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Uffizi federal d'ambient UFAM



Background Paper

Training on how to prepare bankable projects for financing climate change adaptation in transboundary basins

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I. Introduction

In 2015, 195 United Nations Member States agreed to a new global accord called the Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC) to reduce greenhouse gases that cause climate change with the objective of maintaining global temperature rise to a maximum of 2°C. Countries further agreed on cooperative action to address the impacts of climate change in developing countries. Currently, the government pledges under the Paris Agreement, known as “Nationally Determined Contributions” (NDCs), will not, when added together, produce sufficient mitigation to contain temperature rise below this limit. As a result, the impacts of climate change are anticipated to be far greater and will require significantly more resources for countries to adapt.

Climate change poses significant and complex challenges for transboundary water basins worldwide. As climate change increases over the coming decades, transboundary cooperation on adaptation and resilience-building strategies is essential to advancing sustainable development and ensuring social and political stability for basin countries and their people. The impacts of climate change in the transboundary context extend beyond direct and immediate impacts on communities, ecosystems, infrastructure, and local or national economies. They include broader and arguably more complicated issues because they implicate multiple countries, stakeholders, economies, and political systems. Measures taken to respond to climate impacts in one country could easily affect neighboring countries. Conversely, the failure to respond adequately to impacts in one country could also affect others in the basin. As such, strategies to prepare for the onset of climate change must necessarily understand and account for the broader transboundary area if they are to avoid negative consequences, be effective and sustainable.

In the coming years, numerous challenges as well as opportunities exist for countries as they translate predictions of climate impacts into climate adaptation plans, proposals for funding, and effective implementation. To address anticipated climate impacts, many nations have developed national adaptation strategies and plans; however, these do not always recognize transboundary aspects. Some transboundary basins, especially those with established basin organizations (whether committees or commissions) have begun addressing climate change adaptation cooperatively. Basin organizations have elaborated strategies as well as specific proposals to access climate financing that will support critical actions throughout their member nations. Specifically, the Danube, Dniester, Rhine, Neman, and the Nile have complete transboundary adaptation strategies; while others, such as the Mekong, Sava and Chu Talas have strategies under development. This paper will touch upon some specific.

According to the most recent United Nations Environment Program (UNEP) report, the cost of adapting to climate change in developing countries is estimated to reach \$280 and \$500 billion per year by 2050, a figure that is four to five times greater than previous estimates. While developed countries have mobilized significant levels of financing to support climate action in accordance with their obligations under the UNFCCC, current available financing falls far short of what is needed to protect populations and adequately support adaptation. UNEP's Adaptation Gap report published in 2016 focuses on the current gap in finance, technology and knowledge related to climate change and adaptation. Developing countries will need to be more resourceful in accessing existing funds, leveraging new finance, and working strategically with national and regional development plans, budgets and resources in order to meet ever-increasing needs. Such resources for climate change responses are available through climate funds, multilateral development banks, and development cooperation partners. But while these exist, competition for funding is high and demand exceeds both current and projected availability.

II. Addressing climate change in transboundary river basins

A. Why transboundary cooperation on climate adaptation?

Many impacts of climate change will affect access to fresh water or water systems that people and ecosystems rely on for survival. A significant amount of globally accessible freshwater is available either through surface water bodies, such as rivers or lakes, or is stored beneath the land surface as groundwater. Many river basins and groundwater aquifers are not contained within national boundaries but are instead shared by two or more sovereign nations, with an estimated 60% of global freshwater flowing across national boundaries. There are 286 major transboundary river basins around the world, and almost 600 significant groundwater aquifers that cross national borders. At the same time, over 40% of the global population lives within transboundary basins and aquifer systems.

Considering the scale of water resources found in transboundary basins, addressing the water-related impacts of climate change by taking a river basin approach offers a strategic path to effective adaptation as it enables enlarging the knowledge base, sharing data and costs while locating measures where they can have optimum effects. At the same time, failure to address the negative impacts of climate change cooperatively in a river basin can threaten socio-economic development and create new or reinforce existing conflicts between riparian states.

Existing transboundary agreements, basin organizations, and regional agreement provide supportive frameworks from which to develop and implement effective climate adaptation and resilience-building projects. Moreover, strengthening river basin organizations, and their supporting systems, can ensure that responses to climate change are complementary to regional development plans and help advance the sustainable development of these regions while improving the lives of nearly half the global population.

The 1992 Convention on the Protection and Use of Transboundary Watercourses and International Lakes (Water Convention) provides a crucial legal and intergovernmental framework for climate change adaptation in transboundary basins. It supports countries and basin in developing transboundary adaptation vulnerability assessments, adaptation strategies and their implementation through guidance, projects on the ground and exchange of experience.

Climate change has become an important item on the policy agendas of many transboundary river basins. Basin organizations are taking action by collecting climate-related data, developing adaptation strategies and implementing increased activities on the ground. In addition to the basin-wide adaptation strategies in the Danube, Dniester, Neman, Nile, Lake Victoria and Rhine basins, and others such as the Mekong underway, the Niger and Lake Chad have developed climate investment plans. Nevertheless many other River Basin Organizations (RBOs) have yet to begin adaptation planning and seeking financing.

B. Challenges and Opportunities

The transboundary river basin context poses both challenges and opportunities when developing and implementing climate adaptation and resilience projects. Challenges include: uncertainty about the scope and nature of impacts; lack of coordination between regional, national, and local adaptation activities; lack of resources; difficulty of allocating funds to and through a multi-country body; and gaps between planning activities and implementation. Another challenge is coordination and integration of basin-scale planning with national planning. This is particularly acute in large basins with many countries and delicate diplomatic relationships.

A significant challenge for River Basin Organizations (RBOs) is that they usually lack revenue stream to qualify as potential borrower (in case of loan). Options for funding are limited when compared with sovereign states, with climate funds such as the Green Climate Fund (GCF) only available to those projects agreed to by National Designated Authorities (NDAs). Many of the existing funds and financing streams—those that have been historically used for development finance as well as newer instruments and funds created solely for climate finance – are structured for single-country financing. As such, given resource limitations, there is a risk that RBO-generated projects may be seen as 'competition' by National Institutions.

