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Enhanced Direct Access finance: SANBI and the Adaptation Fund

June 2020

This report is part of project Strengthen national climate policy implementation: Comparative empirical learning & creating linkage to climate finance (SNAPFI), see www.diw.de/snapfi. This project is part of the International Climate Initiative (IKI). The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) supports this initiative on the basis of a decision adopted by the German Bundestag. More information on IKI can be found at www.international-climate-initiative.com.

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RESEARCH REPORT

Enhanced Direct Access finance in South Africa: SANBI and the Adaptation Fund

An example of transformation in public finance and governance

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February 2020 Report for IKI-SNAPFI (Strengthen national climate policy implementation: Comparative empirical learning & creating linkage to climate finance), input by the UCT team contributing to Cross Country Study (CRS) in first year of project

Final input (following earlier outline submitted to DIW); CRS to be circulated by DIW for review and finalisation (June 2020)

ACRONYMS

AfDB	African Development Bank
AF	Adpatation Fund
AFB	Adpatation Fund Board
CPDAE	Community of Practice for Direct Access Entities
EE	Executing Entity
ESP	Environmental and Social Policy
FA	Facilitating Agency
GCF	Geeen Climate Fund
GEF	Global Environment Facility
ICF	International Climate Finance
NIE	National Implementing Entity
SANBI	South African National Biodiversity Institute
SGF	Community Adaptation Small Grants Facility
SGR	Small Grant Recipient
TAG	Technical Advisory Group
UMDM	uMgungundlovu District Municipality
URP	URP uMngeni Catchment Resilience Project

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1. Introduction

This research report focuses on two projects recently funded by the Adaptation Fund (AF) and implemented by implemented by the South African National Biodiversity Institute (SANBI). These projects were designed with an approach and intention to bring the principle of ‘direct access’ (DA) closer to vulnerable communities to empower them to determine how international climate finance (ICF) will be used and to build institutional capacity for the implementation of adaptation efforts at the local level (SANBI, 2014a, 2014b).

Two of the largest climate funds globally, the AF and the Green Climate Fund (GCF) have committed to allowing institutions from developing countries ‘direct access’ to funds (Masullo, Larsen, Brown, & Dougherty-Choux, 2015). Direct access in the context of discussions on ICF means that national or subnational entities become accredited to receive finance directly from the fund without going through an international intermediary (like the World Bank or a regional development bank)¹. This is a departure from conventional funding that might be extended by the international intermediary through a small grants programme. **The goal of such direct access is, among other things, to reduce transaction costs and enhance national ownership over available financing** (Masullo et al., 2015).

SANBI has further developed an ‘**enhanced’ direct access (EDA) approach, designed to empower local communities to conceive and drive local adaptation responses directly through the implementation of small grants** (SANBI, 2014b). In essence this approach enables SANBI as an accredited National Implementing Entity for the AF, and using funding within the AF funded project, to make decisions as to whether specific small grants should go forward, instead of the board of the climate fund (Masullo et al., 2015), which is the typical approach in small grants programmes. This is an innovative approach within ICF. In this context DA and EDA is distinct from the longer-standing concept of direct access and control over resources, especially for rural women, or access to micro-finance. The EDA approach can be better understood as a direct response to calls from civil society to bring the principle of ‘direct access’ to ICF even closer to vulnerable communities themselves, thus empowering them to determine how ICF will be used, and creating deeper levels of local ownership and design of climate change adaptation interventions (*ibid*).

The projects described in this report provide examples of implementing a DA and an EDA approach in ICF. Both projects explicitly seek to facilitate scaling up and replication of their interventions, as appropriate (SANBI, 2014a, 2014b).

Reflecting on the potential transformational nature of the DA and EDA approaches, the experiences in these two projects suggests **that donor flexibility and a pragmatic approach to typical multilateral funding requirements can support the delivery of interventions that meet the principles of DA and EDA**. It invites further thinking about **how to design for intervention sustainability, how to support groundwork for scaling up, and about strategies to achieve a climate resilient society**.

¹ In the context of the Green Climate Fund, access to funds by certain regional entities is also termed direct access.

