Ministry of

Finance or related Ministries of Planning and Development. Ministries of Finance generally play central roles in countries, leading the budgeting, development planning, and allocation of resources to the different sectoral ministries and could be seen as the most strategic place to perform the NDA functions. The longer-term goal is for climate change action to become a central principle in all budgetary matters and that there is an ability within the country to accountably track and monitor climate investments. While the longer-term objective is necessary for coordination and implementation of the Paris Agreement, the downside for many countries is that because climate change is not one of their mandates, the Ministries of Finance have limited understanding of the subject and the landscape of funds available to support climate change. Ministries of Environment, as the main alternative, have been typically playing this role. However, these ministries often have a specific mandate that might sometimes lead them to focus on programming in their own sector and not have the ability to or mandate to reach out to other key adaptation sectors like agriculture, meteorological systems, or water. Either of these challenges can create significant delays and effects in identifying the most appropriate potential DAE and prioritization of climate adaptation issues, on the envisaged coordination and outreach functions of the NDA and as a result, contribute to the disconnect between international funds and the expected impact at local level. Therefore, it becomes important for both the funds and the ministries to invest time and resources in identifying the most appropriate government agency or department with the right competencies and mandate, to serve as the NDA.

Another challenge is the relationship between NDAs and accredited entities, which in many cases, is quite weak. NDAs sometimes are not consulted at project conception and are often only told about projects once they are fully developed and in need of NDA approval, or in cases of a multi-country program (usually developed by MIEs), only asked to provide a blanket permission without knowing the details of a country-specific sub-project,. Failure to engage NDAs early on in project planning undermines their ability to play a strategic role in guaranteeing maximum benefit for and alignment with a country's climate priorities and goals, and it can frustrate and cause avoidable delays in project programming.

DAEs are reliant on capable and strong NDAs and their ability to engage in stable and constructive relationships with their MDAs and local governments. The NDAs have an important function in ensuring that DAEs are provided with the strategic guidance so that their respective activities are 1) informed by national priorities; 2) complementary to existing programs and projects and 3) build on their strengths, have an optimal enabling environment, and given an opportunity to perform. To get to the anticipated scale of implementation in line with country plans and priorities, NDAs should be familiar with the DAEs work programs (where they exist) and support the work of accredited entities. To be more effective, NDAs need targeted support to carry out these functions. Examples include opportunities for peer-to-peer engagement, as well as ensuring that the entities selected as NDAs have sufficient local capacity to execute their functions.

NDAs often lack the necessary support to play their envisaged roles – in many countries, far from having the backdrop of wider agencies, individuals act as NDA focal points- often with other full time jobs - with little institutional support and weak connections with national MDA processes that should both inform and be informed by NDAs. Further, this disconnect potentially hampers the synergies needed in the scaling up of adaptation action. It is thus the responsibility of the national government, and of climate change planning commissions or similar processes, to determine which agency or government department would be the best NDA and which would have, or could acquire, the capacity to fulfil the functions of a CCM. This needs strategic and long-term government support and cannot be determined as a result of a single workshop.

While many governments have been quick to put NDAs/focal points forward, in many countries that first choice might need to be reconsidered in light of several years' worth of engagement with funds such as the GCF or the AF. At a minimum, in those countries that still rely on a 'focal point' (meaning a single person) to act as the liaison to international climate funds, that function should be upgraded to be taken up by an agency or a dedicated unit under a ministry with varied expertise and backgrounds. Governments and funding institutions would need to work together to support the process of 'upgrading' where it is needed. For example, a targeted readiness module could be developed under the GCF's RPSP with guidelines and protocols how countries could manage such a transfer from focal point to full-fledged agency-supported CCM. This could be accompanied by a government commitment to designate additional staff resources to the upgraded NDA. And in countries where such upgrading of NDAs has successfully taken place, they could share experiences through South-South cooperation grants. The importance of NDAs in determining and supporting country-owned investment priorities has been recognized; and at the international fund level, the lesson has been learned that for NDAs to fulfil their role properly, targeted, strategic and iterative support is needed at various levels. The funding institution and ministries involved need to support cross-sectoral engagement, particularly where the NDA comes from a non- environment institution traditionally not focused on climate change. Equally important is the recognition that these NDA institutional strengthening processes take time, thus requiring strategic and longer-term support.

NDA strengthening has been a part of the GCF readiness support provided to 104 countries by February 2019. Under the GCF's RPSP, countries can prioritize and request funds to support and strengthen the capacity of NDAs to effectively carry out their function in a timely manner. Rwanda, for example, requested readiness funds from the GCF to support NDA strengthening and country coordination at a national level. The Rwanda Environment Management Authority (REMA), which is the NDA for Rwanda, established several multi-stakeholder committees called Sector Working Groups, to provide a forum for dialogue, ownership and accountability. Its Ministry of Finance was represented in all the groups. These groups were able to facilitate synergies between adaptation policy formulation and implementation, which was helpful when it came to proposal development. In doing so, Rwanda applied lessons learnt from the previous set-up of a domestic climate fund with cross-governmental oversight and engagement of many MDAs through a consultative multi-stakeholder process. This institution-building effort for a Rwandan climate fund was supported through a multi-year grant by a bilateral donor. This previous investment in institution-building was important in providing the necessary capacity and confidence to the NDA to apply for GCF readiness support to fulfil its functions as the multi-stakeholder country coordinator and determine Rwanda's project priorities for GCF funding.

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5.6 ACCESS FOR SUBNATIONAL AND LOCAL ACTORS TO MULTILATERAL FUNDS

For most subnational and local actors in need of access to adaptation finance for local and community level projects and programs, accreditation to the GCF or AF as DAEs is not an option. It is therefore worth considering other options for increasing the access of such entities to multilateral climate funds. Several emerging good practice examples exist which provide opportunities for subnational and local actors, including civil society organizations, indigenous peoples or women's groups or community-based organizations. These subnational organizations and their access to finance is particularly important for countries, where national level institutions, including NDAs or DAEs might be averse to devolving funding to local groups or non-governmental organizations, especially those representing specific population groups such as women or indigenous peoples. Civil society groups have long advocated that the GCF should adopt some of these good practices for devolution in its own operations.[93] Those calls have been renewed as the GCF considers its programming priorities and improves its strategic plan for its first replenishment period (2020-2023).[94]

The GEF's Small Grant Programme (SGP), managed by UNDP, is a well-established program focused on funding for community-led climate resilience, mitigation and biodiversity initiatives. Rather than requiring national-level intermediation through an NDA or focal point, it signs memoranda of understanding with civil society or indigenous peoples organizations directly for small grants up to USD 50,000. It has implemented more than 22,000 projects in 125 countries, with a total of US$600 million in grants since its launch in 1992. [95]

Another example for a small grants program at fund level accessible to subnational, non-governmental actors is the Dedicated Grant Mechanism (DGM) under the Climate Investment Funds Forest Investment Programme (FIP). The FIP has established a USD 80 million funding window designed to let indigenous peoples' groups and local communities make their own funding decisions and design their own projects. The DGM works, for example, through local microfinance funds which help to incubate local micro enterprise and aggregate efforts in more powerful associations.[96] Established in 2015, the DGM is structured to operate in 13 pilot country projects with decentralized, community-led governance. It has since then established 11 steering committees with leaders from indigenous peoples and local communities and approved 9 projects worth USD 50 million for 208 community-led sub-projects. [97]

These approaches, which do not require accreditation of funding recipients, nor involvement of NDAs, stand in contrast to a devolved finance approach at fund level piloted at both the AF and the GCF.