On the positive side, while the single-country model is often simpler in terms of disbursement, procurement, monitoring and evaluation of projects, transboundary cooperation on adaptation can support the coordination of measures at the river, lake-basin or aquifer level and allow for strategic use of funding over similar geographic and thematic areas. At the same time, it can help avoid negative impacts of unilateral adaptation measures on other riparian countries.

In addition to the optimized use of funds and avoidance of negative impacts on downstream countries, other opportunities include development of relationships and cooperation between countries advancing regional integration and avoiding conflict and social strife. Furthermore, adaptive management with adequate monitoring of impacts can allow for constructive strategy feedback at the basin level.

III. Climate Finance for Adaptation & Resilience-building

A. Climate, not Development, Finance

Climate change finance is any national, regional, or international financial support provided for activities or projects that address any aspect of climate change. In large part, climate finance provides support to reduce greenhouse gas concentrations in the atmosphere known as “mitigation” projects. But it also includes financing for activities that help prepare for and reduce the predicted impacts of climate change

on a region, nation, or community, known as “adaption”. Adaptation finance also extends to financing for the loss and damage associated with impacts of climate change that some are already experiencing globally. Climate finance covers a very wide array of activities including studies, project grants, investments, technology development and transfer, capacity building, procurement, and all that might be involved in mitigation or adaptation efforts.

Climate finance is considered part of the commitments made by developed countries to developing countries under the United Nations Framework Convention on Climate Change (UNFCCC). Understanding the relationship to the UNFCCC’s financial mechanisms and institutions is critical to capturing the difference between climate and non-climate finance because of the commitments. Unlike development finance, climate finance is provided on the basis of legal commitments that created obligations for developed countries to support developing countries mitigation and adaptation.¹ Not all finance for climate change is monitored and accounted for as part of these obligations, however. Private finance and investment, for example, are complementary but not based on government obligations.

Climate finance is distinct from traditional development finance in several other ways. Climate finance is provided for projects that specifically attend to issues relating to climate change. In the mitigation context, this is straightforward – the project must mitigate production of a greenhouse gas in a measurable way. In the adaptation context, it is often more difficult to delineate climate projects from other development projects as many adaptation projects, such as irrigation, water storage infrastructure, erosion protection, or agricultural crop substitution, closely resemble development projects. The key in this situation is to clearly link the problem or objective that the project addresses to a projected climate change impact. Some projects address weather-related impacts that are *not* caused by climate change but are naturally occurring. These are not climate finance projects. For a bankable climate finance project it is critical to show a clear and direct link between the predicted impact of climate change and the project’s goals and outcome. It is recommended that all project proposals include a section on climate impacts and a related section on exactly how the project intends to respond to those projected impacts.

B. Adaptation v. Resilience

While definitions vary widely among institutions, generally, **adaptation** refers to measures taken to support and build the ability to *withstand* the impacts of climate change. This includes changes in processes, practices, and structures in order to respond to climate impacts. Adaptation can also encompass actions that exploit beneficial opportunities that may arise from climate change (eg. increased crop yields certain areas). Adaptation covers a very wide range of activities. It might include large infrastructure changes such as preparing coastal villages to withstand sea-level rise; socio-economic changes like transitioning to crops that can withstand increased temperatures; or behavioral changes such as encouraging individuals to use less water or businesses to buy flood insurance. It may be planned or spontaneous, small or large scale.

Resilience to climate change is often defined as the ability to sustain shocks imposed by climate impacts while maintaining integrity. The definition is often expanded to include the capacity to *renew* and *develop*, as well as to use certain climate impacts as opportunities for innovation and evolution of new pathways that improve one’s ability to adapt to those changes. Climate resilience encompasses a dual function: to absorb shock as well as to self-renew. This is perhaps the main way to distinguish it from the concept of adaptation. For example, increasing water access points throughout a river basin improves the resilience of the community to climate change induced drought. Climate resilience both enables an actor to absorb climate shocks *and also* advance their development or growth.

¹ United Nations Framework Convention on Climate Change, Article 4. 1771 UNTS 107; S. Treaty Doc No. 102-38; U.N. Doc. (1992)

C. Climate Finance under the Paris Agreement

In line with commitments under the UNFCCC, Article 9 of the Paris Agreement stipulates that developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention. In addition, Article 9 states that the provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing States, considering the need for public and grant-based resources for adaptation. Developing countries are also encouraged to contribute financing for both mitigation and adaptation. They can do this through contributions to the Green Climate Fund or by financing their own national and regional projects. Many funds and donors look favorably on projects where beneficiary countries are contributing a portion of the resources required either in actual funds or through in-kind contributions.

D. Financing Instruments & Institutions

Financing for adaptation and resilience building can take many forms and come from a wide variety of sources. There are also a wide variety of instruments and institutions for channelling finance to countries for implementation of projects. Each fund or donor has differing rules and procedures when applying for financing and for implementing projects and the levels of autonomy that occur. The greatest autonomy for a country occurs when using national budgets to fund adaptation. Next, a high margin of autonomy is maintained through “direct access”, which is only available under a limited number of funds, as explained in the following sections. At the next level, substantive donor involvement takes place at all stages of the project cycle in bilateral and multilateral financing, although such involvement can differ greatly at all stages. Private and non-governmental finance also typically involves a high level of involvement in decision-making and implementation by the donor, as will blended finance where a number of funding sources are involved. Both autonomy and involvement have benefits and limitations. A beneficiary should carefully consider their needs and circumstances on a project-by-project basis when identifying the appropriate funding source. A number of funding options can be found in Annex II and III.

1. International v. National Implementing Agencies

International climate finance offers two main approaches to implementation. The first is the traditional route used in development financing, which is to work with international implementing agencies throughout the project cycle [explained in greater detail below]. Implementing agencies include multilateral institutions such as The World Bank, the European Investment Bank, the regional development banks (e.g. the African Development Bank, Asian Development Bank, Latin American Development Bank), United Nations institutions such as the United Nations Development Programme or the United Nations Environment Programme, through bilateral donor agencies (e.g. United States Agency for International Development; the Swedish International Development Cooperation Agency (SIDA), or the German international development agency (GIZ)) or through non-governmental partners such as OXFAM or the wide array of philanthropic foundations. These institutions partner directly with local or national governments or sometimes directly with community organizations to develop and implement projects related to climate change.