1.1 The projects

The Adaptation Fund approved USD7,495,055 in grant funding for the “Building resilience in the greater uMngeni catchment, South Africa” project which aims to increase resilience of vulnerable communities in a catchment that provides water to two of South Africa’s large cities (SANBI, 2014a). The uMngeni Catchment Resilience Project (URP) area is located in the uMgungundlovu District Municipality (UMDM), KwaZulu-Natal in rural areas and in low-lying, high-density peri-urban settlements where flooding, storms, droughts, heat waves, and wildfires are all expected to become worse as a result of climate change, with poor and disadvantaged communities being impacted the most (*ibid*). In the URP, vulnerable farmers are supported to introduce climate smart agriculture techniques into the way they farm, thereby building their resilience to the frequent droughts and storms the area experiences (SANBI, 2014a). The URP uses near real time weather stations and community monitors in its Early Warning Systems (EWS) (SANBI, 2018a). The URP furthermore supports provincial government in mainstreaming appropriate agricultural practices in all projects and programmes (SANBI, 2017d).

The AF approved an grant funding of USD 2,442,682 for the “Taking adaptation to the ground: a small grants facility for enabling local level responses to climate change in South Africa” project that creates a small grant facility that supports vulnerable communities to implement local adaptation responses (SANBI, 2014b). The grant facility, called the ‘Community Adaptation Small Grants Facility’ (SGF) implemented in the Mopani District in Limpopo Province and the Namakwa District in the Northern Cape. These two areas are prone to droughts, seasonal shifts and storm-related disaster events (SANBI, 2014b). This will impact on people’s health and wellbeing, as climate change undermines agriculture, local livelihoods and the built environment. This ‘enhanced’ direct access project was designed to support 12 small grants by SANBI as the NIE of approx. USD 100 000 each through the release of small grants so that communities could run projects that deliver tangible and sustainable benefits. These communities are encouraged to share the lessons they learn over the course of the process, so that their projects and the way the SGF finances them, might be rolled out on a larger scale around the country.

1.2 Research question

The guiding question for the cross-country study in the overall project is “What has been the contribution by ICF to transformational change and what has enabled or prevented success?” (DIW (German Institute for Economic Research), 2019)

1.3 Methodology

The IKI-SNAPFI project is undertaken by a consortium of research organisation, coordinated by the German Institute for Economic Research in Berlin (DIW Berlin). DIW Berlin provided a guidance document on ‘elements of the country cases for the cross-country study’ (DIW (German Institute for Economic Research), 2019). This document provided framing for country examples in the first year’s cross-country study, given that detailed country case studies were being developed by teams in each of Germany, Indonesia, India, Brazil and South Africa (by the UCT team in the last instance).

The guidance document was based on discussions at the kick-off workshop (27-29 September 2019, Berlin), an earlier draft and comments from all partners. The guidance

sought to provide some similar dimensions across examples from different contexts, while allowing space for focusing on different aspects. The research team at UCT has this applied the guidance in a flexible manner, adjusting aspects where the SA experience required this, and continuing the engagement with the framework itself.

In this report, the project proposals, project progress reports and a mid-term evaluation report are analysed to identify how DA approach and EDA approach innovation in ICF impacts the design, implementation and outcomes of the projects. The mid-term evaluation report (for the SGF) and SANBI's GCF Funding Framework document provide evidence of how these projects inform the development of a community of practice for bottom-up driven and owned ICF-funded adaptation projects.

A key question that we expect to continue throughout the four-year project relate is 'what is transformational change?', and in response to this question we offer thoughts that arose in researching this example. That said, the examples follow the structure of the 'how', asking about this specific instance of ICF, and the 'what', about project impacts and outcomes.

1.4 Contribution to first cross-country study (CRS Year 1)

This research report is an input by the University of Cape Town (UCT) team contributing to a Cross Country Study (CRS) in first year of a project to 'Strengthen national climate policy implementation: Comparative empirical learning & creating linkage to ICF (IKI-SNAPFI).

2. How: enabling condition and outcomes

This section considers how the unique features of the AF interplay with the process of the projects, from the stage of proposal to implementation. This process is considered within the dimensions of the economics, policy process and governance, and political economy of the Fund and the projects.

2.1.1 Policy processes and governance

The governance structure of the AF is one of its unique features that sets it apart from other international financing mechanisms (Adaptation Fund, 2012). The AF provides for equitable and balanced representation of all Parties on its Board, which is responsible for the Fund's supervision and management (CMP (Conference of the Parties serving as the meeting), 2007). The Board comprises 16 Members and 16 Alternate Members with appropriate technical, adaptation, and policy expertise, and representing relevant country groups. Special seats have been given to country groups recognized as being particularly vulnerable to the adverse effects of climate change: the Least Developed Countries (LDCs) and the Small Island Developing States (SIDS). While this composition results in an overall majority representation of developing countries, decision making is by consensus. This process of consensus seeking is intended to ensure in-depth considerations of matters under discussion. The AF places national ownership and coherence as a foremost strategic priority of the fund (Adaptation Fund, 2012).