5.7 ENHANCED DIRECT ACCESS

Enhanced direct access (EDA) is an innovative approach, championed by developing countries as a way to support more devolved climate financing by putting the decision-making for individual subnational projects under an approved programmatic and participatory approach at the DAE level. This approach supports DAEs that are providing local finance access to affected communities for targeted climate measures, for example, via small grants or loan approaches. EDA can only be implemented through accredited DAEs with specialized fiduciary capabilities to on-grant or on-lend funding received from the multilateral funds (which only a subset of DAEs accredited at the GCF and the AF are capable of currently, excluding many DAEs engaging in smaller size local project implementation). It also needs the active support and involvement of the NDA.

The AF's first EDA project was SANBI's Community Adaptation Small Grants Facility project. This project established a small granting mechanisms within SANBI that provided climate finance directly to local organizations, and allowed for decision making about project programming to happen under the leadership of SANBI as part of project implementation. The approach has since been expanded in the AF's portfolio of projects.

In 2015, the GCF approved a USD 200 million EDA pilot program for up to 10 projects, including a minimum four from LDCs, SIDS and African states. By March 2019, only two EDA projects have been approved, including one by an African DAE, Namibia's Environmental Investment Fund (EIF), which established small grant facilities directly accessible to community groups. The GCF EDA pilot program terms of reference specify the establishment of a national-level multi-stakeholder decision-making body that will be housed and managed by the DAE, including civil society and mandating gender considerations in decision making. The DAE is mandated to work with various types of local actors, such as local authorities, non-governmental organizations, private sector and community-based organizations, especially those addressing the needs of vulnerable communities and women.[98]

It is encouraging that the GCF Secretariat has stepped up efforts to work directly with DAEs to further explain the EDA modalities and develop proposals.[99] This is an acknowledgement that EDA as mode of financing will require strengthening of broader institutional capacities of DAEs to program, provide oversight and engage subnational stakeholders that surpass those required for 'ordinary' direct access proposals.

While EDA approaches are still being piloted under the GCF and the AF, lessons (successes and challenges) should be learnt from entities that have started implementing and the approach should be supported and strengthened incrementally if it is to succeed.

EDA could provide an opportunity to significantly increase subnational and local actors' access to multilateral climate funds if more widely implemented as a routine access modality in the GCF and replicated in other multilateral funds. Given EDA's strong governance mandate for multi-stakeholder engagement and local actors and civil society groups required participation in decision-making on individual funding decisions, EDA as an access modality has the potential to support the establishment of the multi-level connections needed for effective and lasting adaptation outcomes benefitting the most vulnerable people and communities.

6.DISCONNECTIONS AND BARRIERS:

MOBILISATION AND GOVERNANCE OF ADAPTATION FINANCE

Increasingly, experiences from channeling funds to the local level are showing that these practices are more effective equitable in reaching the most marginalized and vulnerable people, and efficient (including cost-efficiency, despite initial higher transaction costs) as it leads to sustained outcomes and strengthened institutional and human capacity. Beyond climate finance, this has a positive and multiplying/ leveraging impact on wider development.

In spite of this growing evidence, multilateral climate funds, like the AF and GCF, are structurally set up to channel funding overwhelmingly to international, and only fairly recently to regional and national level climate actors. Local finance provision is not prioritized, and climate funds' efforts at scaling up actions are equated generally with large-scale regional and national interventions instead of looking at expanding to and aggregating and replicating local actions.[100] This contributes to the big disconnect between what the funds are meant to do and the real impact that is delivered on the ground.

This section focuses on how multilateral public funding for adaptation is mobilized and governed, and at some of the blockages in generating and channeling adequate, predictable, new and additional financing in a way that can be supportive of DAEs and subnational entities and their role in securing sustained adaptation outcomes. Without adequate and predictable finance for adaptation, there will be no opportunity to channel increasing levels of funding to DAEs and subnational actors. Increased and predictable provision of multilateral climate finance for adaptation must be matched by a landscape of capacitated and empowered institutions with well-defined governance structures committed to transparency and accountability at the national and subnational levels, such as designated national or local climate funds, public and private financial intermediaries (especially those serving the local level and bottom-of-the-pyramid populations who are very often without access to finance), government entities and community-based and civil society organizations.

The way multilateral climate funds allocate their resources, the financial instruments they employ, and the requirements and incentives they set for access to those resources play a key role in shaping adaptation outcomes. They also provide a signaling function to, and complement, the contributions of other players in the climate finance system, including domestic budgetary allocations, private sector efforts and disbursement by bilateral agencies.

Looking at the future of the global climate finance architecture and the complementarity of its existing funds, both the GCF and the AF bring significant added value to a diverse set of multilateral actors. It has been argued that the AF's specific comparative advantage lies in the fact that because of its size, it is nimble, able to innovate and form close and trusted hands-on relationships with its DAEs, while focusing on smaller adaptation interventions. In contrast, the GCF has the funding, mandate and diverse set of financing instruments and implementation partners for scale up and widespread replication, as well as the ambition and structural clout to move beyond project-by-project towards programmatic approaches, to compel a more lasting shift of the whole portfolios of its implementing partners, and to support the policy and institutional shifts for in-country transformations.[101]

The GCF has become the largest multilateral climate fund, with an initial resource mobilization of USD 10.3 billion in pledges, largely from developed country grant contributions (of which only USD 7.2 billion was available). It is supposed to help support transformational change at both country as well as systemic level toward low-emissions and climate resilient development through the financial support for the implementation of developing countries' commitment under the Paris Agreement. With USD 5 billion committed for 102 projects and programs as of March 2019 and utilizing a variety of financial instruments, including grants, loans, guarantees and equity investments, it is seeking its first formal replenishment in 2019 for operations during the period 2020–2023.

6.1 FUNDING NEEDS AND AVAILABILITY FOR ADAPTATION

Adaptation requires a coordinated and cohesive response at different scales, and from local to national to international. Access to adequate financial resources is a crucial element for building adaptive capacity, especially in regions and countries which, like African states, have contributed very little to global climate change but are already severely affected by its adverse impacts. Furthermore, the longer investments in adaptation actions get delayed, the more the costs to address adaptation will increase, widening an already existing significant global adaptation finance gap. Estimates of the annual global adaptation finance costs range from USD 140 billion to USD 300 billion by 2030 and from USD 280 billion to USD 500 billion by 2050, with experts fearing that the actual costs might be significantly higher.[102] Already in 2015, a UNEP analysis estimated the adaptation finance cost for Africa at USD 15 billion by 2030 and between USD 50 billion and USD 95 billion by 2050 and contrasted this with the USD 1 to 2 billion per year actually flowing to the continent in international adaptation finance.[103]

Developed country parties have made a commitment under the UNFCCC to assist developing country parties that are particularly vulnerable to the adverse effects of climate change in meeting the cost of adaptation to those adverse effects (Article 4.4). Under the Paris Agreement, developed countries are expected to take the lead in scaling up climate finance toward a new higher collective goal by 2025 than the USD 100 billion per year by 2020 set as a benchmark in 2009 at COP15. Provision of financial resources to developing countries under the Convention's financial mechanism is channeled through the Global Environment Facility (GEF), which manages two separate funds supporting adaptation, the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF),[104] and the GCF, which serve in the same function under the Paris Agreement. The AF, which until 2020 serves developing country members in addressing concrete adaptation needs under the Kyoto Protocol, has been serving under the Paris Agreement since the beginning of 2019. Article 11.5 of the Convention further stipulates that developed countries may also provide financial resources related to the Convention's implementation through bilateral, regional or multilateral channels.

