GEF/LDCF.SCCF.11/ME/02
October 11, 2011

LDCF/SCCF Council Meeting
November 10, 2011

Agenda Item 6

EVALUATION OF THE SPECIAL CLIMATE CHANGE FUND (SCCF)

(Prepared by the GEF Evaluation Office)

Recommended Council Decision

The LDCF/SCCF Council, having reviewed document GEF/LDCF.SCCF.11/ME/02, *Evaluation of the Special Climate Change Fund,* and document GEF/LDCF.SCCF.11/ME/03, *Management Response to the Evaluation of the Special Climate Change Fund*, appeals to donors to adequately fund the SCCF in a predictable manner, preferably through a replenishment process.

The LDCF/SCCF Council requests the Secretariat to prepare proposals to ensure:

a) transparency of the project pre-selection process;
b) dissemination of good practices through existing channels;
c) visibility of the fund by requiring projects to identify their funding source.

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EXECUTIVE SUMMARY

1. In July 2010, the LDCF/SCCF Council requested the GEF Evaluation Office to undertake an evaluation of the SCCF to be presented at the November 2011 Council meeting. The evaluation was carried out from May to September 2011. The main objectives were to provide the Council with evaluative evidence on the progress towards SCCF objectives as well as the main achievements from the implementation so far.

2. The evaluation was structured according to four evaluation criteria: (1) Relevance, (2) Effectiveness, (3) Efficiency, and (4) Results and Sustainability of results. Due to the early stage of implementation of most SCCF projects it was not possible to systematically measure impact. However, examples of results to date as well as potential sustainability of the results were incorporated in the report. A consultation workshop took place September 22, 2011 to present preliminary findings, conclusions and recommendations, and to receive feedback from stakeholders on possible factual errors and analysis. Comments were reviewed and incorporated as appropriate into the final report. The full evaluation report is available on the GEF Evaluation Office website (www.gefeo.org).

3. The SCCF finances climate change projects through four funding windows: (A) adaptation, (B) transfer of technologies, (C) energy, transport, industry, agriculture, forestry, and waste management and (D) support to economic diversification of fossil fuel dependent countries. Currently, the SCCF portfolio consists of 35 projects and programs amounting to \$142.6 million of which \$127.5 million are dedicated to 31 climate change adaptation projects under SCCF-A and \$15.2 million to four technology transfer projects under SCCF-B; co-financing for these projects amount to \$826.0 million and \$17.5 million, respectively. SCCF-C and SCCF-D did not receive any contributions and are thus not addressed by the SCCF portfolio.

4. The evaluation reached the following 12 conclusions:

1) The four SCCF programming strategies are relevant to the COP guidance;
2) The adaptation projects are relevant to the COP guidance and SCCF programming;
3) The technology transfer projects are relevant to COP guidance and SCCF programming;
4) The funding of SCCF is not commensurate with the global mandate of the COP guidance;
5) Although SCCF programming was formulated to implement activities under windows C and D, COP guidance for these windows was not implemented because of lack of funding;
6) The adaptation projects are highly relevant to national sustainable development agendas of beneficiary countries, contributing to socio-economic development goals;
7) Projects employ innovative approaches to overcome the lack of data on many emerging adaptation issues;
8) In general projects are well geared towards replication and up-scaling, yet follow-up is uncertain due to lack of funding;
9) The SCCF has been managed by the GEF in a cost-effective way; its management costs are lowest of comparable funds;

10) 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 which is non-transparent;
11) Opportunities for learning – highly relevant given the innovative nature of the projects – may be lost because no knowledge exchange and learning mechanism exists;
12) SCCF projects are systematically perceived as GEF trust Fund Projects.

5. The creation of the SCCF by the UNFCCC COP was a response to the developing countries' needs with regards to abating climate change impacts. This evaluation shows that the SCCF has not fulfilled its role due to the limited availability of funds.

Recommendation 1: The LDCF/SCCF Council should appeal to donors to adequately fund the SCCF in a predictable manner, preferably through a replenishment process.

6. If funding of the SCCF would reach levels commensurate with its mandate, some of the current problems of the fund would disappear, like the lack of transparency in the pre-selection process.

7. **For Further Consideration:** The SCCF Council is not a party in the ongoing international negotiations regarding the future global architecture for adaptation funding. Important elements emerging from this evaluation should be made available to these negotiations and the Council could consider these elements and how to bring them forward.

8. In the longer term new funds and/or institutions may emerge from further UNFCCC COP Decisions. These new funds and/or institutions will have a long lead in time before becoming operational, as has been witnessed in the long negotiation process in setting up the Adaptation Fund. Until the time that new funds have become operational, the SCCF will remain one of the main sources of multilateral funding accessible to all developing countries.

9. The discrepancy between the broad SCCF mandate and the limited available funding makes the SCCF unable to respond to recipient countries expectations. In absence of significant funding increases emerging through current international negotiations, a revised targeted niche for the SCCF would be an option that could be considered in international negotiations.

Recommendation 2: The LDCF/SCCF Council should ask the Secretariat to prepare proposals to ensure:

a. **Transparency of the project pre-selection process:** the current lack of transparency is linked to the mismatch between the mandate, available funding and good project proposals.
b. **Dissemination of good practices through existing channels:** of eminent concern where the achievements are relevant beyond the SCCF itself.
c. **Visibility of the fund by requiring projects to identify their funding source:** a clear identification of the SCCF in outreach documents, press releases, websites and so on.

BACKGROUND

10. The creation of *Special Climate Change Fund* (SCCF) was agreed upon at the Sixth Conference of the Parties (Part II) of the United Nations Framework Convention on Climate Change (UNFCCC) in July 2001 with the approval of Decision 5/CP.6. At COP 7 in December 2001 in Marrakesh three decisions (5/CP.7, 6/CP.7 and 7/CP.7)[1] were approved, which established the fund and defined a broad field of interventions to be funded by the SCCF aimed at addressing the effects of climate change; the decisions also stipulated that this new trust fund should be managed independently by an entity entrusted with the operations of the financial mechanism of the Convention.

