



GEF/LDCF.SCCF.13/05

October 16, 2012

LDCF/SCCF Council
November 15, 2012
Washington D.C.

Agenda Item 6

**UPDATED OPERATIONAL GUIDELINES FOR THE SPECIAL CLIMATE
CHANGE FUND FOR ADAPTATION AND TECHNOLOGY TRANSFER**

Recommended Council Decision

The LDCF/SCCF Council, having reviewed document GEF/LDCF.SCCF.13/03, *Updated Operational Guidelines for the Special Climate Change Fund for Adaptation and Technology Transfer*, submitted for LDCF/SCCF Council Approval, approves this document, including the discontinuation of use of the sliding-scale option in estimating the additional costs of adaptation.

Executive Summary

The SCCF was established to finance activities, programs and measures relating to climate change that are complementary to those funded by the climate change focal area of the GEF Trust Fund, and through bilateral and multilateral sources, in the areas of (a) climate change adaptation; (b) technology transfer; (c) energy, transport, industry, agriculture, forestry and waste management; and (d) economic diversification. As of October 10, 2012, the GEF, through the SCCF programs for adaptation (SCCF-A) and technology transfer (SCCF-B), had approved 41 projects and 6 projects respectively, with grant resources amounting to \$162.24 million under SCCF-A and \$26.64 million under SCCF-B. Co-financing under the two programs amounted to \$1,250.27 million under SCCF-A and \$82.25 million under SCCF-B. Total grant approvals under the SCCF thus reached \$188.88 million and total co-financing exceeded \$1.3 billion.

An independent evaluation of the SCCF, carried out by the GEF Evaluation Office and completed in 2011, concludes, *inter alia*, that the adaptation projects financed under SCCF-A are highly relevant to COP guidance and to the national sustainable development agendas of beneficiary countries; these projects and programs promote innovative approaches, practices and technologies; and the SCCF has been managed by the GEF in a cost-effective way – its management costs are the lowest of comparable funds. The evaluation of the SCCF also recommends, however, that the GEF provide further guidance to enhance the transparency of the process by which projects are pre-selected for work-program inclusion, which was introduced due to inadequate and unpredictable funding.

Recent guidance adopted by the UNFCCC COP requests the GEF to clarify the concept of additional costs as applied to different types of adaptation projects under the Least Developed Countries Fund (LDCF) and the SCCF, and calls on the GEF to enhance the transparency of the project review process throughout the project cycle. The guidance is in line with the mandate of the GEF to ensure transparency and to adopt streamlined procedures for the operation of the SCCF.

In response to recent guidance adopted by the COP and the recommendations of the independent evaluation; and in line with a broader effort to streamline the GEF project cycle, the present document introduces updated operational guidelines for the SCCF programs for adaptation and technology transfer. The paper draws on the 2004 programming document, and incorporates clarifications provided in recent information documents on the project pre-selection process and additional cost reasoning to provide a comprehensive reference guide to the key concepts, policies and procedures associated with projects and programs under the SCCF.

The present paper provides an overview of COP guidance to the GEF for the establishment and operation of the SCCF. It updates and clarifies the programming principles for adaptation and technology transfer, first introduced in 2004, and clarifies the concepts of additional cost reasoning and co-financing for climate change adaptation. In particular, this document notes that the sliding scale applied to estimate the cost of adaptation at an early stage of project design is no longer utilized. The document also incorporates the pre-selection criteria for SCCF projects and programs, introduced in June 2012.

Finally, the updated guidelines recognize that all operational policies and procedures introduced in the GEF since 2004 also apply to the SCCF, except where the LDCE/SCCF Council has decided otherwise in response to COP guidance. New modalities for programmatic approaches and direct access are discussed for their particular relevance to the SCCF. Current efforts to streamline the GEF project cycle, initiated at the decision of the GEF Council in June 2012, will by default apply to the SCCF and further contribute towards the objectives of the present guidelines.

Table of Contents

Introduction	1
Guidance adopted by the COP	2
Establishing the SCCF	2
Operationalizing the SCCF	3
Climate change adaptation.....	4
Technology transfer	4
Additional guidance on the operation of the SCCF	5
Recommendations of the independent evaluation of the SCCF	5
Updated operational guidelines for the SCCF	6
Rationale for updating the operational guidelines	6
Provision of guidance	6
Source of financing	6
Eligibility criteria	7
Financing and modalities	7
Program for Adaptation	7
Programming principles	7
Activities to be financed	8
Additional cost of adaptation	9
Phase-out of the sliding scale concept	9
Program for Technology Transfer	10
Programming principles.....	10
Activities to be financed	10
Project and program pre-selection	11
Modalities introduced under GEF-5 and further efforts to streamline the GEF project cycle	12
Programmatic approaches	13
Direct access and broadening the GEF partnership	13
Streamlining the GEF project cycle	14

INTRODUCTION

1. The Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC), at its seventh session, established the Special Climate Change Fund (SCCF) to finance activities, programs and measures relating to climate change that are complementary to those funded by the climate change focal area of the GEF Trust Fund, and through bilateral and multilateral sources (decisions 7/CP.7; 5/CP.7; 4/CP.7)¹. While the SCCF has four financing windows, adaptation was given top priority in accordance with decision 5/CP.9².