While public climate finance provision going through a multitude of channels was estimated at USD 58 billion annually in the UNFCCC's 2018 Biennial Assessment for 2015 and 2016 (see Table 2), records show that the major adaptation finance gap persists, as only USD 14.8 billion or roughly 25 percent of this amount went to adaptation[105] Other reports put the adaptation component even lower at 20 percent,[106] with yet another one putting it at only 16 percent.[107] Although this percentage has been slowly increasing over the last few years,[108] this is far from a balanced provision of finance. One reason the adaptation finance gap has persisted is that developed countries, in the absence of mandatory financial assessment and with the ability to pick and choose the funds they want to contribute to, continue to prioritize funding for mitigation actions in developing countries, including in Africa. This happens through deliberate earmarking of developing country funding in favor of mitigation as in the CIFs or bilateral initiatives. While there are likely many motivations behind this trend, an effort to shift the focus away from delayed mitigation actions in developed countries in the name of pursuing less costly emission reduction efforts elsewhere might play a role here, too, as is a focus to attract private sector co-financing, which is more likely for mitigation efforts with a better return-on-investment than adaptation efforts. The emergence of a larger number of cross-cutting funding proposals that have both adaptation and mitigation benefits, including with a significant portion of overall funding in the GCF, further complicates efforts towards and accountability for a more balanced climate finance allocation.

Internationally, developing countries, in particular African states, supported by civil society advocacy, have called for a substantial increase in the funding developed countries provide for adaptation to address this structural underfunding, and have demanded that the majority of funding for adaptation should be delivered in the form of grants, not loans;[109, 110] the latter is particularly important to avoid a debt trap for the most vulnerable developing countries, many of which are already highly indebted. Addressing urgent adaptation needs should not add to that debt burden.

TABLE 2 Characteristics of international public climate finance flows 2015–2016

	Annual average in USD billion	Area of support				Financial instrument		
		Adaptation	Mitigation	REDD-plus	Cross-cutting	Grants	Concessional loans	Other
Multilateral climate funds	1.9	25%	53%	5%	17%	51%	44%	5%
Bilateral climate finance	31.7	29%	50%	--	21%	47%	52%	<1%
MDB climate finance	24.4	21%	79%	--	--	9%	74%	17%

Source: UNFCCC (2018), Figure 2; accessed on March 9, 2019

6.2 GRANT FINANCING FOR ADAPTATION

Public sector grant finance will continue to play a crucial role in adaptation finance, as for many adaptation projects, it is difficult to generate a significant return-on-investment. This is especially the case for adaptation actions that aim to deliver significant environmental, developmental, social and gender equality multiple benefits and that address the needs of the poorest population groups. It is those kinds of projects, however, which in most African states are necessary to address a multitude of interwoven vulnerabilities stemming from underdevelopment and persistent poverty. [111, 112]

There is a frequent need in adaptation for investment by the public sector in such public goods without the ability to generate a predictable revenue stream, which could be ring-fenced for the repayment of loans. These public goods investments, however, are often needed for the long-term sustainability of desired adaptation outcomes. Even for the engagement of private sector activities in adaptation, early stage grant support is needed, as they work on understanding investment risk and opportunities. And where the goal is reaching the most vulnerable with private sector interventions in adaptation, concessional financing support for the domestic micro-, small- and medium-sized enterprises (MSMEs) is needed, including via grant contributions by public funders in blended finance approaches.

According to a recent UNEP study, the mobilization of funding for adaptation needs to reflect the significant programming and implementation costs for adaptation that, by some estimates, could range from 10 to 20 percent of the total project costs in order to ensure that project design includes safeguards and delivers human rights benefits. This requires sufficient implementation capabilities, including for institutional strengthening, project management, capacity building and monitoring and evaluation. [113] This requirement runs counter to the current narrative of cost-effective implementation, which aims to keep the expenditure for project preparation and management as low as possible, setting for example a cap on project management fees as a percentage of overall approved finance for a project. For many implementing agencies, particularly those focused on micro- or small-scale local adaptation projects, such as the majority of existing African DAEs, these fees might not be enough to support their engagement. Here it might become necessary to differentiate more strongly than the current practice in many funds according to project size in setting management fees. This is especially in funds like the GCF, which supports a wide range of projects in terms of size and management involvement by its accredited implementing entities. [114]

Even more important, as further elaborated in section 5.4., is the provision of sufficient and iterative readiness financing for institutional strengthening and targeted project preparation financial support for DAEs, as institutional capacity building and project formulation require significant upfront resources, which many DAEs cannot provide. This means a shift away from the support of individual successive interventions to a multi-year programmatic approach with integrated interventions that combine sustained budget commitments with dedicated and sustained technical expert support (for example through secondment or direct staff support). While both the AF and the GCF provide readiness and project preparation support, it is far removed from the more programmatic integrated multi-year support needed, although the GCF is starting to address some of these issues more explicitly in its new multi-year readiness support strategy. [115]

In this context, it is crucially important that the ability of significant adaptation finance players in the global climate finance architecture to provide grant financing is maintained to allow for the costly, but indispensable investment in people, institutions and processes that has an often time-delayed return on investment that is not purely financial, as the significant current and future investment needs for readiness and capacity building activities showcase. While overall levels of public climate finance flows are slowly rising, so is the share of finance provided as loans. [116,117] As the SCF's 2018 Biennial Assessment highlights, less than a third (31 percent) of reported public climate finance flows was provided as grants (see Table 2). The percentage of grant financing in reported climate finance flows 2015-2016 was highest in multilateral funds with 51 percent, versus 47 percent for bilateral climate finance, and only 9 percent of MDB climate finance. [118]

All adaptation finance providers under the UNFCCC and the Paris Agreement, namely the LDCF, the SCCF, the AF and the GCF, provide grant financing for adaptation. For the AF, the SCCF and the LDCF, only grants are provided, while the GCF provides adaptation financing also in the form of loans and equity, and could provide support for adaptation investment as guarantees, for example, for insurance approaches. Currently, only the AF and the GCF have the capacity to provide full cost grant financing. The GCF also seeks to move towards full cost-grant financing as the exception with an incremental cost approach to grant financing increasingly becoming the rule. It also uses grants with repayment provision in its engagement with the private sector. The LDCF and the SCCF only cover incremental costs recognized as climate-specific expenditures that are added to a development baseline (which is expected to be financed by other providers, including potentially the accredited entity itself). These differences, and thus the quality of the grant provided, matter as with incremental cost financing it is not possible to support the institutional and human capacity building needed on the national and subnational levels.

The type and quality of the financial input supporting adaptation (in the form of grants, loans or capital contribution) influences how much can be disbursed in the form of grants to recipient countries. The continued and scaled up provision of adaptation grant financing to national and subnational actors is thus dependent on increased and predictable grant contributions to climate funds by developed countries. This is important for the AF, which has found itself in perpetual fundraising mode since its originally conceived automatic finance contribution scheme, the first of its kind, came under duress. [119]

This is also especially important for the GCF, which is a significant player in multilateral adaptation finance. In 2019, the GCF is seeking its first formal replenishment, that at minimum should double the USD 10.3 billion in collective pledges received during the initial resource mobilization period (IRM 2015–2018),[120] and all developed country contributors should commit to pledge and fulfil their financial contributions in the form of grants.[121] This will give the GCF the flexibility and risk appetite it needs to seek transformational impacts with its adaptation financing without being limited by the need to seek a return-on-investment to repay the loans it receives. This would also allow the GCF to be less risk-averse to channeling increasing amounts of adaptation funding towards more local level investments, which require public support, such as social protection programs, and towards expansion of devolved financing modalities such as its EDA pilot program.

6.3 FUNDING CERTAINTY

Adequate grant funding availability for adaptation measures, is needed to give African recipient countries the confidence that the money will be available to access and implement after they have done their part to prove that they are climate-finance ready and have invested time, financial, and political resources into long-term adaptation planning efforts, re-organized and strengthened domestic institutions and governance structures. .