11. Decision 7/CP.7 assigned the SCCF with a broad mandate to finance activities, programs and measures for climate change through four windows: (A) adaptation, (B) transfer of technologies, (C) energy, transport, industry, agriculture, forestry, and waste management and (D) support to economic diversification of fossil fuel dependent countries. As the operating entity of the financial mechanism of the UNFCCC, the Global Environment Facility (GEF) was requested to manage the SCCF. The fund follows GEF procedures, practices and fiduciary standards, unless the UNFCCC COP and the LDCF/SCCF Council decide otherwise. One significant difference between the GEF Trust Fund and the SCCF is its funding structure. Unlike the GEF Trust Fund which is replenished by donor funding every five years, the SCCF receives pledges on a voluntary basis.

12. Subsequent guidance to the GEF was provided by COP 8 in 2002, COP 9 in 2003, COP 10 in 2004 and COP 12 in 2006[2] refining the design of the SCCF. The GEF has responded with Programming Strategies to operationalize the fund. Being managed by the GEF the SCCF was until the end of 2006 guided by the overall GEF Council. At a special GEF Council Meeting in August 2006 it was decided, however, to establish a separate and distinct LDCF/SCCF Council to meet separately from the GEF Council. In October 2006 a donor pledging meeting was held, where six countries[3] made contributions of $45 million specifically for the SCCF, and in December 2006, the LDCF/SCCF Council had its first meeting where it approved its first work program.

13. With its broad mandate to address adaptation to climate change impacts in the long term and mitigate GHG emissions, the SCCF was the first comprehensive climate change fund accessible to all developing countries directly under the UNFCCC. The Adaptation Fund and the Least Developed Countries Fund (LDCF) were established simultaneously with the SCCF but are focused on adaptation only. The LDCF was created to support the development of National Adaptation Plans of Action (NAPAs) in LDCs, and has now moved into a second phase of operationalizing these plans. The Adaptation Fund became fully operational only recently, due to the time it took the COP to decide on its governing body and secretariat.

[1]FCCC/CP/2001/13/Add.1, FCCC/CP./2002/7/Add.1

[2]FCCC/CP./2003/6/Add.1, FCCC/CP./2004/10/Add.1, FCCC/CP/2006/5/Add.1, FCCC/CP/2003/6/Add.1, FCCC/CP/2008/7/Add.1

[3] Finland, Ireland, Italy, Norway, Spain and Switzerland.

14. At COP 15 in Copenhagen in 2009, the climate change funding situation evolved significantly with the approval of Decision 2/CP.15, which recognized the need to establish a 'Green Climate Fund' (GCF) to provide new and additional resources responding to the needs of developing countries. The emergence of the GCF, which was subsequently approved by COP 16 in Cancun (Decision 1/CP.16) is broadening the landscape of international climate finance and the role of the SCCF should be viewed within this new context.

15. In July 2010, the LDCF/SCCF Council requested the GEF Evaluation Office to undertake an evaluation of the SCCF to be presented at the November 2011 Council meeting. In addition, at COP 16 in December 2010 the UNFCCC COP requested an assessment of the status of the implementation of the SCCF as well.

Evaluation Approach

16. The evaluation of the SCCF was carried out from May to September 2011 and was led by a task manager from the GEF Evaluation Office (GEFEO) as well as conducted by staff of the GEFEO along with a senior international consultant. The team assessed implementation of the SCCF using aggregated data along four standard evaluation criteria: (1) Relevance, (2) Effectiveness, (3) Efficiency, and (4) Results and Sustainability of results. As the evaluation process moved forward the findings showed that due to the early stage of implementation of most SCCF projects, conclusive evidence on results were sparse, and it was not possible to systematically measure impact. However, examples of results to date as well as potential sustainability of the results were incorporated into the findings of the section on Effectiveness.

17. The main objective of the evaluation is to provide the SCCF/LDCF Council with evaluative evidence on the progress towards SCCF objectives as well as main achievements and lessons learned from the implementation of the SCCF so far, and to provide recommendations on the way forward for the SCCF. The evaluation also aims at providing inputs to the current rethinking process of the financial architecture for climate change. The analysis therefore focuses on the overarching question:

> "***What are the key lessons that can be drawn from the implementation of the SCCF ten years after its first inception?"***

18. An extensive review protocol was developed and used to address project-level key questions within 35 projects approved as of June 2011. A database was developed from the project protocols allowing for aggregation of results at the portfolio level and used to evaluate the SCCF as a whole. The evaluation's findings on effectiveness and efficiency are primarily based on data drawn from 12 projects that already reached an advanced stage of implementation and have produced a Project Implementation Review (PIR) and/or have been subject of a field visit. The evaluation team conducted an analysis of the data collected to assess main findings and determine trends, lessons learned and conclusions. The evaluation team made every effort to build synergies with other relevant studies and to include information and tools from the GEF Evaluation Office such as the annual Project Implementation Reviews (PIRs) and project completion reports as well as mid-term reviews and evaluation reports of the implementing agencies.

19. In addition to project reviews the team carried out interviews with staff members of the GEF secretariat, GEF STAP, GEF Agencies, the UNFCCC secretariat staff, a few Government officials and international and local NGOs. The evaluation team also completed four field visits to SCCF projects in China (ID 3265), Egypt (ID 3242), Guyana (ID 3227), and Tanzania (ID 2832). Finally, a survey was also shared with the Council members. However the response rate to this survey was very low, and consequently yielded few results that could be used for the analysis.

