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2010 Annual Action Programme (Part II)
Implementing the Thematic Programme for the Environment and the Sustainable
Management of Natural Resources including Energy (ENRTP)

The present 2010 AAP Part II is addressing envisaged actions related to the sub-themes such as the Global Climate Change Alliance (GCCA) and Fast-Start climate change funding.

Table indicating the Actions of the 2010 AAP (Part II):

Priority 2 – Annex 1	Action Fiche U: EU-UNDP Climate Change capacity building Programme	€ 8 000 000
Priority 2 – Annex 2	Action Fiche V: Partnership For Market Readiness	€ 5 000 000
Priority 2 – Annex 3	Action Fiche W: Support to the Forest Carbon Partnership Facility's Readiness Fund	€ 4 000 000
Priority 2 – Annex 4	Action Fiche X: Support to EU REDD Facility	€ 3 000 000
Priority 5 – Annex 5	Action Fiche Y: Africa-EU Renewable Energy Cooperation Programme	€ 5 000 000
Priority 2 – Annex 6	Action Fiche Z: Global Climate Change Alliance in Ethiopia	€ 13 700 000
	Action Fiche AA: Global Climate Change Alliance in Nepal	€ 8 600 000
	Action Fiche BB: Global Climate Change Alliance in Pacific	€ 11 400 000
	Action Fiche CC: Global Climate Change Alliance in Solomon Islands	€ 2 800 000
	Action Fiche DD: Global Climate Change Alliance in Belize	€ 2 900 000
	Action Fiche EE: Global Climate Change Alliance in Mozambique	€ 10 200 000
Priority 2 – Annex 7	Action Fiche FF: Implementation of the Strategic Approach to International Chemicals Management (SAICM) Phase II	€ 3 000 000
Priorities 1, 2 and 5 – Annex 8	Action Fiche GG: General Call for Proposals for different thematic actions in all developing countries	€ 9 270 337

Action Fiche U for EU-UNDP climate change capacity building programme

1. IDENTIFICATION

Title/Number	EU-UNDP climate change capacity building programme DCI-ENV/2010/243-093		
Total cost	EU contribution: EUR 8 000 000 Other donors are being approached for co-financing to allow selecting additional beneficiary countries and possibly, additional activities.		
Aid method / Method of implementation	Project approach – joint management with the United Nations Development Programme (UNDP)		
DAC-code	41010	Sector	Environmental policy and administrative management

Summary

The overall objectives of the programme are to strengthen the capacity of developing countries (DCs) a) to monitor, report and verify greenhouse gas emissions; b) to identify opportunities for Nationally Appropriate Mitigation Actions (NAMAs) in the context of national development; and to support the design of low-emission development strategies (LEDS) and c) to facilitate the uptake of mitigation actions by selected sectors, with the participation of the private sector, as appropriate, taking into account national priorities and circumstances and national economic plans. The programme methodology follows a country-driven, multi-stakeholder approach.

The proposed programme will be carried out through a collaborative effort between EU and UNDP. It seeks to build on various experiences already developed by UNDP and the EU such as the National Communications Support Programme (NCSP), the EU “Scoping Study: Developing countries monitoring and reporting of greenhouse gas emissions, policies and measures”, the UNDP Territorial Approach to Climate Change (TACC) program and the UN-REDD Programme. It will also build on private initiatives that are being conducted in the area of sectoral approaches¹.

This programme will consist of two components: a) Public sector capacity building on monitoring, reporting and verification (MRV) of greenhouse gas emissions and LEDS and b) Private sector capacity building for mitigation actions. The programme will support at least 10 DCs in its initial phase. Additional countries may be included subsequently, in particular if additional funding can be secured. Selection of countries and identification of priority areas for capacity building have been done in a consultative process with the governments of selected countries through the UNDP country offices and the EU Delegations. The 10 selected countries will serve to initiate and develop some pilot experiences that may provide a foundation to expand this initiative to a larger number of countries. The key outcomes of this