2. In May 2002, the GEF Council approved the arrangements for the establishment of the SCCF (GEF/C.19/6, April 2002³) and, in response to additional guidance adopted by COP 9 (decision 5/CP.9), the SCCF was operationalized in 2004 (GEF/C.24/12, October 2004⁴). As of October 10, 2012, the GEF, through the SCCF programs for adaptation (SCCF-A) and technology transfer (SCCF-B), had approved 41 projects and 6 projects respectively, with grant resources amounting to \$162.24 million under SCCF-A and \$26.64 million under SCCF-B. Co-financing under the two programs amounted to \$1,250.27 million under SCCF-A and \$82.25 million under SCCF-B. Total grant approvals under the SCCF thus reached \$188.88 million, while total co-financing exceeded \$1.3 billion. An independent evaluation of the SCCF, carried out by the GEF Evaluation Office and completed in 2011, concludes, *inter alia*, that the adaptation projects financed under SCCF-A are highly relevant to COP guidance and to the national sustainable development agendas of beneficiary countries; these projects and programs promote innovative approaches, practices and technologies; and the SCCF has been managed by the GEF in a cost-effective way – its management costs are the lowest of comparable funds (GEF/LDCF.SCCF.11/ME/02, October 2011⁵).

3. The evaluation of the SCCF also recommends, however, that the GEF provide further guidance to enhance the transparency of the process by which projects are pre-selected for work-program inclusion, which was introduced due to inadequate and unpredictable funding. Moreover, recent guidance adopted by COP 17 requests the GEF to “clarify the concept of additional costs as applied to different types of adaptation projects under the Least Developed Countries Fund [LDCF] and the [SCCF]”; and calls on the GEF to “enhance the transparency of the project review process throughout the project cycle” (decision 11/CP.17⁶). The recommendation of the independent evaluation as well as the recent guidance adopted by the COP are in line with the mandate of the GEF to “ensure *transparency* [...]; [and] adopt *streamlined procedures* for the operation of the [SCCF] while ensuring sound financial management [emphasis added]” (decision 7/CP.8⁷).

¹ COP 7 decisions are available on <http://unfccc.int/resource/docs/cop7/13a01.pdf#page=22>.

² COP 9 decisions are available on <http://unfccc.int/resource/docs/cop9/06a01.pdf#page=3>.

³ Available on

<http://www.thegef.org/gef/sites/thegef.org/files/documents/C.19.6%20Climate%20Change%20Funds.pdf>.

⁴ Available on <http://www.thegef.org/gef/sites/thegef.org/files/documents/C.24.12.pdf>.

⁵ Available on <http://www.thegef.org/gef/sites/thegef.org/files/documents/Evaluation%20for%20SCCF.pdf>.

⁶ Available on <http://unfccc.int/resource/docs/2011/cop17/eng/09a02.pdf#page=14>.

⁷ Available on <http://unfccc.int/resource/docs/cop8/07a01.pdf#page=17>.

4. In response to recent guidance adopted by the COP and the recommendations of the independent evaluation, and in line with a broader effort to streamline the GEF project cycle, the present document introduces updated operational guidelines for the SCCF programs for adaptation and technology transfer. The paper draws on the 2004 programming document (GEF/C.24/12, October 2004), and incorporates clarifications provided in recent information documents on the project pre-selection process (GEF/LDCF.SCCF.12/Inf.05, May 2012⁸) and additional cost reasoning (GEF/LDCF.SCCF.12/Inf.04⁹) to provide a comprehensive reference guide to the key concepts, policies and procedures associated with projects and programs under the SCCF. Among the operational modalities that have become obsolete with practice, this document notes that the sliding scale applied to estimate the cost of adaptation at an early stage of project design is no longer utilized. The document also recognizes that all operational policies and procedures introduced in the GEF since 2004 also apply to the SCCF, except where the LDCF/SCCF Council has decided otherwise in response to COP guidance. In particular, new modalities for programmatic approaches and direct access are highlighted for their relevance to the SCCF. Current efforts to streamline the GEF project cycle, initiated at the decision of the GEF Council in June 2012, will by default apply to the SCCF and further contribute towards the objectives of the present guidelines.

GUIDANCE ADOPTED BY THE COP

Establishing the SCCF

5. UNFCCC COP 7 decided “that [the SCCF] shall be established to finance activities, programmes and measures, relating to climate change, that are complementary to those funded by the resources allocated to the climate change focal area of the [GEF] and by bilateral and multilateral funding, in the following areas:

- (a) Adaptation, in accordance with paragraph 8 of decision 5/CP.7;
- (b) Transfer of technologies, in accordance with decision 4/CP.7;
- (c) Energy, transport, industry, agriculture, forestry and waste management;
- (d) Activities to assist developing country Parties referred to under Article 4, paragraph 8(h), in diversifying their economies, in accordance with decision 5/CP.7”. (decision 7/CP.7, paragraph 2).