Limitations

20. At the time of the evaluation, the majority of SCCF projects were not under implementation or in a very early implementation stage. Only 10 projects had submitted Project Implementation Reports (PIRs) and two projects were completed, yet had not produced terminal evaluations. The early stage of SCCF portfolio development limited the availability of data to be analyzed by the evaluation. In addition, the evaluation was only able to consider a small number of projects under the SCCF-B (technology transfer) and, of course, no projects under funding windows SCCF-C and SCCF-D which remain unfunded to date.

SCCF Portfolio Description

21. The overall SCCF project portfolio amounts to $142.6 million financing 35 projects, of which 28 are full-sized projects (FSPs) and seven are medium-sized projects (MSPs). $127.5 million are dedicated to 31 climate change adaptation projects (25 FSPs and 6 MSPs) and $15.2 million to four technology transfer projects (6 FSPs and 1 MSP). The activities originally envisioned to be financed under SCCF-C and SCCF-D have still not received any contributions and are thus not addressed by the SCCF portfolio. Co-financing for the 31 adaptation projects amounts to $826.0 million and for technology transfer $17.5 million.

22. The portfolio includes a wide variety of projects. Twenty-seven are country-specific, three are regional in scope, another three are global, and the two are multi trust fund (MTF) projects.[4] The largest number of SCCF projects is implemented by the UNDP (16) followed by the World Bank (9). At present the other GEF agencies are implementing fewer projects: IFAD (4), UNEP (2), and EBRD (1). A few projects are co-implemented by agencies. The ADB is co-implementing a project with UNDP and one with UNEP, but acting as the main implementing agency for both. The World Bank is co-implementing a project with the UNDP.

23. In terms of funding, the World Bank receives on average more funding per project. The World Bank's nine projects account for 36.6% of overall SCCF funding while UNDP's 16 projects receive 37.9% of SCCF funding; this also holds true with regard to co-financing, where World Bank projects account for 36.6% of overall co-financing reflecting the much larger average size of World Bank projects in comparison to other implementing agencies. A large part of the high co-financing volume of World Bank projects derives from the World Bank's *Great Green Wall* initiative (one of the multi trust fund projects) for which the SCCF has contributed $4.5 million matched by $84 million in co-financing.

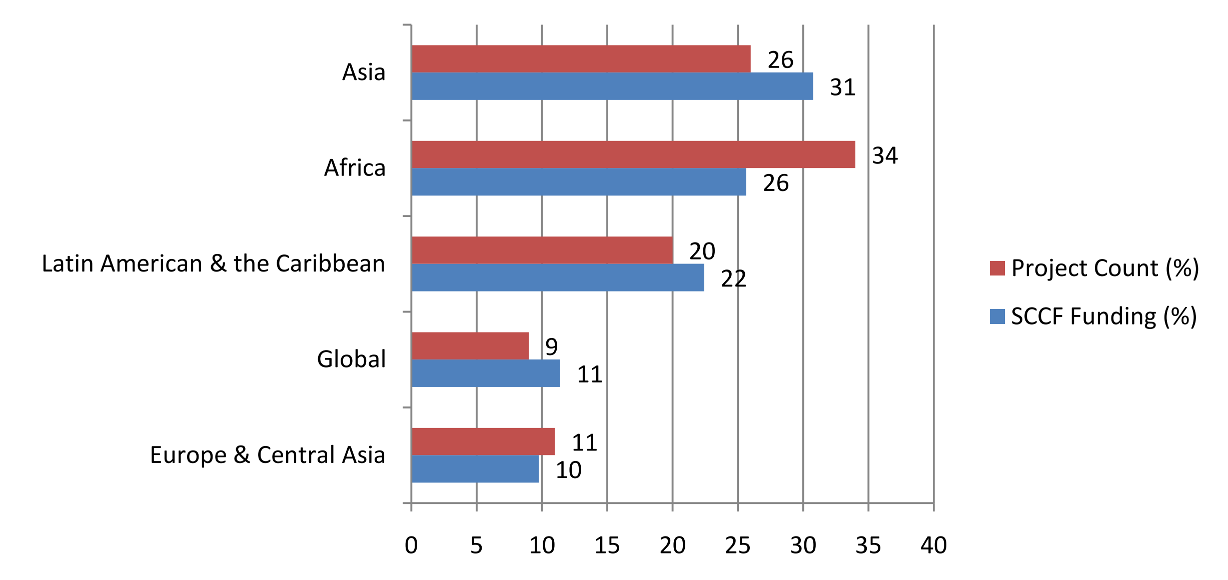
[4] Supported by several different trust funds.