This certainty can be increased through transparency, such as knowing through a multi-year replenishment process how much funding is available or the introduction of specific allocation parameters or pilot programs with specific requests for proposals (RfPs) for which funding is set aside.

The certainty that sufficient funding is available at the time that is needed in and of itself, is not sufficient. It needs to be matched by the certainty that funding will be provided in form of more risk tolerant and highly concessional finance to build the systems and governance of partner governments to reach the local level in meaningful ways. Providing such patient, risk tolerant finance in support of building subnational level structures to receive devolved climate financing has so far not been an area of focus of climate finance provision in general, and multilateral climate funds in particular .[122]

Civil society organizations have long complained that the most disenfranchised, and therefore the most vulnerable population groups in developing countries, have received limited support so far. Research has highlighted the limited understanding of and accountability for how much public climate finance is in fact reaching the local level due to limited transparency and a lack of detailed tracking of funded project implementation outcomes,[123]. There is an overall lack of accounting for the extent to which adaptation finance channeled through multilateral climate funds is devolved to the local level. This is despite the fact that many climate impacts are localized; and that response measures to address vulnerabilities and build climate resilience are thus needed at the scale and level that is most appropriate to catalyze nuanced local outcomes.

6.4 INCREASING FUNDING TRANSPARENCY THROUGH ALLOCATION PARAMETERS

6.4.1 Balanced allocation for adaptation and mitigation

The balanced allocation of resources for adaptation and mitigation has been a thorny issue in the UNFCCC for many years. Developing countries and civil society advocates have not only demanded a clear commitment to more balanced finance provision but have also asked for balance to mean a 50:50 allocation for adaptation and mitigation. This is a core requirement to ensure that adaptation efforts, which are a priority for many developing countries, do not continue to take a funding back seat to mitigation efforts, which most developed countries prioritize. The latter is showcased by the earmarking of developed countries' voluntary contributions in favor of mitigation, especially in climate finance instruments outside of the UNFCCC.[124] Despite strong policy and advocacy calls, a goal for more balance (which is completely out of reach in overall climate finance that includes private sector commitments) still looks elusive for public climate finance provision.

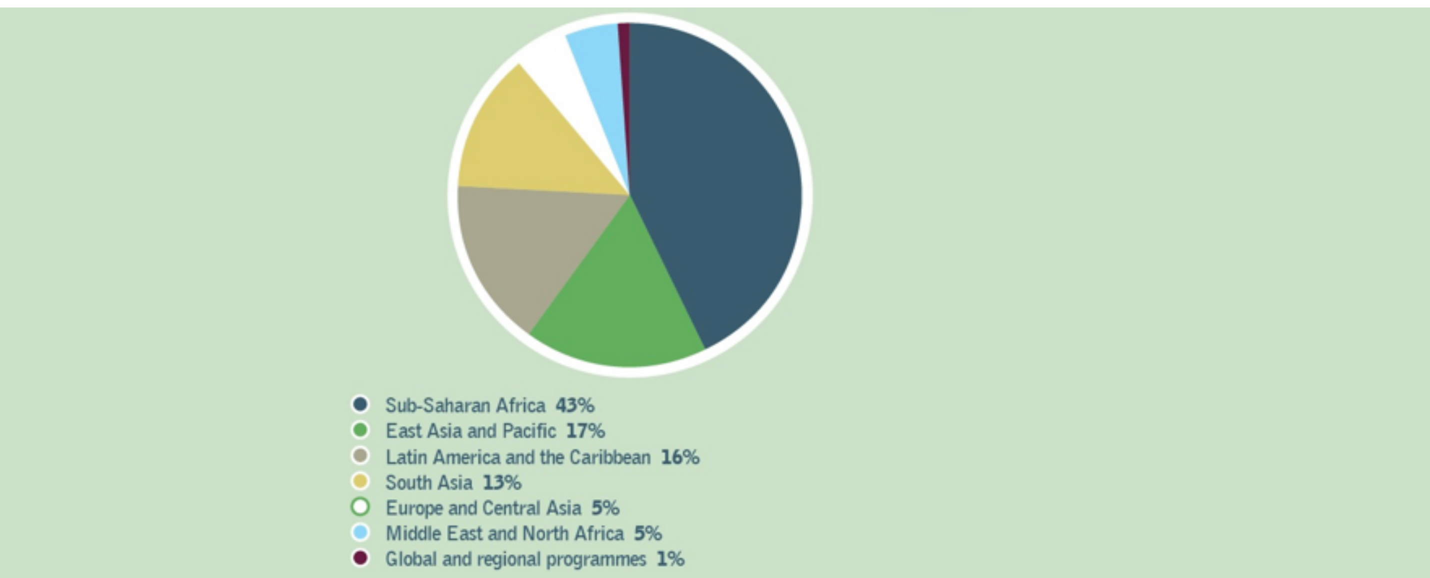
There is a notoriously persistent lack of transparency and accountability in climate finance provision. Even some of the most widely accepted tracking exercises provide only best effort estimates. This is necessitated by the existence of different accounting approaches used for tracking climate finance, especially by bilateral climate finance providers, and tracking gaps for domestic budgets and private investments.[125] In its Biennial Assessments, the SCF complains routinely about data uncertainty and data inaccuracy.[126] Thus, a look at a subset of global adaptation finance channels, those dedicated multilateral climate funds tracked by the website Climate Funds Update (CFU), by necessity shows only a partial picture of overall flows. Nevertheless, it confirms that only 25 percent of overall approved funding in the years 2003–2018 from this subset of climate funds went for adaptation.[127] Sub-Saharan Africa as a region received the largest share of 43 percent of all CFU-tracked approved adaptation finance from 2003 to 2018 (see Figure 5). According to the CFU database (see Table 3), this amounted to USD 1.98 billion for 321 projects channeled via nine CFU-tracked funds providing adaptation support during that time. [128]

TABLE 3 Adaptation Support for Sub-Sahara Africa by CFU-tracked funds, 2003-2018

Fund	Amount approved (in USD million)	Projects approved
Adaptation Fund (AF)	159.2	61
Adaptation for Smallholder Agriculture Programme (ASAP)	158.0	21
Global Environment Facility (GEF5, GEF6)	60.4	9
Global Climate Change Alliance (GGCA)	110.7	16
Green Climate Fund	429.5	16
MDG Achievement Fund	16.0	3
Least Developed Countries Fund (LDCF)	725.9	166
Pilot Program for Climate Resilience (PPCR)	288.3	16
Special Climate Change Fund (SCCF)	33.5	13
Total	**1,981.5**	**321**

Source: CFU (2019), https://climatefundsupdate.org/data-dashboard/; accessed on March 9, 2019

FIGURE 5 Approved funding by the GCF and the AF and its disbursement via different access modalities.



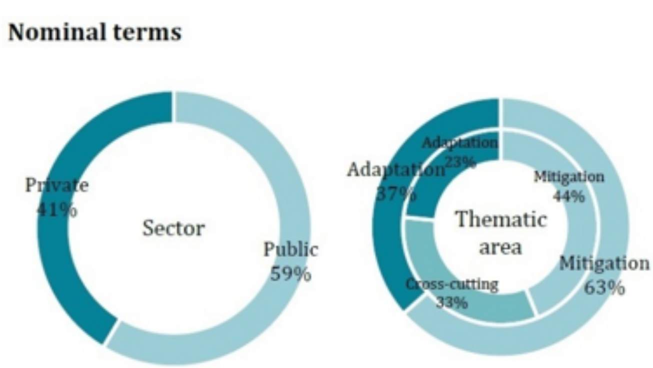
Source: CFF3 (2019), Climate Finance Fundamentals 3: Adaptation Finance.