6. In decision 5/CP.7, the COP further decided “that the implementation of the following activities shall be supported through the [SCCF] (in accordance with decision 7/CP.7) and/or the adaptation fund (in accordance with decision 10/CP.7), and other bilateral and multilateral sources:

- (a) Starting to implement adaptation activities promptly where sufficient information is available to warrant such activities, inter alia, in the areas of water resources management, land management, agriculture, health, infrastructure development,

⁸ Available on <http://www.thegef.org/gef/sites/thegef.org/files/documents/Pre-Selection%20Criteria%20SCCF%20Inf.05%20May7.pdf>.

⁹ Available on <http://www.thegef.org/gef/sites/thegef.org/files/documents/Clarification%20on%20Additional%20Cost%20M ay.pdf>.

- fragile ecosystems, including mountainous ecosystems, and integrated coastal zone management;
- (b) Improving the monitoring of diseases and vectors affected by climate change, and related forecasting and early-warning systems, and in this context improving disease control and prevention;
 - (c) Supporting capacity building, including institutional capacity, for preventive measures, planning, preparedness and management of disasters relating to climate change, including contingency planning, in particular, for droughts and floods in areas prone to extreme weather events;
 - (d) Strengthening existing and, where needed, establishing national and regional centres and information networks for rapid response to extreme weather events, utilizing information technology as much as possible” (decision 5/CP.7, paragraph 8).

7. With respect to technology transfer, COP 7 agreed on a framework for the implementation of Article 4, Paragraph 5 of the Convention, and requested “the [GEF], as an operating entity of the financial mechanism of the Convention, to provide financial support for the implementation of the [...] framework through its climate change focal area and the [SCCF]” (decision 4/CP.7).

Operationalizing the SCCF

8. At its eighth session, the COP provided initial guidance for the operation of the SCCF, deciding that, “the [GEF], as an entity entrusted with the operation of the financial mechanism of the Convention, should:

- (a) Promote complementarity of funding between the [SCCF] and other funds with which the operating entity is entrusted;
- (b) Ensure financial separation of the [SCCF] from other funds with which the operating entity is entrusted;
- (c) Ensure transparency in the operation of the [SCCF];
- (d) Adopt streamlined procedures for the operation of the [SCCF] while ensuring sound financial management” (decision 7/CP.8).

9. With a view to mobilizing resources and operationalizing the SCCF, COP 9 decided that:

- (a) The [SCCF] should serve as a catalyst to leverage additional resources from bilateral and other multilateral sources;
- (b) Activities to be funded should be country-driven, cost-effective and integrated into national sustainable development and poverty-reduction strategies;

(c) Adaptation activities to address the adverse impacts of climate change shall have top priority for funding;

(d) Technology transfer and its associated capacity-building activities shall also be essential areas to receive funding from the [SCCF]" (decision 5/CP.9, paragraph 1).

Climate change adaptation

10. With respect to the implementation of adaptation activities, the COP decided that these "shall be supported through the [SCCF], taking into account national communications or national adaptation programmes of action [NAPA], and other relevant information provided by the applicant Party, and include:

(a) Implementation of adaptation activities where sufficient information is available to warrant such activities, inter alia, in the areas of water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems, including mountain ecosystems, and integrated coastal zone management;

(b) Improving the monitoring of diseases and vectors affected by climate change, and related forecasting and early warning systems, and in this context improving disease control and prevention;

(c) Supporting capacity-building, including institutional capacity, for preventive measures, planning, preparedness and management of disasters relating to climate change, including contingency planning, in particular, for droughts and floods in areas prone to extreme weather events;

(d) Strengthening existing and, where needed, establishing national and regional centres and information networks for rapid response to extreme weather events, utilizing information technology as much as possible" (decision 5/CP.9, paragraph 2).

Technology transfer

11. As for technology transfer, the COP decided that "resources from the [SCCF] shall be used to fund technology transfer activities, programmes and measures that are complementary to those currently funded by the [GEF] taking into account national communications or any other relevant documents in accordance with decision 4/CP.7 and its annex [...], in the following priority areas:

(a) Implementation of the results of technology needs assessments;

(b) Technology information;

(c) Capacity-building for technology transfer;

(d) Enabling environments" (decision 5/CP.9, paragraph 3).

12. In subsequent guidance to the GEF on technology transfer, the COP has made specific references to the SCCF. In particular, COP 12, requested the GEF to “to continue to provide financial support for the implementation of the technology transfer contained in the annex to decision 4/CP.7, including new sub-themes, through its climate change focal area and the [SCCF] established under decision 7/CP.7” and to enable non-Annex I Parties to carry out technology needs assessments (decision 3/CP.12, paragraph 1¹⁰).