Table 1: Funding by Agency										
		SCCF Funding[5]			Co-Funding			Total		
Window/ Agency	#	US$	Avrg.	% of Total/ Grand Total	US$	Avrg.	% of Total/ Grand Total	US$	Avrg.	% of Total/ Grand Total
Adaptation										
ADB/UNDP	1	3.9	-	3.0	145.2	-	17.6	149.0	-	15.6
ADB/UNEP	1	2.0	-	1.6	15.0	-	1.8	17.0	-	1.8
EBRD	1	3.0	-	2.4	23.0	-	2.8	26.0	-	2.7
IFAD	3	7.6	2.5	6.0	33.3	11.1	4.0	41.0	13.7	4.3
UNDP	14	50.2	3.6	39.4	254.7	18.2	30.8	305.0	21.8	32.0
UNEP	1	1.1	-	0.9	3.5	-	0.4	4.6	-	0.5
WB	9	52.3	5.8	41.0	309.1	34.3	37.4	361.4	40.2	37.9
WB/UNDP	1	7.4	-	5.8	42.2	-	5.1	49.6	-	5.2
Adaptation Total	**31**	**127.5**	**4.1**	**89.4**	**826.0**	**26.6**	**97.9**	**953.5**	**30.8**	**96.7**
Tech Transfer										
IFAD	1	2.4	-	15.6	5.5	-	31.5	7.9	-	24.1
UNDP	2	3.8	1.9	25.0	9.1	4.6	52.2	12.9	6.5	39.6
UNEP	1	9.0	-	59.4	2.9	-	16.3	11.9	-	36.3
Tech Transfer Total	**4**	**15.2**	**3.8**	**10.6**	**17.5**	**4.4**	**2.1**	**32.7**	**8.2**	**3.3**
ADB/UNDP	1	3.9	-	2.7	145.2	-	17.2	149.0	-	15.1
ADB/UNEP	1	2.0	-	1.4	15.0	-	1.8	17.0	-	1.7
EBRD	1	3.0	-	2.1	23.0	-	2.7	26.0	-	2.6
IFAD	4	10.0	2.5	7.0	38.8	9.7	4.6	48.9	12.2	5.0
UNDP	16	54.0	3.4	37.9	263.9	16.5	31.3	317.9	19.9	32.2
UNEP	2	10.1	5.1	7.1	6.4	3.2	0.8	16.5	8.2	1.7
WB	9	52.3	5.8	36.6	309.1	34.3	36.6	361.4	40.2	36.6
WB/UNDP	1	7.4	-	5.2	42.2	-	5.0	49.6	-	5.0
Grand Total	**35**	**142.6**	4.1	**100.0**	**843.5**	**24.1**	**100.0**	**986.2**	**28.2**	**100.0**

24. Regionally, most SCCF initiatives are located in Africa (12 projects), but due to a larger average project size the nine projects located in Asia account for the largest part of SCCF funding (31% of SCCF funding). The SCCF portfolio is also funding seven projects in Latin America and the Caribbean (22% of SCCF funding), four projects in Europe and Central Asia (10% of SCCF funding), and three projects on globally (11% of SCCF funding).

[5] Including agency fees.

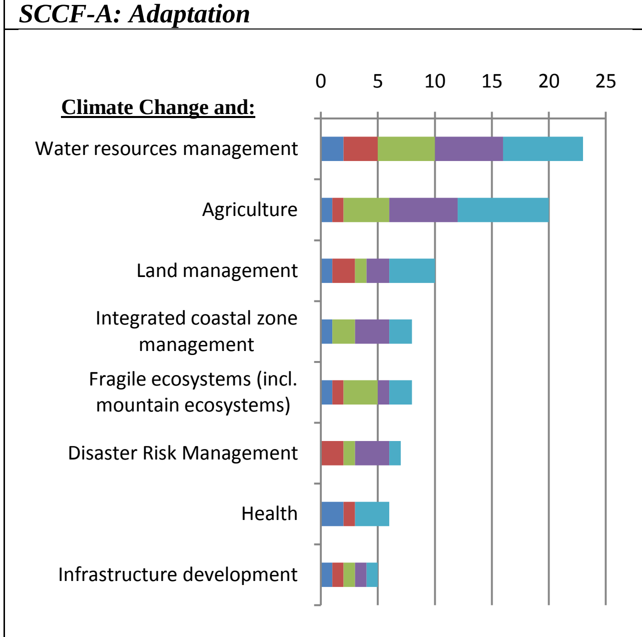
Figure 1: Distribution and Funding of Projects by Region



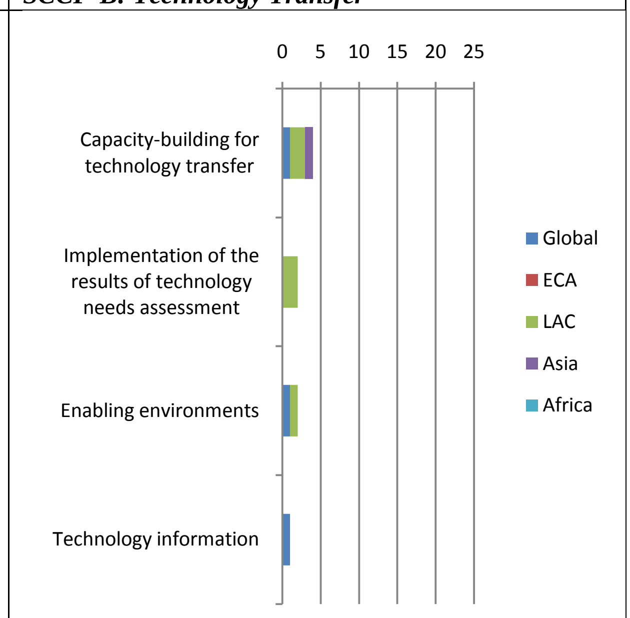
25. The SCCF portfolio addresses a broad variety of components relating to all of the priority areas described in the UNFCCC COP guidance and SCCF programming. In addition, all projects carry components related to capacity development. Under SCCF-A agriculture and water resource management are by far predominant while components related to health and infrastructure are less frequent. For SCCF-B, all projects have components related to building capacity for the transfer of technologies (Figure 1).

Figure 1: Frequency of Key Priority areas by SCCF Window and Agency

SCCF-A: Adaptation



SCCF-B: Technology Transfer



CONCLUSIONS

Relevance

Conclusion 1: The four SCCF programming strategies are relevant to the COP guidance.

26. In 2001, the GEF received guidance from the UNFCCC COP through decision 7/CP.7 regarding the creation and management of the newly established 'Special Climate Change Fund', which stated that the SCCF shall finance activities in four fields:

A. **Adaptation** to support the implementation of adaptation actions in non-annex I parties.

B. **Transfer of technologies** to focus on support to the transfer of environmentally sustainable technologies, concentrating on, but not limited to, technologies to reduce emissions or atmospheric concentrations of greenhouse gasses, in line with the recommendations from the national communications, technology needs assessments (TNAs) and other relevant information.