¹ An extensive overview of sectoral approaches is included in the UNEP 2009 report “Industry Sectoral Approaches and Climate Action: from global to local level in a post-2012 climate framework”. The European Commission has also assessed the merits of sectoral approaches to foster mitigation action; more information is available at http://ec.europa.eu/enterprise/policies/sustainable-business/climate-change/sectoral-approaches/index_en.htm

programme include solid support frameworks and practical materials to achieve robust national greenhouse gas (GHG) emission inventory systems, development of NAMAs and LEDS. These will be supported through focused capacity building activities that would address, among others, actions to improve collection of relevant data, design of measuring, reporting and verification (MRV) systems, linkages with outcomes and processes of National Communications (NC), and sustainability of climate change efforts by national governments. Special attention will be paid to the private sector in more advanced developing countries to support the uptake of more mitigation projects and greater access to international carbon markets. Cooperative action and sharing of good practices and information on best environmental technologies will be part of the added-value contributed by the EU industry to this capacity building programme.

2. RATIONALE

2.1. Sector context

Although developing countries have faced a number of challenges for the preparation of their National Communications to the UNFCCC, they have been able to increase technical and institutional capacity in the climate change area. However, new and more stringent reporting demands under the Climate Change Convention would bring additional challenges to these Parties. The level of expertise among developing countries is however very diverse. While the majority of Parties are still engaged in their Second NCs, some Parties are still preparing their Initial NCs, and an increasing number are about to start their Third NCs.

The proposed programme will assist developing countries to improve the comprehensiveness and quality of their MRV actions under the Convention and enhance national capacity to establish national MRV systems for GHG emissions and national mitigation actions. The main challenge is to support an enhanced MRV capacity over time without creating obstacles for the further involvement of developing countries in implementing short-term mitigation actions and contributing to the longer-term transition to low-carbon economic development. It is also important to incentivize and support further enhancement of the MRV structure, among other actors by establishing relations with international carbon market financing. The MRV structure should:

- a) Ensure solid national greenhouse gas inventories and reporting structures;
- b) Catalyze short-term mitigation actions by supporting identification of most appropriate actions, finance needs and capacity building requirements;
- c) Prevent creating undue obstacles for developing countries to design and implement NAMAs;
- d) Support the effective specification of NAMAs, especially those that require international involvement or seek international recognition;
- e) Support public-private cooperation, in particular implementing sectoral approaches and sector-specific mitigation actions.

2.2. Complementary actions

The UN and the EU, as well as UNDP have provided substantive support and funding to developing countries in the area of Climate Change and capacity development. This programme will build on several of their key activities such as the National Communications

Support Programme (NCSP), the outcome of several EU studies², the UNDP's TACC program, capacity development in the context of the clean development mechanism (CDM) and Designated National Authorities (DNAs), and the UN programme for reduction of emissions from deforestation and forest degradation (REDD).

In its Communication on "Stepping up international climate finance"³, the European Commission estimated that international public funding requirements for capacity-building in developing countries would amount to 1-3 bn € annually by 2020, relating to, in particular: (a) National GHG inventories; (b) Low Emissions Development Strategies (LEDS); (c) performance indicators (e.g. emissions intensity); (d) data collection, analysis, reporting and verification; (e) integrating climate change in other policies; (f) knowledge of impacts and mitigation options; (g) domestic cap and trade systems; (h) set up of public-private partnerships and sectoral approaches in a multilateral context; and (i) demonstration and adoption of low carbon technologies. This proposal will support some of these areas, as described in Section 3.2.

2.3. Donor coordination

The proposed programme will be carried out through a collaborative effort between EU and UNDP. Further details on this collaboration are included in Section 4. The programme will also seek to provide a platform for donors to participate in and contribute to the programme with additional funding and activities. Active cooperation is being sought with individual EU Member States and other developed countries.

3. DESCRIPTION

3.1. Objectives

The overall objectives of the programme are to strengthen the capacity of developing countries a) to monitor, report and verify greenhouse gas emissions; b) to identify opportunities for Nationally Appropriate Mitigation Actions (NAMAs) in the context of national development; and to support the design of low-emission development strategies (LEDS) and c) to facilitate the uptake of mitigation actions by selected sectors, with the participation of the private sector, as appropriate, taking into account national priorities and circumstances and national economic plans. Capacity building is also an important building block of sectoral approaches for climate action.