Additional guidance on the operation of the SCCF

13. COP 12 provided additional guidance regarding the operationalization of the remaining two areas for funding under the SCCF, as defined in paragraphs 2 (c–d) of decision 7/CP.7 (see also paragraph 5 above). The COP also decided to “assess, at its fifteenth session, the status of implementation of [decision 1/CP.12, paragraph 2], with a view to considering further guidance on how the fund shall support concrete implementation projects in accordance with paragraphs 22–29 of decision 5/CP.7 [on economic diversification]”. (decision 1/CP.12, paragraph 3) The assessment was concluded in 2010, as per decision 4/CP.16¹¹. Upon request of COP 16, the GEF provided information on the implementation of paragraph 2 (a–d) of decision 7/CP.7, and the GEF’s report was considered by SBI 36 (FCCC/SBI/2012/L.14, paragraphs 12–13¹²).

14. At its seventeenth session, the COP requested “the [GEF], as an operating entity of the financial mechanism of the Convention: [...]

(b) To continue to enhance the transparency of the project review process throughout the project cycle;

(c) To clarify the concept of additional costs as applied to different types of adaptation projects under the [LDCF] and the [SCCF] which seek to respond to climate change risks;

(d) To continue to provide financial resources to developing countries for strengthening existing and, where needed, establishing national and regional systematic observation and monitoring networks under the [LDCF] and the [SCCF]” (decision 11/CP.17).

RECOMMENDATIONS OF THE INDEPENDENT EVALUATION OF THE SCCF

15. An independent evaluation of the SCCF was presented to the LDCF/SCCF Council in November 2011. The evaluation concludes, *inter alia*, that the adaptation projects financed under SCCF-A are relevant to UNFCCC COP guidance; these projects are highly relevant to the national sustainable development agendas of beneficiary countries, contributing to socio-economic development goals; projects employ innovative approaches to overcome the lack of data on many emerging adaptation issues; and the SCCF has been managed by the GEF in a cost-effective way – its management costs are the lowest of comparable funds.” (GEF/LDCF.SCCF.11/ME/02, October 2011).

¹⁰ COP 12 decisions are available on <http://unfccc.int/resource/docs/2006/cop12/eng/05a01.pdf#page=3>.

¹¹ COP 16 decisions are available on <http://unfccc.int/resource/docs/2010/cop16/eng/07a02.pdf#page=8>.

¹² Available on <http://unfccc.int/resource/docs/2012/sbi/eng/114.pdf>.

16. The evaluation also notes, however, that “the formal project cycle is implemented in accordance to GEF standards and rules. However, due to the unpredictability of funding availability, an informal project pre-selection process has been introduced”. The evaluation noted that “the limited and unpredictable funding situation of the SCCF necessitated the addition of an informal pre-selection process unique to the SCCF to match the number of projects entering the formal project cycle to the funds available. While pre-selection is a pragmatic solution for fund management, concerns were expressed by external beneficiaries and the GEF agencies during the evaluation regarding the transparency of this informal step.” (ibid.)

17. The evaluation recommended that the LDCF/SCCF Council ask the Secretariat “to prepare proposals to ensure the transparency of the project pre-selection process”, noting that “if funding levels remain low and unpredictable, a limited time window for project proposals could be opened on a competitive basis, in which projects would be rated according to a precise set of criteria, based for example on concrete benefits to be achieved and potential for replication and scaling up.” (ibid.)

UPDATED OPERATIONAL GUIDELINES FOR THE SCCF

Rationale for updating the operational guidelines

18. In response to the guidance adopted by UNFCCC COP 17 and the recommendations of the independent evaluation of the SCCF, and in line with a broader effort to streamline the GEF project cycle, the present guidelines reiterate, clarify and update the principle elements of the document *Programming to Implement the Guidance for the Special Climate Change Fund adopted by the Conference of the Parties to the United Nations Framework Convention on Climate Change at its Ninth Session* (GEF/C.24/12, October 2004), approved by the GEF Council in November 2004. The updated guidelines incorporate clarifications provided in recent information documents on the project pre-selection process (GEF/LDCF.SCCF.12/Inf.05, May 2012) and additional cost reasoning (GEF/LDCF.SCCF.12/Inf.04) to provide a comprehensive reference guide to the key concepts, policies and procedures associated with projects and programs under the SCCF. In addition, the present document takes into account new operational policies and procedures introduced in the GEF since 2004, which also apply to the SCCF, except where the LDCF/SCCF Council has decided otherwise in response to COP guidance.

Provision of guidance

19. The COP provides guidance to GEF on matters pertaining to the operation of the SCCF, and the GEF reports to the COP. The SCCF follows GEF procedures, operational policies, fiduciary standards, as well as practices for results-based management, monitoring and evaluation, except where the LDCF/SCCF Council decides otherwise in response to COP guidance.