C. Support six specific sectors, **Energy, transport, industry, agriculture, forestry, and waste management**

D. Economic **diversification for fossil fuel dependent countries**: activities to assist developing countries whose economies are highly dependent on income generated from the production, processing, and export or on consumption of fossil fuels and associated energy-intensive products in diversifying their economies.

Further guidance was provided in 2003 and 2006, respectively, through:

- COP decision 5/CP.9, which gave top priority to SCCF-A, and established SCCF-B as an essential area to also receive funding.
- COP decision 1/CP.12 provided further guidance for the GEF to operationalize SCCF-C and SCCF-D.

27. In 2004, the GEF responded with the formulation of a first *Programming to Implement the Guidance for the Special Climate Change Fund* for activities under SCCF-A and SCCF-B, followed by the formulation of the *Programming to Implement the Guidance for the Special Climate Change Fund* for SCCF-C and SCCF-D in 2007.

28. Decision 2/CP.14 at COP 14 launched a policy initiative for the further Development and Transfer of Technologies, which the GEF responded to by formulating a 'Poznan Strategic Program on Technology Transfer' that included three funding windows aimed at: (1) Conducting Technology Needs Assessments (TNAs); (2) Piloting technology projects linked to TNAs; and (3) Disseminating GEF Experience and successfully demonstrated ESTs. This programme included a $15 million contribution from the SCCF and $35 million from the GEF Trust.

29. The GEF-SCCF programming documents are quite thoroughly formulated and provide a comprehensive overview of how to operationalize the COP guidance. It clearly presents principles for the implementation of the SCCF as well as how to operationalize the key priority areas from the COP 9 Decision for SCCF-A and SCCF-B, and propose options for SCCF-C and SCCF-D. From a substantive point of view, it can be concluded that the UNFCCC COP guidance

was correctly translated by the GEF secretariat for all four windows (A-D). However, it took roughly five years before a work program was approved.

30. Geographically, the allocation of funding and the proportion of projects across the globe respond to the COP guidance. The 2001 COP 7 decisions targeted ‘Parties not included in Annex I to the convention.’ On several occasions, in particular under the 2007 decision approved in Bali, the COP provided a narrower geographical guidance to prioritize the most vulnerable countries, LDCs, SIDs and African countries. Most beneficiaries funded under the SCCF are located in Africa (12 projects), however the largest funding allocation is provided to projects in Asia (31%), despite a lower overall number of projects implemented. Europe and Central Asia has the fewest projects, and receives the lowest allocation of funding. At the country level, most funding goes to low- and middle-income countries.

Conclusion 2: The adaptation projects are relevant to the COP guidance and SCCF programming.

31. All projects approved for SCCF funding under SCCF-A (adaptation) are addressing issues defined both by the COP and the SCCF GEF programming guidance. Projects are addressing climate change adaptation issues in all priority areas mentioned by COP decision 5/CP.9, including project components related to water resources management (23), land management (10), agriculture (20), health (6), infrastructure development (5), fragile ecosystems (8), integrated coastal zone management (8) and disaster risk management (7). From a strategic perspective, projects addressing climate change adaptation in water resource management and agriculture, especially in areas prone to droughts and floods, are by far predominant. Projects related to health and infrastructure development are less frequent.

Conclusion 3: The technology transfer projects are relevant to COP guidance and SCCF programming.

32. The four SCCF-projects for SCCF-B (technology transfer) all have components related to building capacity for the transfer of technologies and are thus relevant to the implementation of the COP guidance from a qualitative perspective; in particular the three projects directly related to country needs (ID 4036 in Jordan, ID 4060 in Jamaica and ID 4040 in Brazil). The results to be achieved by the larger regional project managed by UNEP remains, for the moment, too early to evaluate.

33. Implementation of projects under SCCF-B has been limited due to the low level of funding. Only $15.2 million have been pledged to SCCF-B and no new funding pledge has been received for SCCF-B since October 2008. As a result, from a quantitative perspective, the limited number of projects was insufficient to respond to decision 2/CP.7, which requested the ambitious increase in capacity development for technology transfer in developing countries

Conclusion 4: The funding of SCCF is not commensurate with the global mandate of the COP guidance.

34. The SCCF receives voluntary contributions from donors and all developing countries are eligible to access it; that is 152 Parties to the Convention (non-annex I countries). To date, 14 donors (Canada, Denmark, Finland, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and the United States) have made pledges to the SCCF. As of June 2011 contributions to the SCCF amounted to $180 million of which $127.5 million went to SCCF-A (adaptation) and $15.2 million went to SCCF-B (technology transfer).

35. As a comparison, the Least Developed Countries Fund (LDCF) was granted $415 million for 47 projects implemented in 48 LDCs. The World Bank under the Climate Investment Fund received pledges from 14 countries amounting to $6.9 billion as of November 2010. Of these pledges, the Strategic Climate Fund (SCF)[6] received $2.5 billion and the Clean Technology Fund received $4.4 billion. Pledges to the SCF's Pilot Program for Climate Resilience (PPCR) as the CIF component most comparable to the SCCF amount to $987 million as of March 31, 2011.

36. The funding made available to the SCCF is well below the amounts that were estimated by the COP Decision (2/CP.15) in Copenhagen, which assessed that the funding needs for adaptation in developing countries would amount to $100 billion annually; and which led to the establishment of the *Green Climate Fund* at COP 16 in Cancun. This discrepancy between the broad SCCF mandate and the limited available funding influences all aspects of the operation of the fund.

Conclusion 5: **Although SCCF programming was formulated to implement activities under windows C and D, COP guidance for these windows was not implemented because of lack of funding.**

37. The inclusion of the politically sensitive window SCCF-D has drawn criticism from both developed and developing countries (Annex I and Non-Annex I countries under the COP). This has created a negative perception of the SCCF and given rise to the concern among donor countries that their SCCF pledges could potentially be used for activities under this window. The very large scope of Window C for activities that are already covered by other competing funds, including the GEF Trust Fund, was not attractive either. Consequently, funding has not been made available by donors for either SCCF-C or SCCF-D.