The programme will support activities in at least 10 countries, based on the current level of funding of 8 million Euros. However, 13 countries have initially been contacted through the UNDP country offices and EU representatives. These countries are: Brazil, China, Colombia, Democratic Republic of Congo, Egypt, India, Indonesia, Kenya, Mexico, Peru, South Africa, Tanzania and Zambia. The majority of the countries have expressed strong interest in participating in this programme. Further discussions are taking place with the Governments of Brazil and India on their interest in this programme. The programme will be carried out for 3 years and includes two components: a) Public sector capacity building on MRV and LEDS and b) Private sector capacity building for mitigation actions. A provisional selection

² For instance, the scoping study "Developing countries monitoring and reporting of greenhouse gas emissions, policies and measures"; the 'proof of concept' study assessing the merits of "Global sectoral approaches as part of a post-2012 framework"; the governance study on "a business and government consultative body as part of the future international climate change framework" which assessed the value and different options in establishing a mechanism to bring together government, private sector and other stakeholders.

³ Communication on "Stepping up international climate finance: a European blueprint for the Copenhagen deal" COM(2009)475

of two different groups of countries will implement these two components, as specified below (the final selection will be made in the inception phase of the project):

Programme's Components	Participating Countries (provisional)	Total budget⁴ (€)
Component 1: Public Sector Capacity Building on MRV and LEDS	Kenya, Zambia, DRC, Egypt, Peru and Colombia	5 million
Component 2: Private sector capacity building for mitigation actions	Countries: China, Mexico, South Africa, Egypt, Brazil Sectors: cement, iron & steel, petrochemicals, fertilizers	3 million

Selection of countries is based on capacity building needs and priorities for support. Countries participating in component 2 are those with stronger private sector development and potential for participating in emission reduction strategies. In component 1 efforts in least developed countries will focus more on establishing a solid data management and inventory system for GHG emission inventory and reporting under UNFCCC requirements, while efforts in more advanced developing countries focusing more on formulation of effective LEDS, NAMAs and consolidation of data management and inventories systems. It is important to note that there will be some flexibility to accommodate countries' request to participate, to some degree, in activities of the two components, as long as the focus of the programme at the country level clearly targets one component. This flexibility will ensure that where feasible, countries can benefit from this capacity building support to full extent.

A detailed gap analysis will be done in the inception phase on a country-by-country basis. The level and exact nature of support will be responsive and tailor-made. In countries with large gaps to meet existing MRV requirements training will focus on 2006 GHG inventories guidelines and support to the set-up of permanent data management systems. In other countries the focus may be on support to better respond to the new reporting demands, especially to the anticipated strictness of MRV and its enhanced reporting structure. In countries with higher emissions and/or high deforestation rates capacity building will focus more on the formulation of LEDS and effective NAMAs. A high level of involvement from the private sector is aimed for, striving to enhance the uptake of climate change and mitigation strategies into business strategies and consolidation of data management systems. Capacity building in this case will focus on supporting private sectors to overcome barriers to diffusion of low carbon technologies, and on facilitating the dialogue between policy makers and industry on design of effective NAMAs and regulations to support low-carbon private investments. Special attention will be paid to small and medium enterprises (SMEs), given their high importance in economic development and employment in advanced developing countries and their struggle from limited access to financing opportunities.

⁴ Includes technical backstopping and support costs.

The initial phase of the programme intends to create the infrastructure and the experience for a possible expansion of this initiative to other countries, depending on future funding availability, lessons learned and interest from countries.

A menu approach is proposed for the implementation of the programme at country level, as sketched in Figure 1. The menu contains the two programme components, each to be implemented in two sets of participating countries, and within which the most appropriate combination of activities can be selected, depending on the current capacities and ambitions in the country. A pre-selection of activities has been discussed with the country representatives during the preparation of this proposal. The final selection will be made in the inception phase (3-4 months). Within each component, the order of listing of modules and activities does not imply that they are to be followed strictly or sequentially. The programme will put strong emphasis on capacity building in the two components. Given that national circumstances, needs, and expertise vary among the participating countries, capacity building activities will be designed and implemented in close consultation with the national teams.