The establishment of the GCF was supposed to help redress this imbalance. In 2016, COP17 mandated the GCF to balance its resource allocation between mitigation and adaptation activities[129] and approved the GCF's Governing Instrument with its explicit commitment to a balanced allocation and its prioritization of allocation resources to address 'the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and African States, using minimum allocation floors for these countries as appropriate' and aiming for geographical balance. As the largest multilateral climate fund, the GCF's commitment thus has an important signaling function within the international climate finance architecture, in which disbursements for mitigation, with a disproportionate 75 percent share of all public climate finance, continue to dwarf those for adaptation.[130] The GCF has further clarified in its allocation framework that it will strive toward a 50:50 balance between mitigation and adaptation 'over time', with 50 percent of its adaptation commitment ring-fenced for those countries most vulnerable to climate change, small island developing states (SIDS), least developed countries (LDCs) and African states, but that it will determine these allocation parameters in grant-equivalent terms.[131]

Looking at the balanced allocation in GCF funding only in grant equivalent terms, this mandate is fulfilled. Nevertheless, the difference between nominal terms (all money committed) and grant-equivalent terms (counting only the value of loans that borrowers receive in excess of their interest and repayment obligations) is significant, as Figure 6 showcases.

In nominal terms (see Figure 6), as of March 2019, the GCF has committed USD 5 billion for 102 projects and programs, of which only USD 1.2 billion, or 23 percent, are for adaptation, with 2.2 billion, or 44 percent, for mitigation and USD 1.7 billion, or 33 percent, for cross-cutting investments combining both mitigation and adaptation elements.[132] As Figure 6 shows, the increasing finance commitment for cross-cutting projects in the GCF, now up to one third in both nominal and grant-equivalent terms, further complicates tracking of a balanced allocation, as in most cross-cutting projects, adaptation often plays a minor or supporting role to what are primarily mitigation loan investments.[133]

FIGURE 6 GCF funding amount by sector and thematic area in nominal and grant equivalent terms (in percent)



Source: Document GCF/B.22/10/Rev.01, figure 11, p.7.

FIGURE 7 Percentage of GCF approved funding amount by target, as of March 2019

Source: GCF 2019a, "Green Climate Fund Portfolio Dashboard"

6.4.2 Ring-fencing of funds for NIEs and certain groups of countries

Parameters for funding allocations have an important role to play in addressing in a targeted way existing inequities and current imbalances in the international climate finance architecture through the mobilization and targeted provision of adaptation funding. They are one important tool at fund governance level in order to redress some of the broken connections that inhibit adequate levels of multilateral adaptation financing flowing to African countries, a prerequisite for being able to channel funding further to recipients and beneficiaries at the subnational and local levels. Ring-fencing a certain amount of a fund's allocation for either a group of implementing entities or certain groups of countries has been best practice experience in the GCF and AF respectively.

As described, under the GCF's allocation framework funding, approvals should seek a balance between funding for mitigation and adaptation in grant equivalent terms at the portfolio level, with half of all approved adaptation funding to be targeted for investments in SIDS, LDCs and African states. As a look at the GCF's portfolio of approved projects shows, its mandate to ring-fence a significant portion of the GCF's resources (a quarter of its funding allocations overall in grant-equivalent terms) for adaptation investments in LDCs, SIDS and African states has increased financing access for these countries measurably over a short time-frame – and in contrast to the discourse about a balanced allocation, the difference between nominal and grant equivalent terms is less pronounced (see Figure 8). By targeting at least half of the GCF's adaptation funding provision in grant-equivalent terms for SIDS, LDCs and African states, the GCF, which started approving projects only in late 2015, has become in just three years the second largest provider of cumulative adaptation financing approved for Sub-Saharan Africa, and the largest provider in the region in 2018 for the subset of dedicated climate funds tracked by CFU.[134,135] Over the three-year period, the GCF approved USD 447.4 million for adaptation projects in Sub-Saharan Africa. Tellingly, though, only USD 116.3 million or 26 percent of this sum is programmed through DAEs.[136]

While the AF was not aiming to safeguard financing for certain country groups, it sought to ensure some balance among different types of implementing entities. To safeguard that NIEs and regional implementing entities (RIEs) could access at least the same total amount of financing as MIEs, the AF decided that it would place a temporary 50 percent cap on financing for MIEs proposals (Box 6). Once the cumulative funding for MIE's proposals reached that cap, additional proposals by multilateral agencies, although technically cleared by the Board, were placed in a waiting pipeline only to be funded when additional funds became available to the AF. Neither the GCF nor the GEF have so far followed the emerging good practice approach, which the AF instituted in 2010.

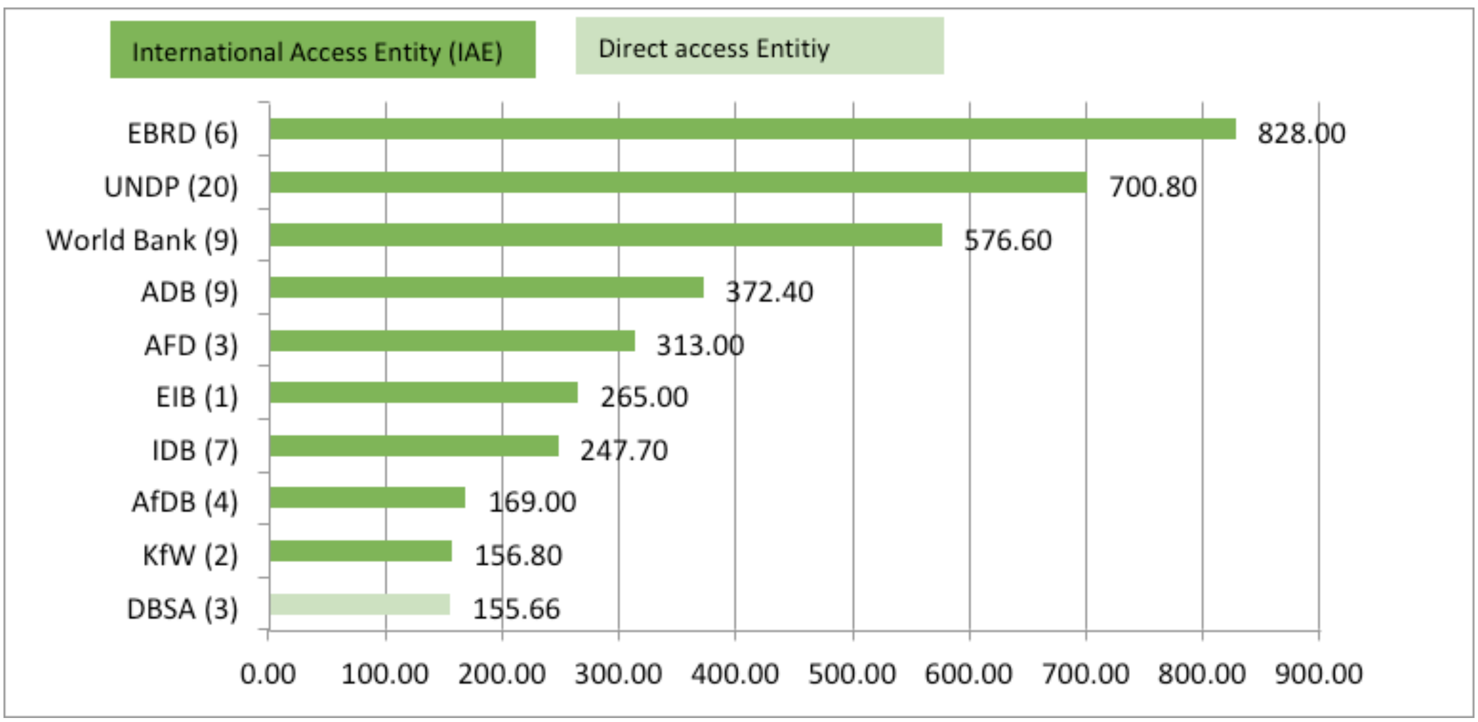
FIGURE 8 GCF adaptation allocation for LDCs/SIDS/African States in nominal and grant equivalent terms (in percent)

Source: Document GCF/B.22/10/Rev.01, figure 11, p.7.