Conclusion 6: The adaptation projects are highly relevant to national sustainable development agendas of beneficiary countries, contributing to socio-economic development goals.

38. SCCF adaptation activities are closely oriented towards the national sustainable development agendas and have contributed to the continued socio-economic advancement in beneficiary countries. In particular, projects related to water resource management, the agricultural sector and integrated coastal zone management (ICZM) are directly linked to domestic sustainable development agendas and show tangible achievements with regards to removing barriers to development and diversifying livelihoods of vulnerable communities.

[6] The SCF consists of the Forest Investment Program (FIP), the Program for Scaling-Up Renewable Energy in Low Income Countries (SREP) as well as the Pilot Program for Climate Resilience (PPCR).

39. SCCF projects addressing climate change adaptation in water resource management and agriculture provide clear examples for the SCCF's focus on socio-economic development. They include activities such as conserving and harvesting water, conservation agriculture including the introduction of new crops and livestock structures, the addition of resilient varieties, education of local communities in advanced farming techniques, and diversification of farmers' sources of income. The objective of these activities is the protection against climate change of continued socio-economic advancement consistent with the recipient country's development goals.

Effectiveness

Conclusion 7: Projects employ innovative approaches to overcome the lack of data on many emerging adaptation issues.

40. The limited availability of local climatic data as well as the inadequate ability to analyze this data stands out as a significant barrier when designing adaptation activities. While current available climatic data and modeling increasingly allows for predictions at global and regional scales, the ability to more precisely project local climate change and variability as well as its associated impacts remains low. The downscaling of climate modeling data as also employed by several SCCF projects (see below) can somewhat improve the data situation, but cannot provide precise data on the project level. This limitation reduces the ability to design and implement targeted and location specific adaptation activities. Nevertheless, sensible adaptation activities are possible on the basis of currently available knowledge from a variety of sources, if interpreted and applied correctly.

41. The SCCF portfolio features innovative ways to cope with the limitations of climate data and modeling and make use of existing scientific knowledge to provide a basis for locally implemented adaptation activities. The majority of SCCF projects include comprehensive strategies for generating a scientific basis to adaptation activities by interpreting existing data in their significance for the project's geographic, social and political context. Instruments employed by SCCF projects include meta-analyses of existing materials, available climate change and variability data supplemented by sector specific data related to the project as well as use of downscaled climate modeling data when available (e.g. projects in the Andean Region ID2902, Mexico ID3159, and Zimbabwe ID3156).

42. Notably, several SCCF projects, e.g. in Tanzania (ID2832) and China (ID3265), make extensive use of participatory vulnerability assessment methods incorporating experiences from local communities into the adaptation activity design. These approaches will have to prove their ultimate effectiveness over time, but show promising intermediate achievements towards project objectives and can provide lessons learned for future adaptation efforts.

Conclusion 8: **In general projects are well geared towards replication and up-scaling, yet follow-up is uncertain due to lack of funding.**

43. SCCF project designs feature an explicitly forward-looking character. Given the funding constraints and limited scope of most projects, they are consciously set up as pilot and

demonstration projects providing a first step towards broader, long-term climate change adaptation efforts in the future.

44. Accordingly, most projects include provisions to replicate and scale up project results after project completion through the co-financing made available. For example, in the case of Egypt the national government has earmarked three times the amount of the SCCF grant to replicate successful results to upscale technology transfer. All national SCCF projects reviewed are well suited for replication, yet prospects for replication and scaling up will very much depend on the availability of further funding.

Efficiency

Conclusion 9: The SCCF has been managed by the GEF in a cost-effective way; its management costs are lowest of comparable funds.

45. A potential advantage of placing the SCCF under GEF management has been the efficiency gain from using existing GEF structures to facilitate the management of a new fund. The role of the GEF with regards to the SCCF is to oversee the formulation of operational policies and programming strategies; review and process project proposals for CEO or Council approval; management of the portfolio of projects and programs; coordination with the GEF Agencies, the Trustee and the Convention Secretariat; and reporting to the LDCF/SCCF Council and the UNFCCC. As of June 30, 2011, three full-time professionals and one part-time professional as well as one support staff working in both the SCCF and LDCF has been in charge of these duties. Several consultants also provide support to the SCCF.

46. Comparing the operating costs of the SCCF to those of three other funds in which the GEF is involved (the main GEF Trust Fund and the LDCF which are managed by the GEF and the Adaptation Fund for which the GEF provides the Secretariat) provides a good indicator of the efficiency of the SCCF management. Compared to the overall volume of the respective funds, the SCCF indicates the lowest absolute operating cost of the four funds for the fiscal year 2011. This conclusion also holds true when the operating costs are compared to the total amount of funding approved in FY11: the SCCF features the lowest ratio with 2% compared to the LDCF which is 3%, the AF 6%, and GEF Trust Fund 8%. These costs do not include the GEF Agency fees or project management costs.

47. The main reason for the lower costs of SCCF and LDCF versus the Adaptation Fund and the GEF Trust Fund is the costs of the governing bodies. The LDCF/SCCF Council meets at the time of the GEF Council. SCCF and LDCF meet pro-rated costs of Council members and thus have significant cost savings compared to the GEF Trust Fund and the Adaptation Fund, which bear the main costs of the meetings of their governing bodies. Overall, the operating cost comparison shows efficiency gains from using existing GEF structures for the management and the governance of the SCCF.

Conclusion 10: 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 which is non-transparent.

48. With regards to SCCF projects, the formal project cycle is implemented efficiently featuring adequate processing time and process transparency. However, 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.