The AF is flexible to support adaptation-linked projects and programs at the community, national, and transboundary levels, so it remains open to specific needs that a developing country or group of countries would like to respond to (Adaptation Fund,

2012). In the case of the two SANBI proposals, this flexibility enabled bottom-up project design, subject to alignment with AF strategic priorities.

The South African National Biodiversity Institute (SANBI) was established in 2004 by the National Biodiversity Act (Act 10 of 2004). Recently, it plays a growing role and is now a lead scientific body in climate change adaptation in South Africa. SANBI has more than two decades of experience as an Executing Entity of the Global Environment Facility (GEF), a relationship that has fostered capacity for project finance and management dealings with multinational funders. SANBI has been a National Implementing Entity (NIE) for the AF since 2011 (SANBI, 2019a). SANBI's status as a national institution makes it well placed to build country ownership and ensure that project proposals respond to national development priorities. The NIE is supervised by the SANBI National Climate Funds Advisory Body (NCFAB) (previously called NIE Steering Committee), which is chaired by the Chief Executive Officer (CEO) of SANBI. Other members of the Steering Committee include representatives from the national Department of Environmental Affairs, National Treasury Department, National Planning Commission (NPC) of the Presidency and the civil-society lead Adaptation Network (SANBI, 2014a). **The NIE Steering Committee helps assess project proposals and determine which project ideas to put forward for international funding** (Masullo et al., 2015).

Design of each of the two projects emerged from ground-up participatory proposal development piloted by SANBI staff. The URP was proposed by the government, and stakeholders were consulted to provide input into its final design (Masullo et al., 2015). The SGF idea emerged from stakeholder consultations and in response to calls from domestic civil society (Masullo et al., 2015) (SANBI, 2014b). The aim of these consultations was to help stakeholders understand the process of securing funding, while allowing the NIE to better understand the audience's priorities (*ibid*). Both projects were awarded funding in 2014.

The Adaptation Fund Board (AFB) and the AF Project and Programme Review Committee subjects proposals for funding to rigorous review process. Once approved, proposals are subjected to the AF Secretariat's consideration and further strategic review that includes rigorous standards for legal, environmental and social standard compliance and project risk mitigation. If approved, project funding is subject to complex tracking and reporting systems for project finance and for monitoring and evaluation of project performance. This is standard for global multi-lateral funding institutions. A defining feature of EDA is that it cascades fulfilment of the AF compliance requirements and reporting closer to the ground through the **devolution of significant authority over and responsibility for funds to the National Implementing Entity** (in this instance SANBI).

The SGF proposal plans to build community-level **capacity to access and retain ICF in order to create capacity for longer term goals of future scaling up** after the end of the AF funding period (Soal & Diedericks, 2018). Upon implementation, the NIE moved from selecting communities to selecting local organisations better qualified to develop small grant proposals (*ibid*). In order to meet eligibility requirements, these local organisations in turn partnered with larger non-government organisations (described as Facilitating Agencies (FAs)) (*ibid*). These measures to address issues of insufficient small grant proposal and implementation capacity within communities created additional layers of management that had not been foreseen within the SGF project design (*ibid*).

These **multiple layers of project management and financial reporting responsibilities in taking an EDA approach in ICF had cost and relational impacts** for the NIE, the Executing Entity (EE) and the FAs, and the SGRs. SGRs must supply information for the FAs, EE and NIE to meet their reporting requirements and it must provide evidence of compliance with AF's Environmental and Social Policy (ESP). In the SGF there is an additional burden for SGR reporting, that it should provide for experiential learning to support the overall project objective for scaling up. The SGF proposal suggested that perhaps the SGF “piggyback on the administration, governance and institutional structures” of the EE (SANBI, 2014b). This would allow for SGR (and FA) reporting to dovetail into to EE reporting to the NIE, and then to the AF. To enact this, the EE would need to devise, implement and streamline systems meeting the multiple level reporting requirements. This burden proved to be resource intense to the extent that it created risk of detracting focus from grant activities (Soal & Diedericks, 2018). The **innovative aspects of the EDA approach required significant learning-by doing in order to implement adaptive management to cope with project reporting and compliance responsibilities and to increase absorption capacity.**