BOX 6 AF ring-fencing funds for Direct Access

Projects initially approved by the AF were highly skewed towards multilateral agencies. In response to this, at the 12th meeting of the AF Board, it was decided that MIE access to the fund's resources would be capped at 50 percent and the remaining 50 percent of funding would be reserved to fund projects from regional and national implementing entities. [137] This approach was intended to encourage the development of projects through the Direct access funding modality that the AF pioneered. However, in May 2014, 62 percent of total grant funding approved was still being channeled through UNDP as an implementing entity, with 76 percent of total grant amounts channeled through MIEs. [138] In recognition that MIEs still dominated the portfolio, projects in excess of the 50 percent were placed in a pipeline that depended on the securing of additional funding. The initiation of the Readiness Programme in 2013, outlined in Box 2, is aimed at remedying this deficiency through enhancing the capacity of national and regional implementing agencies to access funding and implement and execute projects.[139] Additionally, the capping of funding available at 10 million USD per country has ensured that grants have been fairly distributed across the different vulnerable regions. [140]

FIGURE 9 Approved GCF funding by accredited entity (Top 10) in USD million, with number of approved projects in parentheses



Source: Authors' own calculations, based on ***https://www.greenclimate.fund/how-we-work/tools/entity-directory***

Placing a restriction or cap on funding via MIEs is a transparent and equitable way to deal with the problem that under an unrestricted and non-targeted funding proposal submission process, which operates essentially under a 'first come, first serve' approach, where DAEs are placed at a strategic disadvantage, as it takes many of them longer than MIEs to submit full funding proposals.

The ring-fencing of resources for adaptation in the GCF, including reserving half of all adaptation financing for projects from SIDS, LDCs and African states, and for direct access in the AF, has improved issues resulting from the uncertainty of fund availability, and has given DAEs in Africa the confidence to proceed with project programming and associated institutional strengthening investments. Allocation parameters are thus one important tool to address some of the missing connections in adaptation financing benefiting African countries. Nevertheless, they need to be complemented by a host of other actions. For example, to break the dominance of MIEs in accessing multilateral adaptation funding, potential funding caps would have to be accompanied by clear commitments by NDAs and national governments to prioritize DAEs. NDAs and the MDAs in recipient countries that engage with multilateral agencies could make explicit MIE-DAE linkages such as through 'twinning' in implementation or capacity-building support a condition of providing the country's approval for the project to go forward.

7. OVERARCHING MESSAGES AND CONCLUSIONS

This paper underscores the importance of subnational actors and the direct access modality in the devolution of climate finance and in the activation of subnational processes that elucidate local responses to climate change, and NDAs and MDAs whose enabling functions in developing integrated CCA policy, strategies, identifying and capacitating DAEs and setting adaptation priorities are critical.

The systemic nature of the causes of the missing middlemust be recognized, and multiple disconnections and barriers must be address simultaneously if the missing middle is to be overcome.

Our main recommendations with respect to the above are set out below. These recommendations are underpinned by a set of principles that are set out in Box 7.

Recommendation 1: Fully engage and capacitate subnational actors in the prioritization, programming and implementation of multilateral climate finance

National governments and their NDAs must recognize the role of subnational actors in delivering climate action and support them to perform their functions. Subnational actors, where appropriate, can be core agents to conceptualize, drive and deliver adaptation responses including via targeted outreach and communication efforts, and to unlock domestic resources in support of sustained action. With support from the climate funds, national governments must empower NDAs and expect them to activate sub-national processes in support of adaptation programming and implementation. With support from the climate funds, National Governments must resource and strengthen subnational capacity, participation and agency.

Recommendation 2: Provide full and long-term support for DAEs pre- and post-accreditation processes

Recognizing that direct access can strengthen the pathways for translating international climate finance disbursements into local action, and that it has an important role to play in increasing national agency and connecting multiple domestic governance, decision-making and implementation levels, the AF and the GCF must refine and extend their existing readiness efforts to provide longer-term, iterative pre- and post-accreditation institutional support for DAEs from African countries. Such institutional support should include an allocation for in-country experts that can support the entire pre- and post-accreditation process on a multi-year basis. By investing in and supporting building in-country capacity for such processes, DAEs are more likely to transition from the accreditation process to start programming and implementation of adaptation action.

Recommendation 3: Incentivize and hold MIEs accountable for supporting capacity transfers to DAEs

It has been widely recognized that MIEs could play more significant roles in building the capacity of DAEs, NDAs, sector/finance/planning ministries and subnational actors to identify, prioritize and implement programs that enhance resilience. MIEs will continue to play a crucial role in adaptation finance delivery and implementation for the foreseeable future, including in African states. Developing countries should pressure the multilateral climate funds to hold them accountable and expand their efforts, such as those mandated under the GCF, to support the accreditation and functioning of DAEs, for example, through 'twinning' efforts in which projects are jointly proposed and implemented with DAEs. The capacity-building efforts that were provided by the MIEs in accordance with their fast-track accreditation under the GCF should be assessed as part of the GCF re-accreditation procedures.

Programs and incentives that enable MIEs to directly support capacity transfer to DAEs and their timely and efficient access to technical support for project development must be put in place by the AF and the GCF. This, for example, could be as part of existing readiness and project preparation support efforts. This must include the development of a financial model whereby MIEs are compensated for their efforts in supporting DAEs, noting that the current MIE financial model, whereby project fees cover staff time, incentivizes against this.

Recommendation 4: Provide adequate resources for best-practice programming

While good process and the need to comply with funds' standards and safeguards are clearly recognized, they are extremely expensive and project development processes are seldom sufficiently resourced or supported by suitably qualified practitioners.

The AF and the GCF must provide adequate resources and time for programming and implementation (such as through project preparation financial support, grant-financed project components focused on stakeholder engagement and monitoring), and adequately support inclusive participatory processes that ensure bottom-up vulnerability assessments and engagement to inform investments and enable safeguards to be upheld by sharing guidelines, best-practice examples and technical knowhow, for example through a roster of experts (as recently reflected in the updated GCF RPSP to be implemented 2019 to 2021).

National governments through the NDAs and their involvement in funding proposal development and the no-objection provision must make a commitment to participatory project development and implementation processes. The latter is particularly important where national government entities serve as executing entities for implementation. There is currently a mismatch between best practice expectations and available resourcing and capacities, made worse by unrealistic time demands.

Recommendation 5: Provide tools to help develop country program developers to prepare funding proposals

Language complexity, jargon and access to data are all barriers to programming processes, and further support is needed for core staff in DAEs to be trained in writing and developing technical project proposals according to GCF and AF requirements. The AF and the GCF should consider ways of supporting countries to generate and analyze the necessary data needed to articulate the climate rationale and to develop proposals. This can be achieved through targeted support to countries to meet their data and knowledge gaps, which will require a more holistic approach in addressing data gaps in Africa, with partners such as the World Meteorological Organisation, the Global Framework on Climate Services and the Africa Ministerial Conference on Meteorology. The AF and GCF should hold MIEs accountable in supporting this capacity transfer.