The second main approach to climate finance is considered “direct access”. It is an approach that emerged from the Adaptation Fund established by the UNFCCC under the guidance of its Conference of Parties to support adaptation projects. The rules and procedures for “National Implementing Entities” (NIEs) were

developed within the Adaptation Fund and numerous countries created NIEs that could then solicit and implement adaptation funding directly, without the use of an international implementing agency. This approach has been carried over into the Green Climate Fund and in theory, although the fund is in its early stages, this approach to finance will also be available to countries that have approved NIEs.

2. Bilateral, regional & multilateral finance

To date, the majority of climate financing is been channelled through bilateral, regional, or multilateral mechanisms. These mechanisms are the same as traditional development assistance mechanisms. The difference appears in the specific funds within each agency. Most bilateral donors have established specific funds for climate change that have dedicated levels of financing, specific financing modalities and procedures, and often particular requirements for project types. See examples in Annex II. Multilateral institutions, such as the World Bank, the United Nations Development Programme, and the regional development banks also have specific climate funds. The project cycles vary by institution, especially as regards the implementation, monitoring, and evaluation phases. More on the project cycles is explained later in this document. Of note is that some financing institutions, such as AfDB, give greater recognition to NDC's within their strategies, policies, and plans.

3. UNFCCC Funds: The Adaptation Fund & The Green Climate Fund

The Adaptation Fund was created in 2007 through the Kyoto Protocol to support adaptation projects and programs in developing countries that were members to the Protocol. An important feature of the Adaptation Fund is its direct access mechanism, which enables accredited national implementing entities (NIEs) and regional implementing agencies (RIEs) in developing countries to directly access climate adaptation financing. Direct access was established through the UNFCCC negotiations and has carried over to the Green Climate Fund, as discussed below. Notably, the Adaptation Fund is advancing on support to a transboundary project to be implemented in West Africa in the near future.²

The Green Climate Fund (GCF) is the newest actor in the multilateral climate finance architecture and became fully operational in 2015. The GCF is an operating entity of the Financial Mechanism of the UNFCCC. While it is institutionally based in the Republic of Korea, it has its own secretariat and the World Bank as its interim trustee but functions under the guidance of, and is accountable to, the UNFCCC COP. The 24 GCF Board members, with equal representation of developed and developing countries, have established essential policies and frameworks to receive, manage, and programme, allowing submission and approval of GCF projects.

The GCF finances low-emission and climate resilient projects and programs that contribute to achieving at least one of its eight strategic impact areas:

Adaptation	Mitigation
1. Health, food and water security	2. Energy generation and access
3. Livelihoods of people and communities	4. Transport
5. Infrastructure and built environment	6. Forests and Land Use
7. Ecosystems and ecosystem services	8. Buildings, cities, industries and appliances

² Integration of Climate Change Adaptation and Mitigation Measures in The Concerted Management of the WAP Transboundary Complex: Adapt-WAP Project; Countries: Benin, Burkina Faso, Niger; Source: Adaptation Fund website.

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There are three key steps to engaging with the GCF. First, each state appoints a National Designated Authority (NDA) or focal point. The NDA is the interface between a developing country and the GCF. The NDA, chosen by the national government, provides broad strategic oversight of the GCF's activities within the country and serves as point of communication with the Fund. The NDA seeks to ensure consistency of funding proposals with national objectives and priorities. To date, over 120 countries have established an NDA.

The second step is to identify and seek accreditation of entities to directly access GCF funds. The Fund will channel its resources through a network of *National Implementing Entities* (NIEs) and *Regional Implementing Entities* (RIEs). These may be public, private and non-governmental institutions operating at sub-national, national, regional and international levels. These institutions must align with the Fund's objectives and meet its fiduciary standards and environmental and social safeguards through an accreditation process. NDAs provide letters of nomination to direct access. As of May 31, 2017 forty-eight national, regional, and international institutions have achieved accreditation under the GCF, while 176 more are in the process. See Annex IV.

The final step is to develop projects and program proposals for funding through NIEs and RIEs. The GCF will finance projects and programs in the public and the private sectors that contribute toward achieving at least one of the eight strategic impacts shown in the previous table. Proposals may be submitted from accredited entities and NDAs at any time using the funding proposal template available on the GCF's website. Proposals will be considered against the Fund's investment framework (see Figure 1). To ensure country ownership, the Board will only consider funding proposals supported by a letter of no-objection from the NDA, attesting that the proposed project is in line with national strategies. The Green Climate Fund already accepts regional projects and is in the process to define modalities for transboundary projects due to the different challenges they face.

4. Blended and other sources of finance

Blended climate finance refers to the strategic use of a mix of philanthropic and development finance that attempt to make climate compatible development projects more financially viable. This may include the use of a combination of public and private investment, and/or of different types or sources of financing.

While public finance continues to drive private investment and grows annually, private investment continues to form the majority of climate-relevant investment. Notably, most private investment projects are related to mitigation although in the water sector and transboundary basin contexts one can imagine large investments in irrigation, water storage, and water supply, among others, that could be adaptation related. In 2014, of the \$392 billion dollars of climate finance, 61% was private and 49% was public. In the context of constrained public budgets, significant additional private sector finance into adaptation will be required to put developing countries on low-carbon, climate-resilient development pathways.

Blended finance offers the opportunity to scale up commercial financing for developing countries and to channel this financing toward investments with climate impacts. This can be done by incorporating different types of financing into a single project or fund (e.g. grants; concessional and market-rate debt; equity investment; and risk mitigation instruments such as insurance or guarantees) in order to best allocate individual risks.

While investing in emerging markets can be an attractive source of returns for private sector capital providers, those actors also have varying thresholds of risk tolerance in emerging markets, and may be seeking different levels of returns. Financing climate-related projects gives rise to a set of risks, both real and perceived, that act as barriers to private sector investment. Blended finance can allow parties to manage project risks more effectively and use limited public finance to catalyse private investment.

The International Finance Corporation (IFC) and the Green Climate Fund (GCF) have already been trying blended finance approaches for climate projects.