The URP project proposal describes example implementation by, inter alia, national and sub-national government. The URP suffered **administrative delays that required adjustment in project leadership and process, and in government procedure.** At the national level, an institutional blockage of continually delayed contracting for one of the URP component leadership roles was resolved by shifting ownership of this role from national to local government (SANBI, 2018b). The national government department would play an advisory role. **Project procurement suffered delays because of multiple approval procedures across and within the project partners.** Two measures were taken to address this issue. First, the URP addressed this by deciding to group similar project activities in order to minimise the number of contracts that would need approval (SANBI, 2017d, 2018a). Second, through conversations at the National Climate Funds Advisory Body (previously known as the NIE Steering Committee) level, the URP engaged the National Treasury Department to explore the possibility of simplifying municipal procurement procedure (SANBI, 2018c). The National Treasury Department advised that within the URP, municipalities are no longer required to register on the Central Suppliers Database (SANBI, 2018c). This procedural change signified a significant increase in absorption capacity. If this change is replicated, then the URP will have precipitated a **simplification of administrative process for local government departments** within the implementation of ICF projects.

The delays discussed above are to some extent associated with adapting project design and process to the innovative aspects within the projects. The donor contributes to increasing absorption capacity. The AF has granted two **no-cost extensions of time to each of the two projects in order to accommodate projects delivery.** The extensions in the SGF were requested because complexities with local level implementation meant that on the ground activities took longer to complete than anticipated (Adaptation Fund Board, 2020). The URP extensions were requested to compensate for the low disbursement rate of funds, which were mainly due to challenges with procurement of services and with turnover in the high-level staff and political leadership of the local government (Adaptation Fund Board, 2019).

2.1.2 Economics

International climate finance provided by the AF is unique because it is the first fund to be financed by international revenue that was established based on an internationally agreed-on climate policy framework (Adaptation Fund, 2012). The Fund receives funding in the form of contributions from a number of developed countries, small donations from civil society, and proceeds from a 2 percent share of the value of the “certified emission reductions” (CERs) generated by climate change mitigation projects registered under the Clean Development Mechanism (CDM) (*ibid*). By 2019, South Africa had reached the country cap of USD 10 million set by the Adaptation Fund Board (AFB) (SANBI, 2019a).

The SGF provides funding for activities including infrastructure, livestock and capital equipment; this is rare and gives the SGF a special niche in the ICF landscape (Soal & Diedericks, 2018). It makes provision for funding a minimum of 12 grants of USD 100,000 per small grant project. In the context of the South African funding for civil society and community organisations, small grants are significantly smaller, typically up to ZAR 200,000 (approximately USD 13,840²) (Soal & Diedericks, 2018). The size of the grants to the SGRs ranges between ZAR 1 million to ZAR 1.6 million, with an average grant size of ZAR 1.4 million. The grants are made available through three investment windows, namely Climate Smart Agriculture, Climate Resilient Livelihoods and Climate-Proof Settlements.

The URP funds activities including the development of information systems, early warning systems and climate risk management and response strategies (SANBI, 2017d). It invests in capacity-building within the UMDM and local communities to understand and use agro- meteorological- related information and warnings (*ibid*). It invests in built and natural infrastructure including the construction or reinforcement of houses, stormwater drainage and pedestrian bridges, restoration of grasslands and rehabilitation of riparian zones, removal of alien vegetation and the creation of firebreaks (*ibid*). It funds small-scale farming training, the re-introduction of indigenous seed, and the setting up of farmer co-operatives (*ibid*). The project provides training for officials in the local provincial KwaZulul Natal Department of Agriculture and Rural Development (DARD) support for the review of agricultural projects and farmer support programmes in the province, and the development of a mainstreaming plan and links on order to facilitate mainstreaming appropriate agricultural practices (*ibid*).

It is worth noting that investments being implemented in the SGF and in the URP, specifically early warning systems, climate-resilient infrastructure, and improved dryland agriculture crop production, are among the high-return investments that the Global Commission on Adaptation finds to be likely to yield high net benefits on and the basis of benefit:cost (Global Commission on Adaptation, 2019).

Both the SGF and the URP projects were awarded AF funding in 2014. Within the first two years of implementation, both suffered unanticipated delays in the design, setting up and subsequent improvement of project systems, processes and cooperation agreements, for various reasons, including issues relating to multi-institution governance. The delays in the URP are discussed in Section 2.1.1.

² Assuming a currency exchange rate of ZAR 14.45 to the US dollar.