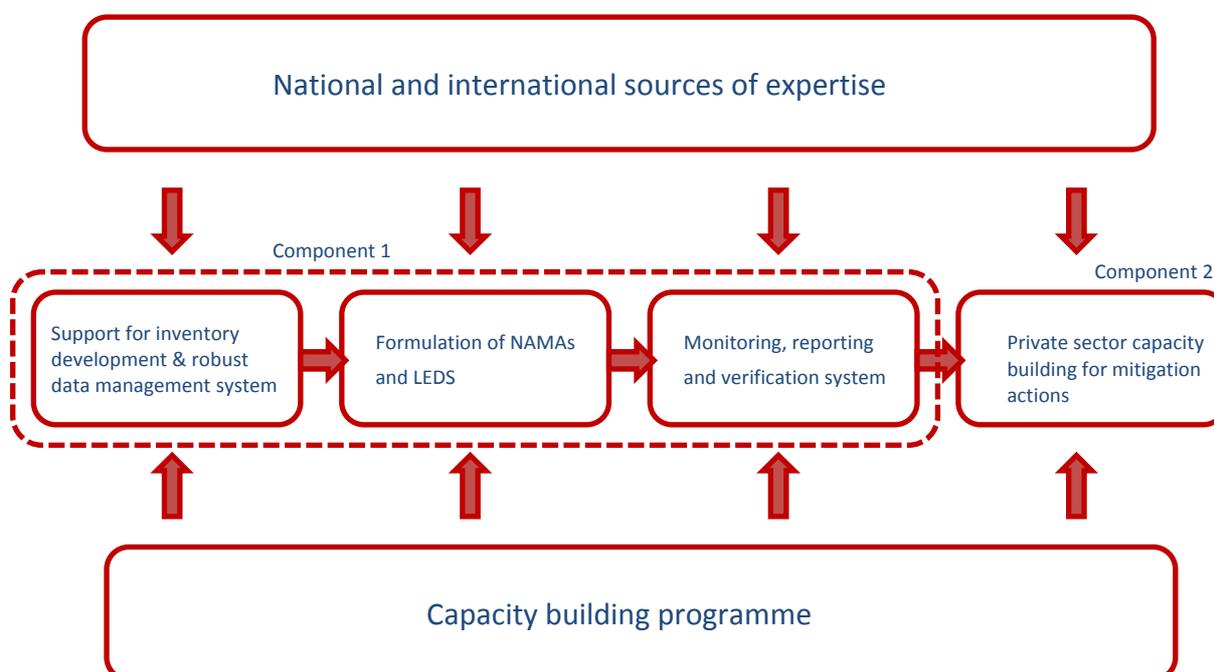


Figure 1: Menu approach with programme components (based on the country driven, multi-stakeholder climate finance framework)

The programme methodology follows a country-driven, multi-stakeholder approach (cf, for example, the climate finance framework defined by UNDP to assist developing countries to scale-up efforts to address climate change). The approach will be adjusted to reflect the focus and scope of the programme in each of the participating countries. Using a common framework will ensure there is coherence on methodological approaches and lessons learned in the pilot countries.

3.2. Expected results and main activities

Component 1: Public Sector Capacity Building on MRV and LEDS

This component intends to support efforts in at least 6 countries (provisionally Kenya, Zambia, DRC, Egypt, Peru and Colombia) to support technical and institutional capacities to develop MRVs and LEDS initiatives. Three modules are included in this component: development of GHG inventory systems; formulation of NAMAs and LEDS; and development of MRV systems, as described below.

Module 1: Development of robust national GHG emission inventory systems

Efforts to establish national GHG emission inventory management systems are weak or absent in the majority of developing countries. Although the UNFCCC Guidelines for NCs encourage parties to report national initiatives in this area, developing countries have no obligation under the Convention to develop such systems. Thus, the process to elaborate NCs has not provided an incentive for countries to create sound inventory management systems. This represents a significant barrier to their efforts to establish a sustainable inventory process and to eventually develop MRV for GHG emissions. The Programme will support technical and institutional capacity development to improve GHG inventories for MRV-related activities. The technical advice should facilitate the setup and long-term sustainability of national technical teams for the preparation of national communications, including GHG inventories, on a continuous basis. These will draw on research results, such as those arising from European Research Framework Programmes, and encourage cooperation with Europe.