IV. The Project Cycle

Project cycles vary significantly among institutions and organizations. Figures 1-3 below illustrate three project cycles for relevant institutions. Broadly speaking, the project cycle begins with project identification based on needs assessments, research, or other processes that identify needs and articulate a proposed response. In this context, as mentioned above for climate adaptation projects the potential impact must be clearly and demonstrably linked to climate change and is not simply a development issue with weather or customary climate causes. The project appraisal and design stage follows where proponents typically work in conjunction with potential funders to assess viability and carefully design the detailed content of the project and its budget. After design and approval, the project moves to implementation where funds are disbursed and the project is carried out in its entirety. Finally, the project undergoes monitoring and evaluation that allows for adjustments if needed in order to improve effectiveness or provide lessons for future projects. Each stage includes a vast number of sub-steps and varying degree of involvement from the project proponents, funders, and other relevant partners or groups

The core of integrating adaptation at the project level is to conduct climate-lens analysis at all design stages, as each stage has a distinct role to play. The following figure illustrates how climate change adaptation can be integrated at each level.

Figure 1: The project cycle Source: OECD (2009)
 Integrating Climate Change Adaptation into Development Co-operation: Policy Guidance, OECD Publishing, Paris.

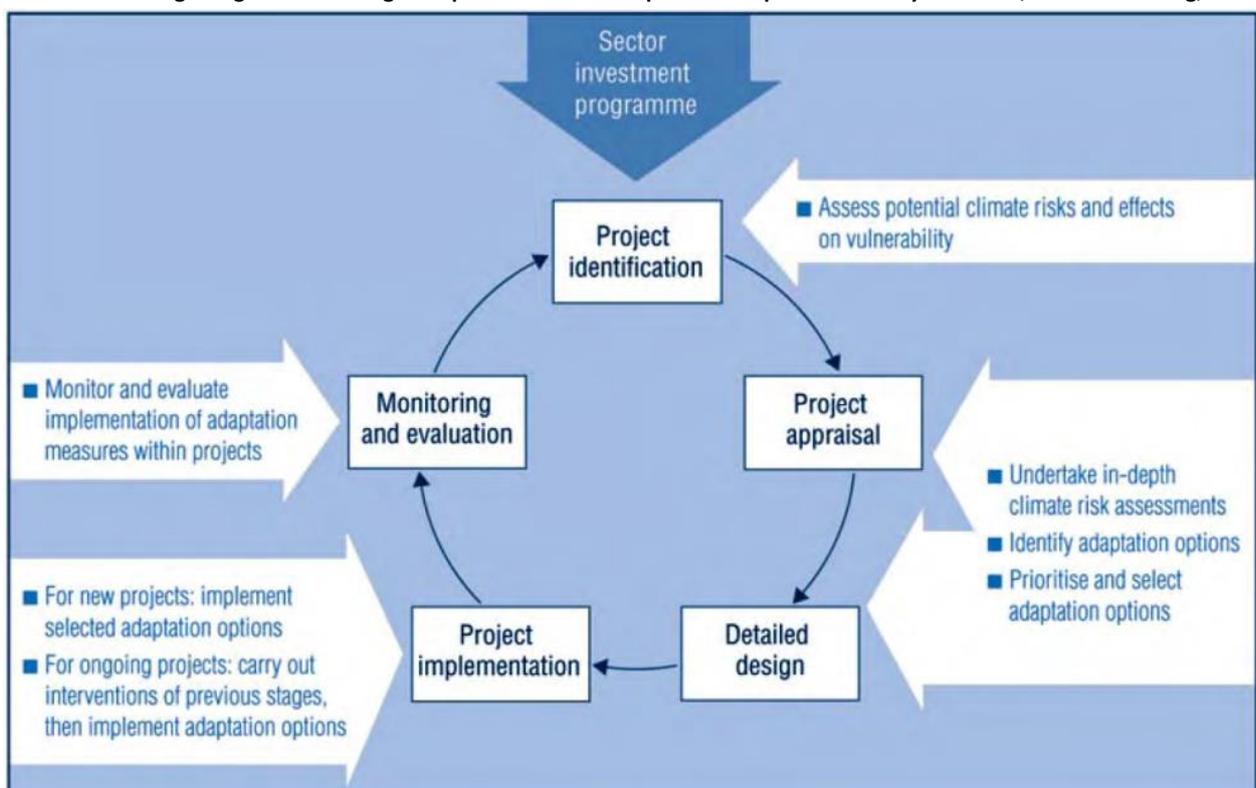


Figure 2: World Bank Project Cycle (Source: www.worldbank.org)

Some aspects of the project cycle are prepared exclusively by the recipient, some are carried out by the donor, and other stages are cooperative.

A beneficiary or a River Basin Organization can also develop its own project cycle.

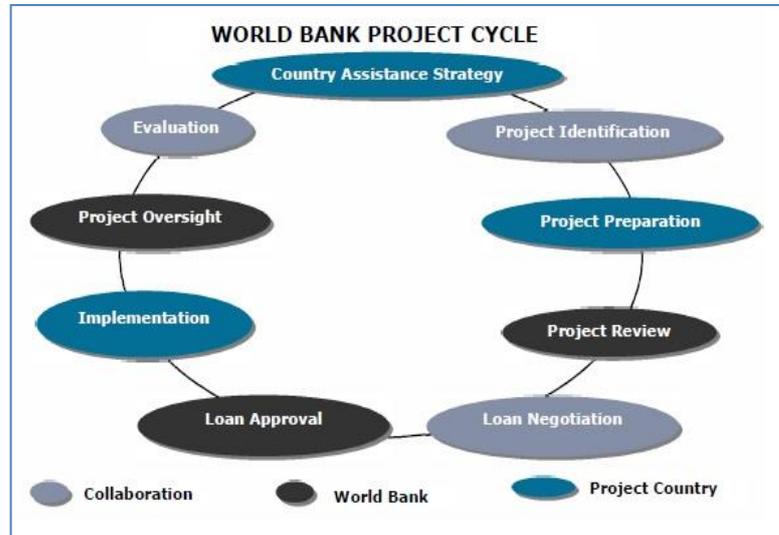


Figure 3: The Green Climate Fund Project Cycle

The GCF project cycles includes five main steps:

- 1) The AE or the NDA submit a concept note (voluntary);
- 2) The AE submit the project proposal to the GCF, in conjunction with a no-objection letter signed by the NDA;
- 3) The GCF reviews selected sections of the proposal and the Independent Technical Advisory Panel (ITAP) of the Fund undertakes a technical assessment and provides recommendations;
- 4) Based on the review and the technical assessment, the GCF decides whether or not to approve the funding; and,
- 5) If the proposal is approved, a Funded Activity Agreement (FAA) is negotiated and signed between the AE and the GCF.