By the end of the third year grant spending in the SGF was significantly below budget (*ibid*). In contrast, the project management budget was at risk of running out before the end of the project (*ibid*). One reason for this was that the call for grant proposals in the first year excluded a number of possible applicants – including promising new entrants on the basis of prescribed minimum **language and organizational, governance and administrative capacity** requirements (SANBI, 2017c). The SGF mid-term evaluation report highlights the contradiction within the project design; that **the capacity the project seeks to build – technical capacity to secure and retain financial support – is an element of the capacity required to access the SGF in the first place** ((Soal & Diedericks, 2018).

As a result, both the SGF and the URP suffered a slow rate of project budget spend against the annual budget. The rate of delivery in the SGF was 31%, 54% and 74% for each of the first three years of the project respectively. In the first two years of the URP the delivery rate was 36%, and then 41% (SANBI, 2017c, 2017d, 2018b, 2018c, 2019b). In both projects, the **donor and stakeholders made adjustments to procedure and despite very slow starts, the rate of implementation improved over time.**

In terms of cost effectiveness, of the total SGF budget of ZAR 26,622,816, approximately 47% is dedicated to implementation, reflecting a project cost : grant of just under 50:50 (Soal & Diedericks, 2018). Project management and support and capacity building together comprise some 30% of the intended project spend and that the executing entity and facilitating agencies overspent in co-financing in the form of institutional time (*ibid*). This low project cost: grant ratio was queried in the process of compiling the SGF mid-term evaluation report (MTER), with a finding that the initial period of the SGF might have been especially demanding (*ibid*). This is plausible if one considers the technically demanding nature of compliance and reporting for multi-lateral funding, the multiple levels of governance (NIE, EE, FAs, SGRs), and the need for design and iteration of systems to meet these multiple requirements and also to produce data for reflection and learning, both within the project and for scaling up (*ibid*). The SGF MTER goes further to remind readers that, **in the light of the levels of capacity building and groundwork for upscaling within the project design, it is misleading to consider spend effectiveness only in the terms of the actual grant because this is only one part of the intervention.** In terms of learning from this experience, this aspect of the SGF suggests the need for full conceptualisation for the full package of support in future project design (Soal & Diedericks, 2018)

2.1.3 Political Economy

Project design of the SGF and the URP employed ‘ground-up’ approaches with leading design roles for local government and civil society. The needs of vulnerable households and communities are forefront in both projects. The URP’s bottom-up approach involves the community in the planning, which ensures that the voices of normally marginalised groups are heard.

The SGF seeks to respond to local voices called for direct access by generating beneficiary-created and owned small grant projects. This process was initiated by stakeholder consultation exercises designed to increase awareness about climate change and the availability of the SGF. **Despite this foregrounding of grant beneficiary needs, there are still dangers of creating donor-led projects,** for example through the prescribed elements of the grant windows, the requirements for grant beneficiaries, and the selection of qualifying grant applications (Soal & Diedericks, 2018).

In both the SGF and the URP, support for climate suitable agriculture was the most sought after of the options for beneficiary funding (South African National Biodiversity Institute (SANBI), 2018a, 2018b). At the midterm point of the SGF, fourteen small grants were awarded within the Climate Smart Agriculture Window, nine in Climate Resilient Livelihoods and five in Climate-Proof Settlements Windows (Soal & Diedericks, 2018) (some SGRs received grants in more than one window). While one might argue for more even grant distribution across the thematic areas for investment – as suggested in the proposals, progress reports and project evaluation report -, SGRs were reportedly satisfied with more grants in agriculture and it was suggested that in the SGF MTER that where poverty is the most pressing challenge, perhaps it is not surprising that access to food would be the local priority (Soal & Diedericks, 2018).

In the SGF, in Swayimane (the area with the highest level of implementation of the agriculture implementations), 80% of farmers involved in the project by the end of the third year are women (SANBI, 2018a). Project staff had kept constant contact with the farmers in the Swayimane target area and worked to building community capacity so they can take ownership of the interventions, and the positive results (SANBI, 2018a).

Local politics did play a role in project progress in the URP. In the months leading up to local elections, planned community engagement was delayed until months after the elections in order to minimise the risk of political interference (SANBI, 2018a). Separate to this, local political and leadership factional disagreements took place at one of the project target sites, resulting in a temporary halt to work in the area (*ibid*). The URP Project Management Unit and senior local government officials engaged the relevant political, traditional and municipal leaders to find a way for project staff to continue working in the area, while guaranteeing their safety (SANBI, 2018a). In the absence of reaching a workable solution, the project faced the potential need to abandon work in affected areas and to make arrangement to implement the required work at other suitable sites (*ibid*).