Source of financing

20. As per decision 7/CP.7, Parties included in Annex II, as well as other Parties included in Annex I and any non-Annex I Parties that are in a position to do so, are invited to contribute to

the SCCF. The GEF ensures financial separation of the SCCF from other funds operated by the GEF.

Eligibility criteria

21. The SCCF was established to finance activities in support of developing country Parties to the UNFCCC. According to the GEF's interpretation, all non-Annex I Parties to the UNFCCC are eligible for financing under the SCCF. To ensure country ownership, all proposals submitted for funding under the SCCF must be endorsed by the GEF Operational Focal Point.

Financing and modalities

22. The GEF, in its operation of the SCCF, applies the same financing modalities and project cycle as it does for projects and programs financed under the GEF Trust Fund. SCCF financing may be sought for medium-sized projects (MSP), full-sized projects (FSP) and programmatic approaches (see also paragraphs 48–50 below), in accordance with the rules and procedures presented in the GEF-5 project cycle (GEF/C.39/Inf.03, October 2010¹³). SCCF resources can also be provided for Enabling Activities (EA) or through a Small Grants Program (SGP), drawing on the experience and precedents under the GEF Trust Fund and the LDCF (see also paragraphs 51–52 below).

23. Decision 5/CP.9 provides that the SCCF “should serve as a catalyst to leverage additional resources from bilateral and other multilateral sources” (paragraph 1). Accordingly, efforts will be made to maximize co-financing from other sources for projects and programs financed under the SCCF. Decision 5/CP.9 further requests the GEF “to arrange expedited access to the to arrange expedited access to the SCCF in keeping with current practices of the GEF, taking into account the need for adequate resources to implement eligible activities, programmes and measures” (paragraph 5). The financing modalities, as well as the relevant processes and procedures for accessing funds under the SCCF, will be revisited in accordance with an on-going, broader effort to streamline the GEF project cycle (see also paragraph 56 below).

PROGRAM FOR ADAPTATION

Programming principles

24. Activities to be funded under the SCCF Program for Adaptation (SCCF-A) will:

- (a) be country-driven, cost-effective and integrated into national sustainable development and poverty-reduction strategies; and
- (b) take into account national communications or NAPAs and other relevant studies and information provided by the Party.

25. It is recognized that climate change affects most heavily those least able to respond, and often those that contribute very little to its causes. Adaptation activities financed under SCCF-A

¹³ Available on http://www.thegef.org/gef/sites/thegef.org/files/documents/C.39.Inf_.3%20-%20GEF%20Project%20and%20Programmatic%20Approach%20Cycles.pdf.

will seek to assist the most vulnerable countries and those within a country with the greatest need. Activities will therefore seek to recognize the link between adaptation and poverty reduction. Activities financed under SCCF-A will seek to understand and address gender dimensions and socioeconomic issues.

Activities to be financed

26. The goal of SCCF-A is to support developing countries to become climate resilient by integrating adaptation measures in development policies, plans, programs, projects and actions. SCCF-A has three strategic objectives, namely to

- (i) Reduce vulnerability to the adverse impacts of climate change, including variability, at local, national, regional and global level;
- (ii) Increase adaptive capacity to respond to the impacts of climate change, including variability, at local, national, regional and global level; and
- (iii) Promote the transfer and adoption of adaptation technology.¹⁴

27. SCCF-A will assist countries to assess to what extent development projects in the areas identified below are at risk from the impacts of climate change. An objective of adaptation activities financed under the fund will be to support capacity building, including institutional capacity, to make project preparatory work, constituency building, and awareness-raising more informed of the likely effects of climate change.

28. Activities will focus on prevention, rather than reaction, as is often seen in conventional efforts to cope with climate variability, extreme weather events and climate change. Where possible, activities that prevent additional human and economic losses due to climate change will be identified.

29. In line with the guidance by the UNFCCC COP in decision 5/CP.9, activities financed under SCCF-A will be implemented, *inter alia*, in the following areas:

- (a) water resources management;
- (b) land management;
- (c) agriculture;
- (d) health;
- (e) infrastructure development;
- (f) fragile ecosystems (including mountain ecosystems); and
- (g) integrated coastal zone management.

¹⁴ The strategic objectives of SCCF-A were introduced and elaborated in the 2010 *GEF Strategy on Adaptation to Climate Change for the Least Developed Countries Fund and the Special Climate Change Fund*, available on <http://www.thegef.org/gef/sites/thegef.org/files/publication/GEF-ADAPTION%20STRATEGIES.pdf>.

Additional cost of adaptation

30. Adaptation and development are closely linked. Accordingly, SCCF-A supports adaptation activities in the context of development interventions, in accordance with the principle of additional cost. The full cost of adaptation translates into the term *additional cost* in COP guidance and the SCCF project cycle. This concept is used to explain how the costs of adaptation are added to costs of Business-as-Usual (BAU) or baseline development. BAU refers to activities that would be implemented also in absence of climate change. The full cost of adaptation is paid entirely from the SCCF.