V. Bankable Projects and Sustainable Financing

Whether a project is bankable varies on criteria and procedures required from each financing institution or source. As such, securing financing begins with good project proposals that fulfill these criteria. Some general criteria for climate adaptation projects taken from a selection of sources include projects that aim to: provide the most benefits to the greatest number of people; provide effective implementation; and that are sustainable over time. Sustainability is affected by factors such as a national government's willingness and ability to carry projects beyond the period of initial investment or finance. Notably, as a project preparation facility, the African Water Facility supports the preparation of Feasibility Studies that will enable lending institutions to make a decision on whether to fund an investment project.

A. Critical issues for developing Bankable Climate adaptation & resilience projects

- **Adaptation-specific Design & Scope**
Define the problem. Describe the climate change impacts directly responded to by the adaptation project.
- **Identify the root causes of the problem**
Identify the reasons or vulnerabilities of the climate change induced problem. What are the broad causes and the core or root causes? Why are they not already addressed?
A range of non-climate related factors are also at the heart of the matter. Understanding the causes of the problem is critical for formulating an appropriate adaptation response.
- **Regional Planning & Mainstreaming**
Aligning climate financing with existing river basin planning is critical to ensure the efficiency of resources and the long-term sustainability of a project. Bankable climate adaptation projects will strive to compliment, rather than duplicate or ignore, river basin development strategies and planning. As such, projects should reference the strategies or tools and how they either support or could be supported by climate financing.
- **Clustering projects within the basin, coordinating project proposals**
There are numerous advantages and benefits to clustering a number of smaller geographically-related or thematic projects under one larger project proposal. A cluster of projects that share geographic or thematic characteristics can be simpler to manage from a donor perspective than many smaller projects.

Some donors have stated or unstated project budget minimums that preclude smaller projects from receiving funding. A group of projects can offer a greater funding requirement that will surpass the threshold and be more attractive to larger funders. Also, at the implementation level, projects that are clustered may be more efficient as they can share project management, technical resources, and other resources that allow for wider implementation with more limited funding. On the other hand, clustering can also add complexity and challenges at all stages of the funding process. Whether or not to cluster projects is a decision to make earlier in the project cycle or in consultation with potential funders.

As far as coordination and alignment with national policies and programs, it is the responsibility of the national representative appointed to the River Basin organization to review, understand, and coordinate national policies and strategies with those of the basin.

- **Co-benefits: Combining Adaptation and Mitigation**

It is possible, and often attractive for financiers, for projects proposals to address both adaptation and mitigation measures. The most common example of such projects is reforestation or forest protection projects where the benefits include, for example, both carbon absorption and adaptation through improved livelihoods or protection of the watershed. Mitigation co-benefits also surface in renewable energy development projects, such as solar, hydro, or wind-power installations. Including both benefits can give greater access to funds or increase budgets. At the same time, such projects are often more complex at implementation, monitoring, and reporting stages and can involve many more actors creating further risk to the project. Notably, another attractive combination for financiers are projects that have both adaptation benefits and achieve other sustainable development goals as co-benefits to the project. For example, reinforcing water distribution facility resilience towards climate change has both adaptation benefits and achieves SDG n°6”.

B. Lessons and recommendations for transboundary projects

To present recommendations on how to develop bankable projects for climate adaptation and resilience-building in the transboundary river basin context, it is necessary to consider the experience of development financing in this context in light through a climate finance lens. To do so, it is critical to understand the fundamental difference in definitions as well as the new institutions and instruments with their specific procedures for funding climate adaptation. Some suggestions include:

1. The critical role of the River Basin Organization

River Basin Organizations provide an innovative and useful tool that can support countries adaptation and resilience building beyond what each individual country could achieve. By sharing knowledge, planning strategically, advancing complementary development strategies, promoting cooperative decision-making, and supporting critical climate planning, RBOs bring an additional support structure for addressing climate change. RBOs also offer continuity in project planning and implementation, as well as decision-making that can endure through changes of government or any other potential externalities that can stall advances at the national level. That said, it is important to acknowledge that the political dynamics of RBOs and added institutional involvement of a transboundary basin organization can add complexity, bureaucracy, and risk. Risk management in such a context requires careful attention to these factors such that the context remains an advantage and does not become an added challenge.

2. Identifying funds and financing that support transboundary projects

Currently, an array of multilateral development partners and bilateral donors, the Adaptation Fund, and the Green Climate Fund all offer options for financing climate adaptation in a transboundary context. More detailed information is available in the Annexes. As discussed, each funding source has distinctly different financing procedures and project cycles, which makes accessing financing more difficult for countries and

RBOs. Having dedicated teams on climate finance who know the spectrum of financing sources, understand procedures, and develop relationships with funders is critical. At the same time, these finance experts require the support of technical teams made up of national governments experts, scientists, non-governmental organizations (such as universities or research institutions), RBOs, and other regional or international partners that can constructively support relevant steps in the project cycle such as needs assessments, evaluations, monitoring, etc. and support the success of the project from start to finish.

3. Innovate, advocate, and be flexible

Climate finance is a relatively new field of global financing and as such many of the rules and instruments that are currently in place are still evolving, lack concrete experiences, and therefore offer opportunities for the beneficiaries to shape the rules and procedures. Knowing the strengths and weaknesses of working within a transboundary context will allow project proponents to lobby effectively for the added benefits while managing risks. New funding sources may have flexibility if they can be convinced that funds will have a greater impact in a transboundary project than a single-country one. Multi-country projects theoretically have more advocates as each government and the RBO can lobby in support of the project. At the same time, be flexible and strategic where the rules may not allow for a transboundary project and see how funds might be accessed for a single country that can then support the basin with experience or by alleviating their resource use so others in the basin might access limited national or regional finance.

VI. Conclusions

Countries' abilities to respond effectively to the onset of climate change depends on a broad range of factors including: access to information on potential impacts, institutional capacity to prepare and deploy adaptation strategies, monitoring and information gathering to respond appropriately and rapidly to climate impacts, access to financing and absorption capacity, among others. The challenge of climate change for countries in transboundary river basins is compounded further by the complexity of multinational decision-making, legal and political challenges, and additional risks unique to a geographical context where water resources are shared but national lines are sovereign. In transboundary contexts, working cooperatively and in concert with basin organizations basin is critical to supporting successful adaptation and resilience strategies as well as making the best use of limited national and international resources available for the critical actions. This can be achieved through cooperation in planning, information sharing, and coordination, collaborative project planning and submission. Most importantly, it requires an awareness of and commitment to working on cooperative approaches to addressing climate change.