Collaboration and coordination across national, provincial, and municipal departments, as well as academia and local beneficiaries created the opportunity for continued collaboration with a wider reach, beyond the confines of the URP and the SGF. It might be argued that this experience might have strengthened the influence of some sub-national actors within the URP.

3. What transformational change was achieved, including policy developments for sustainable development and climate objectives?

The AF's provision of approximately USD 10 million in ICF has resulted in tangible and intangible climate and development benefits for beneficiaries on the ground.

In the URP, the University of KwaZulu-Natal (uKZN) built on earlier engagement in the Swayimane target area. The URP exceed the project beneficiary targets, especially for number of farmers benefitting. As previously mentioned, most of these beneficiaries are women (SANBI, 2018a). Increased yields have been measured, cooperatives have been established and links to markets were in the process of being negotiated (*ibid*) at

the time of the most recent project progress report available online. Peer to peer learning through exchange visits have occurred, where farmers from other areas of KwaZulu-Natal have visited the Swayimane farmers have been greatly successful in incentivising farmers supported by the project. Such visits are planned for the Nhlazuka and Vulindlela areas as well. This community exchange is part of a broader capacity building programme (SANBI, 2018a).

The SGF has funded twelve Small Grant Recipients (SGRs), the majority of which were new to climate change (SANBI, 2019b). Some SGRs had grants in more than one of the investment windows (*ibid*). The majority of small grant projects are focused on Climate-Smart Agriculture interventions, and approximately 60% of the direct beneficiaries are women (*ibid*). Tangible benefits include infrastructure such as boreholes, solar panels, storage sheds, livestock and fencing, and less visible benefits such as social capital through savings clubs, encouragement of economic and social cooperation amongst people in communities (Soal & Diedericks, 2018). The project outcomes have been assessed to be likely to contribute to increased resilience in the face of climate uncertainty, and the project results indicative that a moderately higher number of beneficiaries might be aimed for in a scaled up SGF (Soal & Diedericks, 2018).

The URP has been instrumental in building and reinforcing multi- public institution collaboration through activities to introduce Early Warning Systems, Climate Resilient Agriculture and climate change adaptation capacity building programmes. The **URP's potential to make enduring impacts may lie within this institutional cooperation** at the level of implementation (local authority, provincial authority, communities and scientists), through peer-to-peer learning within and beyond the URP, and more strategically through SANBI's National Climate Funds Advisory Body, or similar forums.

The SGF and URP makes significant learning contributions to **bringing climate intervention decision-making nearer to beneficiaries**. SANBI hosted the first Community of Practice for Direct Access Entities (CPDAE) meeting in Durban, South Africa in June 2019. The event was facilitated by the AF, GCF, African Development Bank (AfDB) and SANBI and it brought together 30 participants, representing AF accredited NIEs and GCF accredited DAEs. The meeting aimed to accelerate and enhance DA to ICF and the participants worked to finalise the governance framework of the Community of Practice and develop an action plan that addresses DAE challenges such as accreditation, project development and implementation, amongst others (Tshindane, 2019a). Participants visited one of the URP's implementation sites where a local small scale farmer beneficiary stated that “through implementation and capacity building programmes brought about by the uMngeni Resilience Project, food insecurity has become a thing of the past” (*ibid*).

Project learnings that inform the CPDAE are being put in practice in initiatives for upscaling. SANBI was accredited GCF as a Direct Access Entity of the GCF in October 2016 and it is in the process of developing a GCF project proposal pipeline (Tshindane, 2019c). GCF readiness funds were secured to support this process (*ibid*). SANBI reports that several themes have emerged as priorities for SANBI's project development efforts including the following list (Tshindane, 2019b), of which Projects 2 and 6 upscale interventions of the URP and SGF:

Project 1: Scaling up ecosystem-based approaches to managing climate-intensified disaster risks in vulnerable regions of South Africa, focusing on droughts, floods and fire, to be led by DEFF NRM and NDMC.

Project 2: Climate resilient agro-ecological farming systems in rural landscapes in KwaZulu-Natal, the Eastern Cape and Limpopo, that builds on a submission by uKZN. Implementation arrangements are under discussion.