31. The rationale behind this concept is to use the SCCF funds to integrate adaptation to climate change in the context of a broader development intervention. This approach seeks greater impact and cost-effectiveness through synergies and economies of scale. In this case, BAU development financing – that can include development assistance (bilateral or multilateral), government budget lines, as well as contributions from NGOs or community groups; in the form of cash/grant, loan, soft-loan, or in-kind – can be topped up with SCCF financing to mainstream adaptation into development. BAU development financing, in the context of the SCCF, translates into the concept of *co-financing* in the SCCF project cycle (see also paragraphs 33–34 below).

32. As the SCCF funds the full cost of adaptation, it can also fund standalone projects, provided that what is being financed is shown to be exclusively adaptation interventions, which is not linked to BAU development.

33. In summary, the concept of additional cost, in the context of the SCCF, is the amount of funding required to implement adaptation measures that would not be necessary in absence of climate change.

Phase-out of the sliding scale concept

34. The programming document, GEF/C.24/12, introduced the concept of a proportional or “sliding scale” for co-financing for adaptation activities financed under the SCCF. The sliding scale was presented as an option for determining the appropriate amount of additional funding for adaptation based on the size of the baseline project, or BAU development financing. As clarified in the programming document, the limited experience of implementing adaptation interventions, and a lack of examples of similar activities to draw upon at that time was recognized, which is why the sliding scale was introduced in order to assist in the process of project development.

35. However, given the growing experience in the design and implementation of adaptation projects and programs since 2004, and as evidence shows that the sliding scale is no longer in active use, this option has become obsolete. Instead, the additional cost will be assessed based on the comparison of the cost of BAU development to the estimated cost of climate-resilient development, or other project-appropriate means.

PROGRAM FOR TECHNOLOGY TRANSFER

Programming principles

36. Activities to be funded under the SCCF Program for Technology Transfer (SCCF-B) will:
- (a) be country-driven, cost-effective and integrated into national sustainable development and poverty reduction strategies;
 - (b) serve as a catalyst to leverage additional resources including bilateral and multilateral sources, private sector and NGOs; and
 - (c) be based on recommendations from national communications, technology needs assessments (TNA), and other information provided by the Party.

Activities to be financed

37. Activities financed under SCCF-B will focus on the transfer of environmentally sound technologies (EST), with an emphasis on, but not limited to, technologies to reduce emissions or atmospheric concentrations of greenhouse gases. Where SCCF-B finances the transfer of technologies for climate change mitigation, it follows the programming principles of the Climate Change Mitigation focal area of the GEF Trust Fund, as presented in the GEF-5 *Climate Change Strategy*¹⁵, as well as GEF policies on global environmental benefits, incremental reasoning and co-financing, outlined, *inter alia*, in the document *Guidelines for Project Financing* (GEF/C.41/Inf.04, October 2011)¹⁶. SCCF-B may also finance the transfer of technologies for climate change adaptation. In this case projects and programs financed under SCCF-B should be consistent with the guidelines for adaptation activities financed under SCCF-A (see above).
38. In line with the guidance by the COP in decision 5/CP.9, SCCF-B will support:
- (a) implementation of the results of technology needs assessments;
 - (b) technology information;
 - (c) capacity-building for technology transfer; and
 - (d) enabling environments.
39. The transfer of ESTs is a complex process that ultimately requires successful investment, and cooperation between a multitude of stakeholders is necessary to ensure its success. Support provided under SCCF-B will seek to fully recognize and complement the plethora of other avenues for financing technology transfer.
40. Government agencies, industry, financial intermediaries, the private sector, and civil society all have a role to play in the transfer of ESTs. Technology transfer lies at the heart of the

¹⁵ Available on http://www.thegef.org/gef/sites/thegef.org/files/documents/document/GEF-5_CC_strategy.pdf.

¹⁶ Available on http://www.thegef.org/gef/sites/thegef.org/files/documents/C.41.Inf_04_Guidelines_for_Project_Financing.pdf.

business operations of many private corporations. Technology transfer is also essential to development assistance, and many global, regional and national organizations are already actively involved in the technology transfer process.