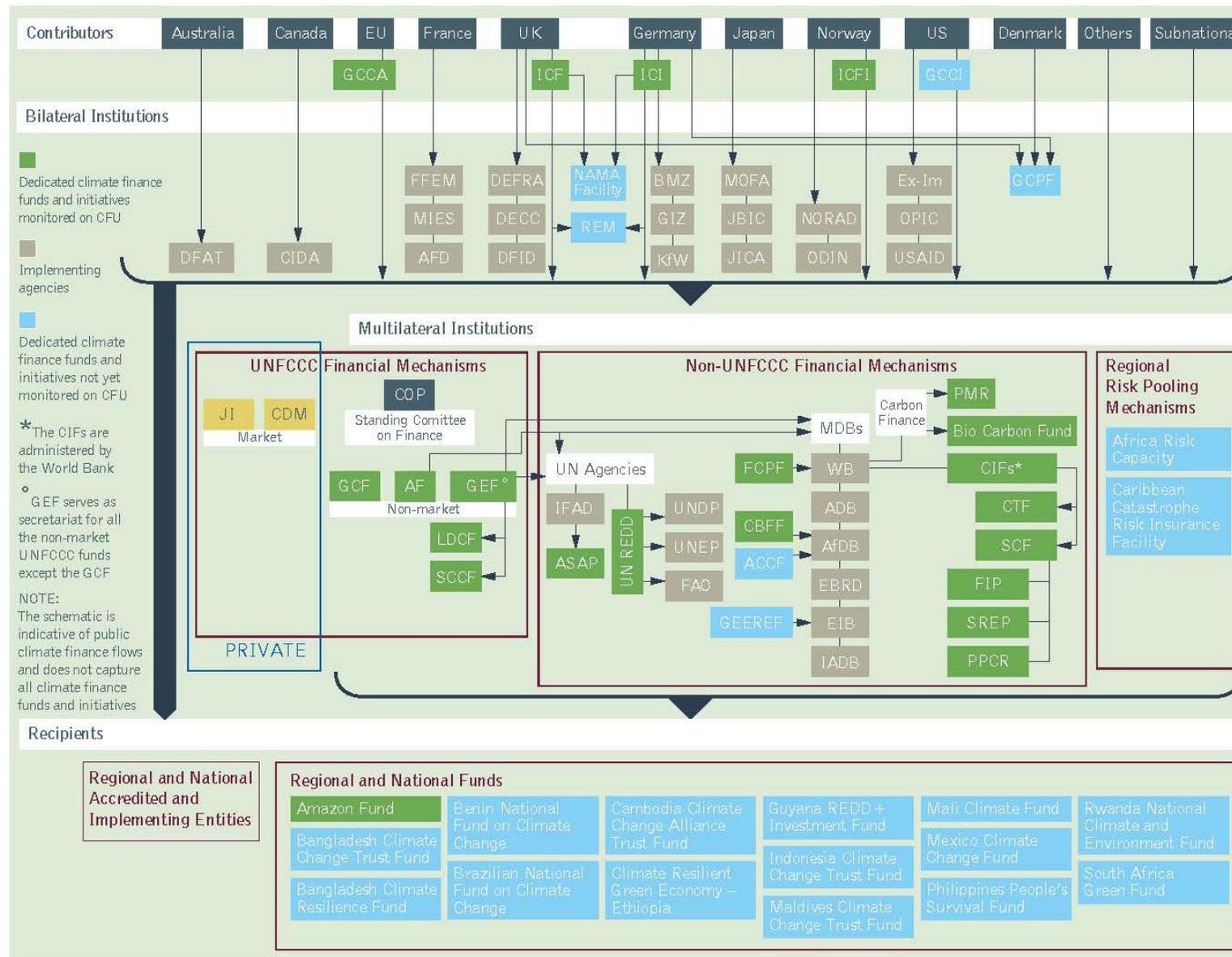
The issues covered in this paper are a first step to better understanding the climate financing available for adaptation and resilience-building in transboundary contexts. The next step is to use the knowledge of the financing sources and the project cycle to identify and develop bankable project proposals within the basin context.

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ANNEX I – GLOBAL FINANCIAL ARCHITECTURE

Source: Heinrich Boll Foundation ODI, 2017



ANNEX II: FUNDING MECHANISMS

MULTILATERAL FUNDS

Fund / Programs - click for fund description page	Access Point	Administered by	Area of focus	Date Operational	Project Preparation Support?	Type of Financing	Note
Adaptation Fund	Through the AF accredited institution	Adaptation Fund	Adaptation	2009	Y	Grants	AF Overview (FR) https://www.acontent/uploads/2010/02/AFOv11.6.2014.pdf
Adaptation for Smallholder Agriculture Program (ASAP)	Through IFAD baseline investments and other national government programs	The International Fund for Agricultural Development (IFAD)	Adaptation, Mitigation - general	2012	N/A	Grants; Loans	https://www.ifad.org/topic/a
African Water Facility	Through its website; no longer accepting the proposals until further notice	African Development Bank	Adaptation - water		Y	Grants	
Africa Climate Change Fund	Website	African Development Bank	Climate readiness	2014	Y	Grants	APPLICATION
Clean Technology Fund	By invitation	The World Bank	Mitigation - general	2008		Loans	Only Nigeria is the CTF country
European Investment Bank	Website, EU delegation, country representations	European Investment Bank	Multi-sectoral		Y	Loans and Grant for Technical Assistance	Commitment from the Bank for the loans to climate action by developing countries
IFC Catalyst Fund	Website	International Finance Corporation	Mitigation - Energy	2012	N	Both	None yet in Sub-Saharan Africa
IFC	Website	IFC	Adaptation, Resilience		N/A	Grants	Leveraging Private Sector Investment
IFC-Canada Climate Change Program	Website	IFC	Mitigation - Energy	2011	N	Loans	
Cooperation in International Water in Africa	By invitation; at the RBO level	The World Bank	Adaptation - transboundary water	2011	Y	Grants	