Project 3: A ‘Just Transition’ project in the Nkangala District in Mpumalanga, that builds on a submission by the Mpumalanga Province and WWF-SA, and that will focus on unlocking nature based solutions in support of local communities

Project 4: A coastal EbA/ Ecological Infrastructure project that incorporates natural and built infrastructure that builds on a submission by the Department of Environmental Affairs – Oceans and Coast.

Project 5: A “Strategic Water Source Areas” project that is emerging as a MTSF target, and that responds to the findings and opportunities set out in the National Biodiversity Assessment.

Project 6: An Enhanced Direct Access project that builds on the Adaptation Fund’s Small Grant Facility project.

SANBI works closely with national government to build sub-national capacity to respond to the opportunity to seek funding from the GCF (Parliamentary Monitoring Group, 2019). SANBI’s GCF accreditation profile allows SANBI to manage, supervise and oversee a GCF project or programme, either directly or indirectly through Executing Entities (SANBI, 2017b). SANBI may also disburse GCF funds as an intermediary through a competitive and transparent grant award process (*ibid*). SANBI is not accredited to carry out intermediate funding by providing loans, blending different instruments and resources, undertaking equity and/or providing guarantees (*ibid*).

3.1 Learnings and reflections emerging from the case studies

The URP and the SGF brought about tangible benefits that reduce vulnerability and increase resilience to climate change. **Intangible benefits include the sense of ownership and potential sustainability of the interventions**, for example through the small-farmer cooperatives and SANBI’s strong commitment to scaling up.

The tangible and intangible benefits of the projects are **relatively easily tallied indicators of whether the ICF is effective**, for example through numbers and profiles of beneficiaries, a count of assets, the use of early warning systems etc.. **Indicators of systemic paradigm shifts can be less obvious.**

In the SGF, most small grant projects involve radically changed practices and/or the acquisition and maintenance of infrastructure (Soal & Diedericks, 2018), and peer-to-peer learning and sustainability plans may drive more widespread and enduring benefits. Through SGF’s empowerment of local level beneficiaries to determine how ICF is used, the AF and SANBI have transformed the notion of direct access to enhanced, with both significantly more localised buy-in through the process, and arguably more transformational outcomes through the adaptation interventions. The URP has changed the sub-national landscape of cooperation on climate change adaptation and agriculture that, if sustained, can be truly transformative in the sense of the GCF Results Management Framework.

SANBI's criteria for projects that it will support under its GCF Funding Framework are informed by the GCF Results Management Framework (four criteria), South Africa's National Strategic Framework for the GCF (five criteria), SANBI's GCF accreditation profile (three criteria), and SANBI's best practice and experience (seven criteria) (SANBI, 2017a). The GCF Results Management Framework criteria forefronts its description of transformative impacts of ICF, that projects "**Are transformative in design and scale, represent a significant departure from 'business as usual' and seek to shift systemic paradigms towards a green economy and climate resilience society.**" (SANBI, 2017a). Three of SANBI's seven best practice and experience criteria focus on building localised ownership of interventions and sustainability of outcomes beyond the end of the GCF investment period (*ibid*).

The **development the DA Community of Practice** and the refinement of SANBI's understanding about **what makes projects relevant, sustainable and effective**, as reflected in SANBI's criteria for projects that it will support under its GCF Funding Framework, **present inputs for thinking about transformative and sustainable implementation of ICF.**

3.2 Insights arising from these case studies that might be useful for other countries

This report is primarily based on project documents, including the project proposals, the annual progress reports, the mid-term evaluation report (for the SGF), as well as SANBI's GCF Funding Framework document, which was drafted to initiate the process of soliciting Expressions of Interest from institutions that might wish to use SANBI's services to present funding applications to the GCF (SANBI, 2017a). Analysis of these documents suggest insights that might be useful for other countries that have an interest in employing a DA, EDA or similar approach.

EDA project design should include full and comprehensive scoping activities that are congruent and sufficient in the light of complex realities on the ground (Soal & Diedericks, 2018). Scoping might include inter alia, thorough pre-project climate-related baseline and Vulnerability Assessment and social, cultural and institutional scoping and analysis that is sufficient to develop in-depth perspective on the sociological, political and economic circumstances of the localities (*ibid*). This is necessary in order to fully conceptualise potential project impact, and strategise to embed this into regional realities (*ibid*).

Implementation of **EDA requires constant contact and involvement, and human resources and lateral thinking** to overcome barriers of initially low capacity and to practice adaptive management (Soal & Diedericks, 2018). This level of relational commitment should be accounted for in project planning.