'Fit for purpose' tools and guidelines should be developed by GCF and AF partners, and mechanisms for draw down technical support should be enabled to assist developing country actors to develop robust climate change adaptation project proposals. These will require the funds themselves to be clear about their expectations.

Recommendation 6: Reduce the burden of co-financing

While leveraging additional co-financing can be a goal to maximize GCF adaptation investments, it must not be used as a de facto requirement to access GCF adaptation funding, as it disproportionally affects the ability of DAEs accredited for micro or small project-size to access GCF adaptation funding. The GCF Board and Secretariat should expand the notion of co-financing in the GCF to recognize that in-kind contributions or domestic government resources already mobilized and spent, including micro-scale investments by individual investors, provide a way of leveraging GCF financing that is more indicative of country ownership or project sustainability than a finance leverage ratio.

Recommendation 7: Do away with the false dichotomy between adaptation and development

The GCF Board and Secretariat need to refine and re-articulate the fund's adaptation approach in a way that does not codify/rely on a narrow reading of climate rationale and incremental cost requirements to codify via a false dichotomy between development and adaptation approaches at the local level. These could hurt particularly activities that address thee immediate adaptation needs of the most vulnerable people and communities, such as strengthening social protection programs and social safety nets as these protect the poorest and most vulnerable from extreme climatic events, and they are a prerequisite/foundation for the success of lasting resilience building efforts such as diversification or innovation.

Recommendation 8: Review and revise the GCF's performance measurement system for adaptation and its risk appetite to engage new actors

The GCF Board and Secretariat must review and revise the GCF's result management and performance measurement system for adaptation investments to one that recognizes the inherent linkages between development and adaptation approaches at the local level, and that includes qualitative indicators that recognize good process and capture societal and policy improvements in support of lasting resilience building of communities in target setting and performance measurement.

The GCF should its revise and update its risk appetite to allow for the engagement and support of a broader set of actors and new and different mechanisms of climate finance delivery (e.g. devolution, decentralization, regional initiatives etc.). In particular, the GCF's risk appetite statement which indicates that it is willing to support investment risks that other climate funds are unwilling to take should 1) 'take bigger risk with smaller finance' tranches such as devolved small grants or small loan facilities that benefit climate-impacted communities and local businesses directly, and 2) support regional initiatives that are country-owned and country-led, such as the AAI and LIFE-AR.

Recommendation 9: Ensure that adequate grant-based funding is provided for climate change adaptation

Developed country governments need to fulfil their financing commitments under the UNFCCC and significantly scale up the provision of adaptation finance beyond current insufficient levels. Developed country governments should contribute with scaled up grant contributions to the AF's ongoing resource mobilization efforts and the first GCF replenishment, as both are significant adaptation finance players in the global climate finance architecture and are pioneering Direct access for developing country entities. This will strengthen the AF's and the GCF's ability to provide grant financing, including full cost grant financing, for adaptation investments, in particular for those countries and communities most vulnerable to allow for the iterative investment in people and institutions for adaptation impacts to materialize. Traceability of funding must also be improved so that investments in climate change adaptation are accurately reflected.

Recommendation 10: Increase funding certainty and funding transparency through active use of allocation parameters

The GCF needs to provide funding certainty for direct access entities. It is unrealistic and inappropriate to expect developing country institutions to invest in expensive institutional strengthening and stakeholder engagement processes when there is no certainty that funds will be available for projects. This would give DAEs the assurance that their investment in institutional capacity-building, governance improvements and compliance with GCF standards and safeguards will pay off in the medium term

The GCF must continue to ring-fence resources for adaptation, including reserving half of all adaptation financing in grant equivalent terms for projects from SIDS, LDCs and African states. The GCF should follow the best practice example set by the AF in the past and introduce a cap on finance delivery via multilateral implementing entities. This could be in the form of a sliding cap over a number of years (with the aim to successively bring down the share of MIEs in adaptation finance delivery towards a balanced ratio) to correct the current predominance of MIEs in accessing GCF resources. Other climate funds, including existing funds outside of the UNFCCC and bilateral climate financing initiatives, should commit at a minimum to a balanced allocation of funding for adaptation and mitigation in grant-equivalent terms.

BOX 7 Principles that underpin the recommendations for overcoming the 'missing middle'

Country-ownership and 'country-drivenness' have to be a core principle of all efforts; however, this must be interpreted inclusively and widely, beyond NDAs and towards the participation and engagement of a wide set of in-country stakeholders at all levels, with a particular focus on benefiting climate-affected communities and marginalized and often politically disenfranchised people or societal groups. 'Country drivenness' implies that the programming must be informed and must meet the given country's most urgent priorities.

The principle of **subsidiarity** can be a useful guide in addressing missing connection points in the flow of adaptation funds to beneficiaries as it focuses on identifying and including those actors that can deliver functions and execute climate adaptation investments at the most local level possible. By focusing on 'cascading down', the delivery and implementation function of climate adaptation finance to the most local level, in-country capacity at all levels is built, supported and expanded; incentives for mainstreaming climate awareness into all service delivery and planning functions of local governments and administration are provided; and more direct access to dedicated climate adaptation funding is created.

Access to adaptation finance should be as direct as possible and decision-making on individual adaptation investment should be devolved to the most appropriate level to secure the maximization of impact. This means that in climate funds which provide adaptation finance, direct access should become the dominant access modality and efforts to provide EDA, in which individual funding decisions on sub-projects are devolved to the recipient countries, should be further expanded and fully operationalized. In the recipient country, this means decentralizing to the extent possible decision-making on adaptation finance as well as its delivery and implementation – this will depend case-by-case. As institutional actors within existing national planning and decision-making systems, DAEs can play an important role not only in developing fund-ready projects, but also in contributing to the building and strengthening of country-driven partnership and to strengthening institutional and strategic processes on adaptation and the upstream and downstream (sub-)national systems for the strategic flows of climate finance.

Ensuring **people-centered actions**, based on the acknowledgement and support of **human rights and in particular gender equality and the empowerment of women**, is a cross-cutting mandate for delivery and implementation of all adaptation finance.

The principle of **flexibility** is needed to allow for good process (which takes time) and longer-term capacity and institutional building.

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8. Direct access is an access modality to an international climate fund that provides finance directly to developing countries' regional, national and subnational institutions without going first through an international intermediary institution, such as multilateral developing banks or UN agencies (the latter being usually referred to as international access). It is discussed at length later in the paper.
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68. Of the USD 5 billion approved by the GCF by March 2019 for 102 projects and programs, some USD 836.3 million (or 16.7 percent) is programmed through DAEs, with USD 464.5 million (or 9.3 percent) channeled through regional DAEs and only USD 381.8 million (or 7.4 percent) implemented by national DAEs. By March 2019, the GCF approved eight projects from African national DAEs with USD 162.9 million in GCF funding (or 3.3 percent of total GCF funding approved) and seven projects from African regional DAEs with USD 305.7 million in GCF funding (or 6.1 percent of total GCF funding). Calculated based on data available on the GCF website at https://www.greenclimate.fund/what-we-do/projects-programmes (accessed 5/4/2019).

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84. The GCF is currently reviewing its accreditation approach, so this may change.

85. In multilateral climate funds like the GCF, the risk for potential environmental and social harm caused by a project is usually categorized by Category A (likely to cause significant harm and requiring significant mitigation actions), Category B (somewhat likely to cause harm and requiring some mitigation actions) and Category C (causing minor or no harm and not needing mitigation actions).