Module 2: Formulation of effective NAMAs and LEDS

The Programme will support countries to plan, design, implement and MRV mitigation strategies and actions. Support will be provided in the areas of (i) methodologies and tools to carry out mitigation analysis, (ii) prioritizing mitigation measures in accordance with development priorities, (iii) designing the institutional mechanisms to support adoption of mitigation measures, (iv) setting up the reporting structure to monitor implementation of mitigation measures, including the design of indicators to measure progress. In order to build synergies with national priorities, national policies that can be “upgraded” as NAMAs will be identified taking different potential sources of financing (domestic finance, international finance, carbon market finance) into account (e.g. a National Energy Efficiency programme could be formulated as a NAMA). UNDP is currently assisting governments to develop area-based low emissions and climate resilient development strategies through a comprehensive capacity development methodology in the framework of its Territorial Approach to Climate Change (TACC). This five-step multi-stakeholder participatory methodology aims to mitigate risks posed by climate change to poverty reduction and sustainable development by empowering local governments to scale up climate change actions. These could benefit significantly from making greater use of results and expertise developed through European international science and technology (S&T) cooperation and S&T capacity building in ACP countries under All-ACP projects.

Module 3: Enhanced MRV systems – implementation and evaluation of NAMAs and LEDS

In countries where GHG inventories and/or issuing of NCs is still in its early stages, work will concentrate on providing supporting technical and institutional capacity development to support these activities. In countries where the focus is on formulation of effective NAMAs and LEDS attention will be paid to formulating appropriate indicators for monitoring and steering progress as well as enhancing the involvement of future investors for mitigation measures. The focus will be on establishing scopes, metrics/indicators, reporting mechanisms,

verification mechanisms and time frames to monitor, report and evaluate the implementation of mitigation actions / policies and achieved results in a sustainable way. The enhanced MRV system will take into account to what extent the NAMAs are implemented unilaterally, enabled by support by developed countries and/or via an international carbon market crediting mechanism. Analysis of reporting modalities for an international NAMA registry mechanism will be implemented. Suggested criteria for the MRV systems include: credibility, cost-effectiveness, timeliness and a simple and clear procedure which gives enough flexibility for a wide range of mitigation actions. Drawing on research in the public domain could contribute to several of these criteria.

Component 2: Private Sector Capacity Building for Mitigation Actions

Enhancing the public level capacity should help in addressing mitigation actions. However, efforts cannot be limited to public level involvement. National and regional policies translate into specific requirements to be fulfilled by the private sector, which trigger and encourage improvements of performance (emissions reduction and efficiency gains) in production processes and products. A special component therefore is needed which focuses on the private sector's aims and needs.

Private sectors in developing countries are more and more involved in the climate debate, especially in reduction efforts. They especially play a central role in sectoral approaches, either via sectoral targets or via the sectoral carbon-finance model. And each of these approaches has similar requirements in terms of emissions inventories, solid data management systems and effective application of MRV systems. However, a number of barriers exist to this private sector involvement. First, there is a lack of understanding the business value of cleaner production and mitigation projects, including the additional opportunities that are brought by the international carbon market. Second, a limited ability exists to identify, assess, deploy and operate low-carbon solutions. The lack of skills and competences also brings a barrier to data collection on emissions and energy efficiency, which in turn hampers the ability and understanding of target setting as well as setting objectives for MRV performance and performance indicators. Enhancing the private sector knowledge therefore is a crucial element in supporting the uptake of mitigation actions.

Component 2 will focus on the private sector needs to catalyze preparedness and readiness for implementation of selected mitigation actions. China, Mexico, South Africa, Egypt, and Brazil have been provisionally identified as the countries to participate in this component of the programme. The main criteria to select these countries are the development of the industrial sector and their potential to strengthen their capacities to play a pro-active role in mitigation actions in the future. Cement, iron & steel, petrochemicals, and fertilizers are the sectors that have shown interest in participating to this initiative. Work will start from the industry's perspective of enhancing profitability by means of energy efficiency improvements and cost savings. Focus will be on energy intensive sectors and SMEs, in the value chain (upstream and downstream) of the identified sectors. During the inception phase, contacts will be made with representatives of EU industry and developing countries industry organisations; the main purpose will be to select a limited number of target sectors for private sector capacity building and to develop consensus about priority mitigation actions. A maximum of three sectors will be selected in each country on the basis of clear criteria, e.g. emissions intensity, potential for cost-effective emissions reduction. The work will improve insight of how to effectively build capacity in selected developing countries' industry to identify mitigation actions, facilitate carbon market access, level the playing field for sectors competing in global markets, provide incentives to technology cooperation and create export opportunities for environmental industries. It will also contribute to the uptake of international