49. The pre-selection process, based on a short project note, identifies projects that are encouraged to enter the formal project cycle. The criteria used for the pre-selection are not formally determined and published. In addition, the process of pre-selection and application of selection criteria is not officially documented and traceable. This stands in contrast to the transparent process of documented feedback through Review Sheets employed during the formal project cycle. The pre-selection process therefore becomes unpredictable for the agencies, limiting their ability to develop targeted projects that fit the necessities of the SCCF portfolio and have a chance of entering the formal project cycle.

50. An additional concern raised by GEF agencies is the timing of the pre-selection decision, which in the past has at times left only 1-2 weeks for the development of a Project Identification Form (PIF) to enter the formal project cycle. This narrow timeframe has prompted GEF Agencies to start developing PIFs before the pre-selection decision counteracting the purpose of the pre-selection process to reduce GEF agency workload.

51. Upstream communication between the GEF Secretariat and the GEF Agencies as well as monthly Adaptation Task Force meetings provide an opportunity for GEF Agencies to request further details about the current state of the pre-selection process as well as rejected concept notes. This semi-formal communication and coordination between the GEF Secretariat and GEF Agencies somewhat mitigates the transparency issues of the pre-selection process without providing the full disclosure of a documented and traceable process as employed during the formal project cycle.

Conclusion 11: Opportunities for learning – highly relevant given the innovative nature of the projects – may be lost because no knowledge exchange and learning mechanism exists.

52. The LDCF/SCCF Results Based Management (RBM) framework acknowledges the importance and potential of enhancing the learning and knowledge management for SCCF adaptation projects, highlighting that "there is a growing need for lessons and experiences from these types of projects." The RBM provides a first set of guidelines on how to provide these lessons and defines a set of objectives that an emerging learning system should focus on, such as understanding (1) the factors that determine the effectiveness of adaptation activities in building resilience and increasing adaptive capacity; (2) causal relationships between adaptation activities and local community welfare; and (3) the catalytic effect of LDCF/SCCF financing and the effectiveness of Community-Based Adaptation (CBA) to climate change and variability.

53. At the project level, some SCCF projects have already successfully demonstrated how knowledge systematization and sharing can be implemented for adaptation activities. However, at

the fund level a comprehensive and pro-active system to (a) process and systemize the knowledge and experiences gathered during project implementation; (b) make lessons learned and successful innovation readily available to future adaptation projects; and (c) facilitate sharing of best practices and specific adaption options for a given challenge among projects within and beyond the SCCF, does not exist yet.

Conclusion 12: SCCF projects are systematically perceived as GEF Trust Fund projects.

54. The evaluation team consistently observed that the SCCF had little visibility at the ground level as a specific source of funding designed under the UNFCCC to address the costs of adaptation and create local benefits. Generally, project beneficiaries interviewed did not perceive any difference between the SCCF grant and other regular GEF Trust Fund projects. Although the GEF secretariat produced an excellent publication explaining how to access SCCF, no initiative has been taken at the level of the SCCF management to enhance the visibility and create an identity for the fund established by the UNFCCC: the SCCF does not feature a logo, a specific newsletter or other characteristics facilitating its establishment as a stand-alone brand. This also carries implication for the SCCF funding situation; a clearly visible profile could potentially help the SCCF attract additional financing from donors. The lack of SCCF visibility becomes particularly obvious in comparison to the Adaptation Fund, which uses several indentifying features to create a recognized brand.

RECOMMENDATIONS

Recommendation 1: The LDCF/SCCF Council should appeal to donors to adequately fund the SCCF in a predictable manner, preferably through a replenishment process.

55. Given the severe underfunding of the SCCF, the GEF Council should appeal to donors for a substantial replenishment of the SCCF for the following reasons:

- The creation of the SCCF by the UNFCCC COP was a response to the developing countries' needs with regards to abating climate change impacts. However, as the evidence in this evaluation shows the SCCF has not fulfilled its role due to the limited availability of funds.
- Nevertheless the SCCF has build up a portfolio of innovative projects, yielding valuable experiences on adaptation issues, building on agencies' and countries' learning curves, and providing a critical mass of expertise on climate change funding.
- The SCCF is cost-effective: it has the lowest management costs of the current funds operating on adaptation issues.
- Except for the Adaptation Fund, no other major sources of funding of adaptation have emerged in recent years and the GEF itself in its programming document for GEF-5 specifies that '*the GEF Trust fund will provide resources for climate change mitigation, while climate change adaptation will be funded through the Least Developed Countries (LDCF) and the Special Climate Change Fund (SCCF)'* confirming the SCCF's future role as crucial channel for adaptation financing through the GEF.