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108. An Oxfam analysis of the 2010-12 fast start finance (FSF) period estimates that only 21 percent of the money mobilized during that time was devoted to adaptation action (Oxfam, 2012). A 2015 analysis by a consortium of research institutions found the level of FSF support for adaptation was only 18 percent (Nakhooda et.al, 2015). The Oxfam Climate Finance Shadow Report 2016 (looking at flows 2013-2014) found that only 16 percent were for adaptation (Oxfam, 2016). In contrast to the SCF Biennial Assessment 2016 reported a 25 percent share UNFCCC 2016).

109. Oxfam, 2016. Climate Finance Shadow Report 2016: lifting the lid on progress towards the $ 100 billion commitment. Available at: https://www.oxfam.org/en/research/climate-finance-shadow-report-2016

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111. CFU, 2019. Climate Funds Update Database. Available at: https://climatefundsupdate.org/data-dashboard/.

112. CFF7, 2019. Climate Finance Fundamentals 7-Sub-Saharan Africa. Climate Finance Regional Brief by Charlene Watson (ODI) and Liane Schalatek (HBS). Available at: https://climatefundsupdate.org/wp-content/uploads/2019/03/CFF7-2018-ENG.pdf.

113. UNEP, 2018. Adaptation Gap Report. United Nations Environment Programme (UNEP), Nairobi, Kenya.

114. While the GCF has made some efforts to differentiate management fees by project size (with micro- and small-scale projects receiving a slightly higher fee than medium- or large-scale ones), there has been no differentiation in fee structure between projects where implementing entities are hands-on direct project managers in engaging local executing entities and some of the most vulnerable population groups versus financial intermediation projects and programs where such more cost- and labor-intensive engagement is passed on to grant- or loan recipients, for example.

115. GCF, 2019e. Readiness and Preparatory Support Programme: Strategy for 2019-2021 and Work Programme 2019.

116. UNFCCC, 2016. UNFCCC Standing Committee on Finance 2016 Biennial Assessment and Overview of Climate Finance Flows Technical Report. United Nations Framework Convention on Climate Change (UNFCCC). Available at: http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/2016_ba_technical_report.pdf.

117. UNFCCC, 2018. "UNFCCC Standing Committee on Finance 2018 Biennial Assessment and Overview of Climate Finance Flows Technical Report."

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119. In contrast to all other existing climate funds dependent on voluntary contributions, the majority of the AF's financial input was supposed to come from a two percent share of proceeds of Certified Emission Reductions issued under the Kyoto Protocol's Clean Development Mechanism projects. As the carbon price has dropped, finance support by developed country governments has become a lifeline for the AF, since it lacks a formal replenishment process with multi-year funding cycles collecting government contributions like, for example, the GEF has.

120. Civil society organizations (CSOs) active in the GCF as part of the GCF CSO Network have called for replenishment efforts 'significantly beyond doubling' the amount during the initial resource mobilization (IRM), in line with the GCF's role in implementing the Paris Agreement.

121. During the GCF's initial resource mobilization, France and Canada were the only countries providing a share of their contribution as repayable loans, for just under 5 percent of the total contributions, although the threshold was set at up to 20 percent. If during the GCF replenishment efforts, more developed countries would follow this example by providing inputs into the GCF as loans, the GCF's ability to continue to provide a significant share of its financing as grants in line with UNFCCC Art.11 would be severely undermined. As of March 2019, the GCF has provided USD 2.2 billion or 44 percent of its approved finance of USD 5 billion for 102 projects and programs as grants, the same amount as provided in loans (GCF 2019a).

122. Soanes, M., Shakya, C., Walnycki, A. & Greene, S, 2019. Money where it matters; designing funds for the frontier. IIED Issue Paper. IIED, London. Available at: http://pubs.iied.org/10199IIED.

123. Ibid. An IIED study did a calculation based on project summaries compiled by and available at www.climatefundsupdate.org to identify projects with a primary focus on local beneficiaries and estimated that less than 10 percent of public climate finance might be targeting the local level (Soanes et. al., 2017).

124. This is evident in looking, for example, at the USD 8 billion Climate Investment Funds (CIFs) under the World Bank, which allowed earmarking, and where USD 6.8 billion or 85 percent is allocated to three funds focused on mitigation (with USD 5.4 billion for the Clean Technology Fund, USD 720 million for Scaling Up Renewable Energy Program in Low Income Countries, and USD 680 million for the Forest Investment Program) with just USD 1.2 billion or 15 percent allocated for the one adaptation fund, the Pilot Program for Climate Resilience (PPCR). See: https://www.climateinvestmentfunds.org/. Germany's bilateral International Climate Initiative (IKI) is another case in point

with 52 percent of financing approved between 2008 and 2017 for mitigation and only 21 percent for adaptation, while 13 percent to REDD+ efforts and 11 percent for biodiversity actions (IKI 2019; see https://www.international-climate-initiative.com/en/about-the-iki/project-portfolio/).

125. Buchner, B., Oliver, P., Wang, X., Carswell, C., Meattle, C., Mazza, F., 2017. Global Landscape of Climate Finance

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127. CFF3, 2019. Climate Finance Fundamentals 3- Adaptation Finance. Climate Finance Thematic Brief by Charlene Watson (ODI) and Liane Schalatek (HBS). Available at: https://climatefundsupdate.org/wp-content/uploads/2019/03/CFF3-2018-ENG.pdf.

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ABOUT AUTHORS' RESEARCH INSTITUTIONS

ABOUT THE AFRICA ADAPTATION INITIATIVE

The Africa Adaptation Initiative (AAI) was developed in response to a mandate from the Committee of African Heads of State and Government on Climate Change (CAHOSCC), to enhance action on adaptation in Africa. Launched at COP 21 in 2016, the AAI will facilitate partnerships among organisations working on the continent to scale up, replicate and implement new initiatives and activities to address the impacts of climate change in Africa. The AAI works to advocate and facilitate scaled-up action in four priority areas that will serve as pillars of the initiative: (1) enhancing climate information services; (2) strengthening policies and institutions; (3) supporting concrete on the ground action; and (4) increasing access to and mobilizing additional climate finance and investment for adaptation.

ABOUT THE SOUTH AFRICAN NATIONAL BIODIVERSITY INSTITUTE

The South African National Biodiversity Institute (SANBI) is a national entity and a research institute that coordinates research, monitors and reports on the state of biodiversity in South Africa. SANBI also provides planning and policy advice to the Department of Environmental Affairs (the National Designated Authority in South Africa) and associated government departments. Since 2011, when SANBI was accredited as the National Implementing Entity to the Adaptation Fund, and following its subsequent accreditation with the Green Climate Fund in October 2016, SANBI has expanded its mandate to developing and implementing innovative approaches to climate change adaptation with a focus on vulnerable communities. These projects deliver multiple and sustainable benefits to communities in an effort to respond to local adaptation needs and national climate change priorities.

ABOUT THE HEINRICH BÖLL FOUNDATION

The Heinrich Böll Foundation is a non-profit organization that is part of the global green movement. The foundation is based in Berlin, Germany, and has a network of over 30 offices around the world. It advances political and socioeconomic transformations through civic engagement and political dialogue. The Washington, DC office, in line with the foundation's guiding principles and values, works to strengthen civil liberties, human rights, and democratic institutions by promoting gender equality, social justice, and equity. Its work on international climate policy and climate finance, with a particular focus on accountability and transparency of finance flows and the Green Climate Fund (GCF), strives to preserve a habitable planet for current and future generations.

ABOUT THE GLOBAL COMMISSION ON ADAPTATION

The Global Commission on Adaptation seeks to accelerate adaptation action and support by elevating the political visibility of adaptation and focusing on concrete solutions. It is convened by over 20 countries and guided by more than 30 Commissioners, and co-managed by the Global Center on Adaptation and the World Resources Institute (WRI).