GEF Trust Fund - Climate Change focal area (GEF 6)	Through the Country's Operational Focal Point	The Global Environment Facility (GEF)	Adaptation, Mitigation - general	2014	Y	Grants	https://www.thegef.org/gef/publication/GEF-A%20to%20
Global Climate Change Alliance	Through the EU Delegation in the country	The European Commission, Directorate General for International Cooperation and Development	Adaptation, Mitigation - general, Mitigation - REDD	2008	Y	Grants for TA	No direct financial support
GCCA's Climate Support Facility	Through the EU Delegation in the country	The European Commission, Directorate General for International Cooperation and Development	Adaptation - Preparation			Grants for TA	
Green Climate Fund	Through Accreditation or the Accredited Entities	The Green Climate Fund	Adaptation, Mitigation - general, Mitigation - REDD	2015	Y	Grants ; Loans; Readiness	The AE List (hyperlinked)
	Local/Regional office	Islamic Development Bank (IDB)	Not specified for climate change				While climate change is not a ISDB does finance related issu
Least Developed Countries Fund	Through one of the GEF Agencies and the Country's Operational Focal Point ; LDCs only	The Global Environment Facility (GEF)	Adaptation	2002	Y - PPG	Grants	Brochure (FR)
Nordic Climate Facility	Through the Nordic firms, organizations, and networks as well as the MDBs	Nordic Development Fund	Adaptation, Mitigation - general			Grants ; Credit ; TA	Eligibility limited to Benin and
Pilot Program for Climate Resilience (PPCR)	By invitation	The World Bank	Adaptation	2008		Grants ; Loans	Niger is the partner country
Special Climate Change Fund (SCCF)	Through one of the GEF Agencies and the Country's Operational Focal Point	The Global Environment Facility (GEF)	Adaptation	2002	Y - PPG	Grants	Brochure (FR) : https://www.thegef.org/gef/publication/SCCF%20French.p
Strategic Climate Fund	Through PPCR, SREP, and FIP	The World Bank	Adaptation, Mitigation - general, Mitigation - REDD	2008			

Scaling-Up Renewable Energy Program for Low Income Countries (SREP)	By invitation	The World Bank	Mitigation - general	2009		Grants ; Loans	
UN-REDD Programme	By joining the programme then by invitation for REDD+ implementation readiness support	UNDP, UNEP and FAO	Mitigation - REDD	2008	Y - REDD+	Grants	Benin, Cameroon, and Ivory C countries
Forest Carbon Partnership Facility - Readiness Fund	REDD Country submitting the proposal to the Facility Management Team	The World Bank	Mitigation - REDD	2008	Y	Grants	
Forest Carbon Partnership Facility - Carbon Fund	Through the Readiness Fund	The World Bank	Mitigation - REDD	2008	N/A	Credits in exchange for emissions reduction	
Forest Investment Program	By invitation	The World Bank	Mitigation - REDD	2009	N/A	Grants ; Loans; Guarantees; Equity	
Global Energy Efficiency and Renewable Energy Fund	Though the GEEREF	The European Investment Bank	Mitigation - general	2008	N/A	Fund of Fund; private equity	** Not Eligible for direct proj

Additional BILATERAL FUNDS

**** It is advised that the countries engage directly with the delegations of the listed countries to get a better understanding of the available financing for climate change adaptation and mitigation**

Fund / Programs	Access Point	Organization	Area of focus	Country	Date Operaitonal	Type of Financing	Note
Australian Aid Climate change and environment initiatives				Australia			Overview of Australia's assist change

		Foreign Affairs, Trade, and Development Canada (DFATD)		Canada			
		Canadian International Development Agency (CIDA)		Canada			
		Agence Française de Développement (AFD)		France			
		The French Facility for Global Environment (FFEM)		France			
		Austrian Development Cooperation (ADC)		Austria			
		Belgian Development Cooperation (Foreign Affairs, Foreign Trade and Development Cooperation)		Belgium			
Danish Industrialization Fund for Developing Countries (IFU)		Danish Development Agency (DANIDA)		Denmark			
		Finish Ministry for Foreign Affairs (climate change – global policy and cooperation)		Finland			
Germany's International Climate Initiative	**Deadline for the 2017 Selection - June 6, 2016	The German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB)	Adaptation, Mitigation - general, policy support ; Mitigation - REDD	Germany	2008	Grants ; Loans	
Japan's Fast Start Finance	**No longer operational	Government of Japan	Adaptation, Mitigation - general, Mitigation - REDD	Japan	2008		
Luxembourg Development Cooperation	Regional Office Burkina Faso		Adaptation - Agriculture, Mitigation - Renewable energy	Luxembourg			
Development Cooperation, Water Management	Bilateral engagement between the government and the NBA	Government of the Netherlands	Water, agriculture, river basin management	Netherlands	N/A	Grants	
		Swedish Development Cooperation (SIDA)		Sweden	N/A		

		Swiss Agency for Development and Cooperation (SDC)		Switzerland	N/A		
Norway's International Climate and Forest Initiative	Through REDD+ and other multilateral channels in country	Government of Norway	Mitigation - REDD	Norway	2008	Grants	
UK's International Climate Fund	** Potentially closed	UK DFID/ DECC/ Defra	Adaptation, Mitigation - general, Mitigation - REDD	United Kingdom	2011		
Global Climate Change Initiative		United States Agency for International Development (USAID)		United States			