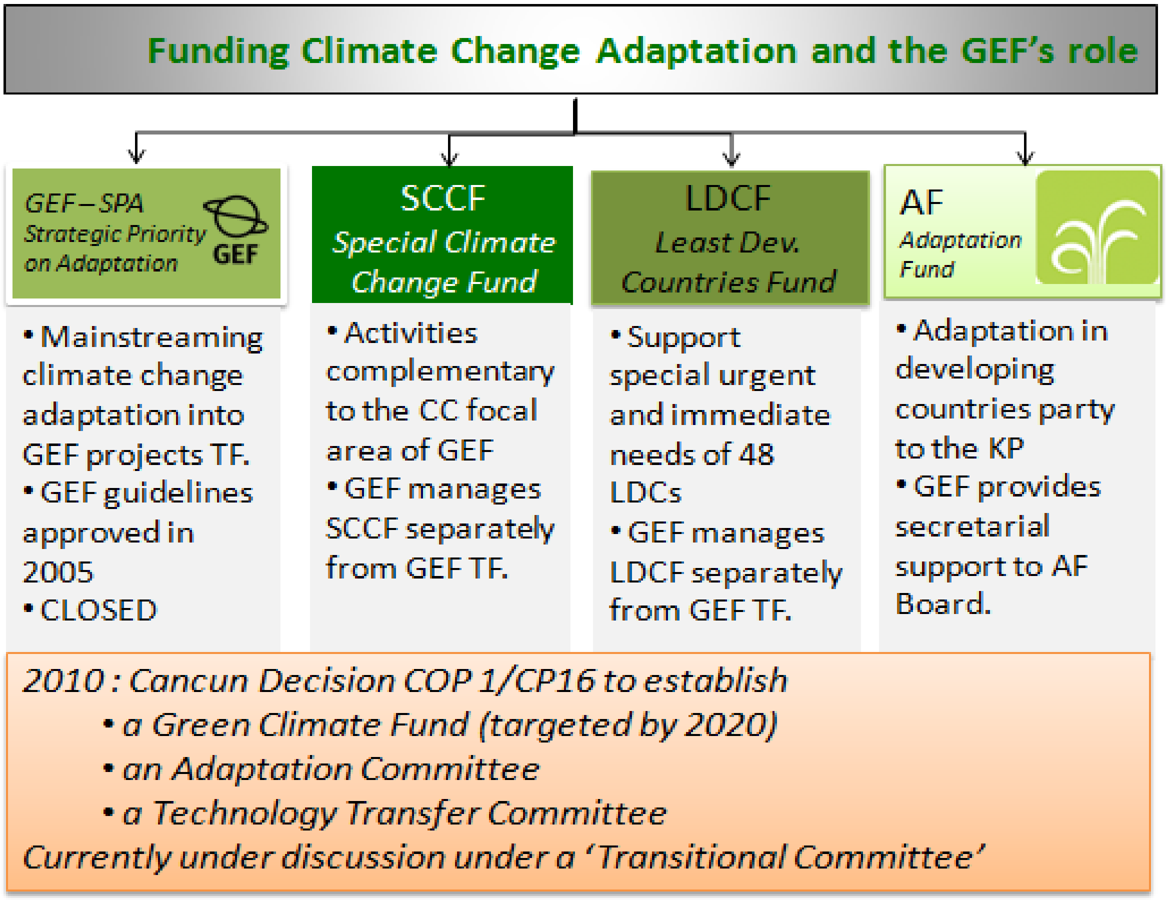
56. If funding of the SCCF would reach levels commensurate with its mandate, some of the current problems of the fund would disappear. It can be assumed that pre-selection processes will not be needed anymore and thus the decision-making process will be more transparent. More attention can be paid to adequate dissemination of lessons learned through innovative mechanisms, such as knowledge platforms and communities of practice. However, given the current situation of global financial uncertainties, some further considerations could be taken into account by the Council.

For further consideration.

57. The SCCF Council can and should appeal to donors to adequately fund the SCCF. However, given the voluntary nature of the fund, there is no guarantee that adequate funding will materialize from such an appeal. Furthermore, the SCCF Council is not a party in the on-going international negotiations regarding the future global architecture for adaptation funding. Important elements emerging from this evaluation should be made available to these negotiations and the Council could consider these elements and how to bring them forward.

58. The current substantial achievements of the SCCF portfolio show the need for and the potential niche for a mechanism that focuses on funding of innovative projects that tackle adaptation issues through concrete solutions on the ground. The lessons to be learned from such innovative projects are relevant beyond the relatively limited scope of such a portfolio. In the current overview of funding available for adaptation the SCCF is the only fund to provide global funding for innovative projects, as shown in figure 3. However, its mandate as provided by the COP goes beyond innovative projects.

Figure 3 – Overview of COP-related funding channels



59. In the longer term new funds and/or institutions may emerge from further UNFCCC COP Decisions. These new funds and/or institutions will have a long lead in time before becoming operational, as has been witnessed in the long negotiation process in setting up the Adaptation Fund. Until the time that new funds have become operational, the SCCF will remain one of the main sources of multilateral funding accessible to all developing countries. Since the LDCF only covers LDCs and the World Bank's PPCR provides funding to an even smaller group of countries, the Adaptation Fund under the Kyoto Protocol will be one of the few alternatives to the SCCF in the mid-term future.

60. The discrepancy between the broad SCCF mandate and the limited available funding makes the SCCF unable to respond to recipient countries expectations. In absence of significant funding increases emerging through current international negotiations, a revised targeted niche for the SCCF would be an option that could be considered in international negotiations. The SCCF has the potential to continue fulfilling an important function within the newly emerging landscape of climate change financing. Efforts could be undertaken, perhaps by constituencies of LDCF/SCCF Council members, to ensure that the innovative aspects and achievements of the SCCF are taken up in international discussions regarding the global environmental financing architecture.

Recommendation 2: The LDCF/SCCF Council should ask the Secretariat to prepare proposals to ensure:

a) **transparency of the project pre-selection process;**
b) **dissemination of good practices through existing channels;**
c) **visibility of the fund by requiring projects to identify their funding source.**

61. The lack of transparency of the pre-selection process is linked to the mismatch between the mandate of the fund, the available funding and good project proposals. Depending on funding levels available, several solutions are possible. 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. If funding levels increase, a pre-selection process will at a certain moment no longer be necessary and the transparency issue will disappear.

62. Dissemination of good practices and lessons learned is of eminent concern where the achievements of the portfolio are relevant beyond the fund itself, as is the case for the SCCF. Increasingly knowledge and experience are shared and managed through new software and media, often through “platforms” or “communities of practice.” These have the advantage that they create an interface in which demand and supply can be matched. Adaptation to climate change is a subject that is increasingly discussed in many platforms and communities of practice, and the SCCF could engage with the most appropriate to ensure wider dissemination of the achievements of projects.

63. The visibility of the SCCF first of all requires a clear identification of the funding source in outreach documents, project leaflets, press releases, websites and so on. If the funding of the SCCF increases, it should consider adopting a logo, preferably in line with a similar logo for the LDCF and in line with the house style adopted by the GEF.