PROJECT AND PROGRAM PRE-SELECTION

41. In response to the *Evaluation of the Special Climate Change Fund* (GEF/LDCF.SCCF.11/ME/02), the Secretariat has clarified the criteria based on which projects and programs proposed under the SCCF are pre-selected for work-program entry (see GEF/LDCF.SCCF.12/Inf.05, May 2012).
42. Demand for SCCF resources continues to significantly exceed the availability of funds. As a result, the Secretariat has introduced a pre-selection process within the formal SCCF project cycle, as a means to provide additional guidance to recipient countries and GEF Agencies prior to the formal submission of Project Identification Forms (PIF) or Program Framework Documents (PFD) for inclusion in a SCCF work program. The pre-selection process aims at identifying and prioritizing suitable projects and programs for admission in the formal project cycle, so that the number and size of the proposals entering the formal cycle matches the funds available.
43. In the pre-selection process, GEF Agencies submit their priority project concepts to the Secretariat. During the monthly Adaptation Task Force (ATF) meetings details of the submitted projects and programs are discussed. Following the input from Agencies, the Secretariat reviews the project concepts received in accordance with the pre-selection criteria discussed below. The results and the criteria of the pre-selection process are also communicated to the Agencies at ATF meetings, where the Secretariat is available to answer questions regarding its decision. The minutes of ATF meetings are shared with all GEF Agencies via e-mail. For projects and programs under SCCF-B seeking financing for the transfer of technologies for climate change mitigation, the Climate Change Mitigation Task Force is engaged in the pre-selection process as described above.
44. The primary selection criteria are consistent with the SCCF eligibility criteria and programming principles, as introduced in the 2004 programming document (GEF/C.24/12) and elaborated in the present document.
45. The pre-selection attempts to ensure the following:
 - (a) **Project or Program Quality:** The SCCF proposal must, during the pre-screening stage, show promise in terms of technical quality and appear to meet or able to meet, with reasonable modifications, the primary selection criteria. In this regard, the proposal must be country-driven; have a sound design; be sustainable and replicable; be cost-effective, and include civil society and public participation as well as gender considerations, as appropriate; and, in the case of projects submitted under SCCF-A, finance concrete adaptation activities.

(b) **Balanced distribution of funds among eligible countries:** The SCCF has already supported projects in a number of countries. It has funded a number of regional and global programs as well. In each new work program, the SCCF strives to support projects and programs in those vulnerable, non-Annex I countries that have not yet accessed SCCF funds, and in regions and sub-regions that have previously accessed a relatively lower share of SCCF resources.

(c) **Equitable regional distribution:** SCCF attempts to achieve a regional balance in its portfolio, where all regions are supported proportionally to the number of vulnerable countries that exist within.

(d) **Balanced support for all priority sectors under SCCF-A:** A number of sectors are considered to be priority for climate change adaptation activities. Although SCCF has supported projects in most of these priority sectors, there are variances in coverage and consistency, and some gaps remain. In preparation of a new work program attention will be given to support projects and programs in sectors which have hitherto received relatively lower coverage.

(e) **Balanced distribution among GEF agencies based on comparative advantage:** Depending on the specificities of a given project and the work program as a whole, and consistent with the comparative advantages of the GEF agencies, the SCCF aims for a balanced distribution of agencies in its work program, assuming the previous criteria have been taken into account.

46. The pre-selection of a concept is not a guarantee for admission into the subsequent work program. The outcome of the pre-selection process does not preclude any given Agency from submitting a Project Identification Form (PIF) for consideration for SCCF funding for a concept that was not pre-selected.

MODALITIES INTRODUCED UNDER GEF-5 AND FURTHER EFFORTS TO STREAMLINE THE GEF PROJECT CYCLE

47. In addition to the efforts made to clarify the programming principles, key concepts and pre-selection criteria associated with the SCCF programs for adaptation and technology transfer, described above; proposals submitted for financing under the SCCF will also benefit from recent reforms and new modalities introduced under GEF-5. In particular, updated and streamlined programmatic approaches offer further opportunities to scale up activities under the SCCF. Direct access for enabling activities could, based on experience gained under the GEF Trust Fund and should the need arise, be adopted for adaptation and/or technology transfer activities financed under the SCCF. Finally, changes to the project and programmatic approach cycles adopted under GEF-5, and efforts to further streamline the GEF project cycle as per the decision

of the GEF Council in June 2012, will apply by default to the SCCF (see GEF/C.38/5/Rev.1, July 2010¹⁷; and GEF/C.39/Inf.03, October 2010).

Programmatic approaches

48. The overall objective of the programmatic approach is to secure a larger-scale and sustained impact in terms of global environmental benefits or climate change adaptation by implementing medium to long-term strategies for achieving specific objectives that are consistent with national or regional strategies and plans of recipient countries. By working through programmatic approaches, the SCCF aims to disburse resources effectively and efficiently to countries and regions with enhanced accountability and oversight.

49. Programs may also provide opportunities for interested donors or other partners (including the private sector) to invest additional, focused funding that seeks to achieve the same impacts. Programmatic approaches, therefore, serve the catalytic role of the SCCF, in line with decision 5/CP.9.

50. At this time, the LDCF/SCCF Council has not made any exceptions to the policies and procedures regarding programmatic approaches financed under the SCCF and, as a result, the SCCF follows the same programmatic approach cycle as the GEF Trust Fund, as described in the document *GEF Project and Programmatic Approach Cycles*¹⁸ (GEF/C.39/Inf.03, October 2010).