ANNEX III: Climate Funds offered/ used by the African Development Bank

Name of Fund	Type of Funding	Eligible Sectors	Eligible Activities	Eligible Countries	Accessible to Transboundary Projects	Transboundary Projects Approved/ Funded	Trust Fund / Core	Host Department (if Applicable)	Resource Available	Maximum Amount per project)	Funding Dates	Other Conditions	Further Information/ New (Website)
NEPAD Infrastructure Project Preparation Facility	Grant Funding	Energy, Transport, Transboundary Waters	Project feasibility Studies, Project specific technical assistance ; Capacity building	RMCS, Power Pools, Corridor Authorities	Yes	Yes	Trust Fund	ONRI (this has changed with restructure)	11,000 UA	3,000,000 UA	Always open		www.nepadippf.org
African Water Facility	Grant Funding	Water (incl. Transboundary)	Technical Assistance , Studies, Operational Support	All RMCS	Yes	Yes	Trust Fund	AHWS	19 144 977 (UA)	5, 000, 000 EUR	Demand Driven (currently closed)/ Climate Call		www.africawaterfacility.org
Adaptation Fund	Grant Funding	Agriculture, Coastal Zone Management, Disaster Risk Reduction, Food Security, Forests, Rural and Urban Development, Water management	Concrete adaptation activities that reduce vulnerability and increase adaptive capacity to respond to the impacts of climate change	All RMCS except South Sudan	Yes	No	Trust Fund (World Bank is interim Trustee)	PECG (Climate Change and Green Growth Department)	USD 175.5 million	National: USD 10 million; Regional/ Multi-country: USD 14 million	Year-round		https://www.adaptation-fund.org/
Africa Climate Change Fund (ACCF)	Grant Funding	Climate readiness, Access to climate finance, address climate change in	Recruitment of consultants, Trainings,	African governments, non-government	Yes	Yes	Trust Fund	PECG (Climate Change and	USD 7 million	No maximum (limit of the fund). Minimum	Call for proposal (soon to be open)		https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/africa-climate-change-fund/

		RMCs development strategies and policies, developing climate-resilient and low-carbon investment plans and projects	workshops, communication services, preparation of analytical studies, certain administrative costs and fees	national organizations, research institutions, regional institutions, AfDB				Green Growth Department)		of USD \$ 250 000			
Green Climate Fund	Grant, loan, equity, guarantee	Water, energy, agriculture, transport, etc.	Feasibility studies and other studies and advisory services, readiness activities and project finance	African countries, private sector entities, etc.	Yes	Yes	Trust Fund (AfDB as Accredited Entity)	PECG (Climate Change and Green Growth Department)	10.3 billion	Up to and beyond USD 250 million	Always open and call for proposals from time to time	No objection letters from National Designated Authorities	http://www.greenclimate.fund

Global Environment Facility (GEF)	Grant Funding (primarily); some concessional funding	Transboundary Water Management, Agriculture, Forestry, Energy, Climate Change (Adaptation and Mitigation), Transport, Biodiversity conservation, Waste management	Project preparation, Studies, Technical Assistance, Capacity Building, Operational support, Investment	All RMCs	Yes	Yes	Trust Fund (external)	PECG	The GEF TF is replenished every four years. This is the last year of the GEF 6 cycle, which had a total funding across focal areas of USD 4.43 billion.	* Depends on a country's funding allocation, the specific GEF Focal Area, and if the project targets the Non-Grant Instrument. There is a funding window called International Waters (IW) which specifically finances transboundary water management and cooperation.	GEF projects are approved twice a year (AfDB - Facilitates)	The GEF administers several funds: the main GEF Trust Fund (TF), the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF). The latter two finance climate adaptation activities. Furthermore, the Capacity-building Initiative for Transparency (CBIT) is a new (2016) trust fund hosted by the GEF with the aim to strengthen the institutional and technical capacities of developing countries to meet the enhanced transparency requirements in the Paris Agreement. www.thegef.org
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Climate Investment Funds	Grant, Investments (e.g. Loans, Equity and Guarantees)	Mitigation and Adaptation	Technical Assistance, Projects' Investments	African Governments, National Institutions and Private Sector companies	No		External Trust Fund (World Bank acts as Trustee)	PECG (Climate Change and Green Growth Department)	The funds are winding down in part because of the operationalization of the Green Climate Fund. No new projects are joining the pipeline.	Not applicable	Currently no new projects are being accepted to join the pipeline.	https://www.climateinvestmentfunds.org/
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Annex IV – ACCREDITED ENTITIES (AE) UNDER THE GREEN CLIMATE FUND (as of May 31, 2017)

Acumen Fund, Inc. (**Acumen**)
Africa Finance Corporation (**AFC**)
African Development Bank (**AfDB**)
Agence Française de Développement (**AFD**)
Agency for Agricultural Development of Morocco (**ADA**)
Asian Development Bank (**ADB**)
Banque Ouest Africaine de Développement (**BOAD**)
Caribbean Community Climate Change Centre (**CCCCC**)
Caribbean Development Bank (**CDB**)
Central American Bank for Economic Integration (**CABEI**)
Centre de Suivi Ecologique (**CSE**)
Conservation International Foundation (**CI**)
Corporación Andina de Fomento (**CAF**)
Crédit Agricole Corporate and Investment Bank (**Crédit Agricole CIB**)
Deutsche Bank AktienGesellschaft (**Deutsche Bank AG**)
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (**GIZ**)
Development Bank of Southern Africa (**DBSA**)
Environmental Investment Fund (**EIF**)
European Bank for Reconstruction and Development (**EBRD**)
European Investment Bank (**EIB**)
Food and Agriculture Organization of the United Nations (**FAO**)
Foreign Economic Cooperation Office (**FECO**)
Fundación Avina (**Fundación Avina**)
HSBC Holdings plc and its subsidiaries (**HSBC**)
Inter-American Development Bank (**IDB**)
International Bank for Reconstruction and Development and International Development Association (**World Bank**)
International Finance Corporation (**IFC**)
International Fund for Agricultural Development (**IFAD**)
International Union for Conservation of Nature (**IUCN**)
Korea Development Bank (**KDB**)
Kreditanstalt für Wiederaufbau (**KfW**)
Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia (**MOFEC**)
Ministry of Natural Resources of Rwanda (**MINIRENA**)
National Bank for Agriculture and Rural Development (**NABARD**)
National Environment Management Authority of Kenya (**NEMA**)
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (**FMO**)
Peruvian Trust Fund for National Parks and Protected Areas (**Profonanpe**)
PT Sarana Multi Infrastruktur (**PT SMI**)
Secretariat of the Pacific Regional Environment Programme (**SPREP**)
Société de Promotion et de Participation pour la Coopération (**PROPARCO**)
South African National Biodiversity Institute (**SANBI**)
Unidad Para el Cambio Rural (Unit for Rural Change) of Argentina (**UCAR**)
United Nations Development Programme (**UNDP**)
United Nations Environment Programme (**UNEP**)
World Food Programme (**WFP**)
World Meteorological Organization (**WMO**)
World Wildlife Fund, Inc. (**WWF**)
XacBank LLC (**XacBank**)