Multi-institutional procedures and rules can create significant delays within a DA approach. These can be addressed.

Multi-level governance of ICF small grants can create governance and decision-making structures are overly hierarchical for the task at hand (Soal & Diedericks, 2018). It can create too many layers; too many steps before small grant proposals get to approval and sign-off, even in a smooth process, creating delays and confusion, and undermining the responsive intentions of the project. Slow disbursement of funds can

negatively impact project team credibility (Soal & Diedericks, 2018). Possibly, a more streamlined design of ICF governance procedures within EDA and DA approaches can mitigate risks of (initial) slow rates of project delivery and questionable project cost effectiveness, and risk to the credibility of the project.

Cascading compliance and ensuring compliance with the ESP principles of the multi-lateral donor at the local level creates significant challenges for reporting.

Guidelines and tools for reporting on ESP compliance should be at levels of granularity that can be readily understood by the implementing actors (SANBI, 2019b). Capacity-building for ESP compliance training may benefit from piloting activities in order to ensure standardised ESP reports that meet the donor requirements. Frequent ESP compliance reporting can bring a risk of detracting from focus on project activities (Soal & Diedericks, 2018), so there is significant value in early development of a simplified fit-for-purpose system of ESP compliance reporting system.

Given the relatively short term of ICF grants and the long-term aspirations of the projects that seek transformational change, there may be a need to sustain support for beneficiaries over the longer term (Soal & Diedericks, 2018). This might not require significantly more amounts of funding (*ibid*).

The technical capacity to access and retain climate related funding at the national and sub-national and local levels might be an essential ‘capacity’ for climate change adaptation response (Soal & Diedericks, 2018).

In seeking transformative change of systems, **intervention into the relationship of whole regions, districts, municipalities and communities to climate change and the challenges of effective adaptation might be as important as the adaptation practice interventions themselves.** In this way the capacity-building might be seen as a lever for structural change - for supporting change in whole contexts (Soal & Diedericks, 2018). In the light of the limited-duration nature of donor funding and the long-term aspirations to make transformative impacts, **sustaining interventions and prospects for upscaling may rely on this relational multi-pronged strategy.**

3.3 What does this example suggest is transformational change?

The question of ‘what is transformational’ tends to focus on the tangible outcomes of mitigation and adaptation response measures, through systemic change (institutional, procedural, governance etc.) (DIW (German Institute for Economic Research), 2019). The examples of the SGF and the URP provide not only tangible benefits, but also opportunities for upscaling through the projects themselves and in the development of a pipeline of project proposals for the GCF.

In the URP and in the SGF, innovation is seen to enhance country ownership of ICF interventions across national and sub-national organisations and communities. The landscape of ICF and climate change response is being transformed by expanding the range of actors, through bringing decision-making ‘to the ground’. It remains to be seen whether levels of cooperation and collaboration will be sustained.

Interestingly, the investments called for by local communities and by local authorities within the URP and SGF are examples of high-return investments identified by the

Global Commission on Adaptation in its research to identify global climate change adaptation investment imperatives (Global Commission on Adaptation, 2019). The Commission’s research finds that investing \$1.8 trillion globally in five areas, namely early warning systems, climate-resilient infrastructure, improved dryland agriculture crop production, global mangrove protection, and investments in making water resources more resilient, from 2020 to 2030 could generate \$7.1 trillion in total net benefits.” However, current funding rates and scale are insufficient and the Commission calls for a ‘Revolution in Finance’ (ibid). This revolution would move international financial support from public and private sources at accelerated rates and a greater scale necessary to protect lives, livelihoods, homes and jobs in the face of climate change (ibid).

Reflecting on the intended goals of direct access, it can be said that the SGR and URP are a part of a broader capacity building approach with enhanced national ownership, within the projects and for scaling up the longer term. Both projects are still active at the time of writing this report, but it can be said that in the initial years of the SGR and URP, direct access seems to fail to reduce transaction costs. Nonetheless, the positive outputs of the projects, in terms of early warning systems, climate-resilient infrastructure, improved dryland agriculture crop production suggest that there may be net benefits that should be taken into account in overall assessment of costs and benefits.

In closing, ICF practitioners are being engaged in in conceiving of climate change adaptation interventions that **“Are transformative in design and scale, represent a significant departure from ‘business as usual’ and seek to shift systemic paradigms towards a green economy and climate resilience society.”** Emerging approaches in adaptation ICF provides food for thought on ICF approaches more broadly.

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