Direct access and broadening the GEF partnership

51. SCCF resources can be provided for Enabling Activities (EA)¹⁹, and, for this purpose, recipient countries could take advantage of the *direct access* modality. Based on a recommendation made by the participants to the fifth replenishment of the GEF Trust Fund, in July 2010, the GEF Council approved the *Policies and Procedures for the Execution of Selected GEF Activities - National Portfolio Formulation Exercise and Convention Reports - with Direct Access by Recipient Countries* (GEF/C.38/06/Rev.1, July 2010²⁰). In accordance with the modality introduced, countries can opt to access GEF resources directly from the GEF Secretariat for the preparation of National Portfolio Formulation Exercises (NPF), with grants amounting to no more than \$30,000 per recipient country, and Convention Reports, such as National Communications, with grants amounting to no more than \$500,000.

52. Direct access for enabling activities could represent a means for the GEF to further enhance country ownership of adaptation and technology transfer activities financed under the SCCF.

¹⁷ Available on

http://www.thegef.org/gef/sites/thegef.org/files/documents/C.38.5.Rev_.1%20Streamlining%20the%20Project%20Cycle%20and%20Revising%20the%20Programmatic%20Approach.%20revised.%20July%202001.%202010.pdf.

¹⁸ Available on http://www.thegef.org/gef/sites/thegef.org/files/documents/C.39.Inf_.3%20-%20GEF%20Project%20and%20Programmatic%20Approach%20Cycles.pdf.

¹⁹ The global UNEP project in support of Technology Needs Assessments (TNA) was financed under SCCF-B. For further information, please refer to http://www.thegef.org/gef/TT_tech_needs_assessment.

²⁰ Available on http://www.thegef.org/gef/sites/thegef.org/files/documents/C.38.6.Rev_.1-Policies_and_Procedures_for_Direct_Access_Final%20Revised_July%202001_2010.pdf.

53. In May 2011, under the provisions of paragraph 28 of the GEF Instrument²¹, the GEF Council decided to broaden the GEF Partnerships by approving the policies, procedures, and criteria for a pilot on accrediting new institutions to serve as GEF Project Agencies. The expansion of the GEF Partnership aims at enhancing country ownership within the GEF and to give recipient countries greater choice in terms of the agencies with which they work. Accreditation of national agencies as GEF Project Agencies will also allow countries to enhance their capacities in project design and implementation. Upon accreditation, GEF Project Agencies will be entitled to work directly with the GEF Secretariat and Trustee to assist recipient countries in the preparation and implementation of GEF-financed projects, which will enable them to access resources from GEF-managed trust funds directly.

54. The following types of agencies will be eligible for accreditation under rules for the GEF-5 pilot, as agreed by the GEF Council:

- (i) national institutions;
- (ii) regional organizations;
- (iii) civil society organizations/non-governmental organizations;
- (iv) United Nations specialized agencies and programs; and
- (v) other international organizations.

55. At this time, the LDCF/SCCF Council has not made any exceptions to the documents *Broadening the GEF Partnership under Paragraph 28 of the GEF Instrument*²² (GEF/C.40/09, April 2011) or *GEF Policy on Agency Minimum Standards on Environmental and Social Safeguards*²³ (GEF/C.40/10/Rev.1, May 2011). Accordingly, the SCCF follows the same direct access policies as the GEF, and as described in the aforementioned documents.

Streamlining the GEF project cycle

56. In June 2012, the GEF Council “requested a working group, comprised of Council Members, Agencies, and the Secretariat, to propose at the November 2012 meeting, detailed streamlining measures in the project cycle and cost savings in implementing services provided by Agencies at least commensurate with the approved fee structure” (*Joint Summary of the Chairs*, 42nd meeting of the GEF Council²⁴; and GEF/C.42/08, May 2012²⁵). In response to the decision, the GEF is in the process of further streamlining its project cycle and the resulting streamlining measures will by default apply to the SCCF. The streamlining measures are

²¹ *Instrument for the Establishment of the Restructured GEF* (2011), available on http://www.thegef.org/gef/sites/thegef.org/files/publication/GEF_Instrument_Oct2011_final_0.pdf.

²² Available on http://www.thegef.org/gef/sites/thegef.org/files/documents/C.40.09_Broadening_the_GEF_Partnership.04_26_11.pdf.

²³ Available on http://www.thegef.org/gef/sites/thegef.org/files/documents/C.40.10.Rev_1.GEF_Policies_on_Safeguards_and_Gender.May_25_2011.pdf.

²⁴ Available on http://www.thegef.org/gef/sites/thegef.org/files/documents/Joint_Summary_of_the_Chairs_0.pdf.

²⁵ Available on http://www.thegef.org/gef/sites/thegef.org/files/documents/GEF.C42.08_Fee%20Structure%20For%20Agencies_Part%20I.pdf.

expected to further expedite access to SCCF resources, in line with COP guidance.

57. Upon completion of the current round of GEF streamlining measures, and given the governance structure of the SCCF, the LDCF/SCCF Council may consider further changes to the SCCF project cycle, taking into account the unique mandate of the Fund, and in order to address any gaps or opportunities specific to the SCCF, as appropriate.