GHG emissions standards, foster the use of common and harmonised procedures to providing reliable, quality and comparable data and information on mitigation action, results, and needs for financial support, as well as, assessing progress towards (energy and emissions) efficiency goals. Besides active capacity building to the industry, the focus of work will be to create networks to exchange information and best practices, empowering and qualifying focal points and industry organisations to deliver training and technical assistance and support international standards development, where appropriate.

In addition, when appropriate, complementary support to public sector capacity-building in component 2 countries could be organised (e.g. in the form of workshops or seminars) in order to foster synergies and cooperation between the public and private spheres. Synergies will also be sought and exploited with work carried out by various UN agencies, in the beneficiary countries and sectors, in particular the joint UNEP/UNIDO programme for National Cleaner Production Centres, where appropriate. The work proposed in component 2 is complementary to activities underway at the SWITCH initiative; experience gained from SWITCH as well as from the Cleaner Production Centres will be taken into consideration.

Programme activities

The project inception phase will concentrate on finalising the stocktaking of the gaps to solid inventory systems and completed NCs as well as the needs expressed by the relevant stakeholders in the selected countries to enhance the uptake of mitigation measures. This will be done in meetings with relevant stakeholders, including the parties involved in the complementary actions as discussed in Section 2.2. This will result in the selection of most appropriate menu items and most suitable project partners, taking into account the initial conditions and the level of ambition of each country.

The programme activities planned are listed below. Most of the activities will be conducted at country level, by the country team and the appropriate stakeholders/organizations that would be responsible for the related task (e.g. GHG inventories, data collection, measurement or reporting) in the different sectors. This work will be done in close coordination with the NC teams.

Component 1: Public Sector Capacity Building on MRV and LEDS

Module 1: Robust national GHG inventory systems created

- Activity 1.1. Capacity building activities for inventory management systems, taking into account the potential requirement for more frequent GHG inventory reporting. Work includes training in understanding requirements, key source analyses and description of institutional arrangements.
- Activity 1.2. Design and establish national GHG inventory management systems. Including training in use of tools, facilitation of enhanced documentation formats, QA/QC, archiving system and inventory improvement plan. The IPCC Good Practice Guidelines will be used as the basis for the design of the inventory systems.
- Activity 1.3. Establish institutional and coordination mechanisms among the relevant stakeholders to ensure regular updates of GHG inventories. This would entail the setting up of the institutional structure and appropriate mandate to ensure that activity data required for GHG inventories are compiled on a regular basis and adopting the format required. A coordinated structure will seek to integrate GHG inventory work into the institutions responsible for the relevant sectors.

Module 2: Formulation of effective NAMAs and LEDS

- Activity 2.1. Establish coordination mechanism for mitigation support in each of the countries, including assessment of coverage (key emitting sectors), scope of work, and identification of needs for support in light of countries' respective capabilities. This activity will be built on the results of the mitigation analysis carried out under the NCs. It will include the definition of the business as usual and mitigation scenarios for the selected sectors with the participation of the key stakeholders.
- Activity 2.2. Capacity building activities to plan, design and implement mitigation strategies and actions. This includes training courses and workshops in which mitigation measures are formulated jointly and action plans are specified for implementation and monitoring.
- Activity 2.3. Identify and prioritize mitigation activities in key areas/sectors, including alignment with the target country's short- and long-term national development goals. Formulate roadmaps for NAMAs and LEDS at national level, involving public and private actors for both autonomously implemented NAMAs and NAMAs requiring international support. The work includes joint specification of clear indicators to identify priority actions and workshops sessions for joint formulation of roadmaps.
- Activity 2.4. Establish and facilitate dialogue platforms between stakeholders and interested actors to further develop and implement roadmaps. These platforms will provide the basis for continuous interactions aiming the stakeholders and for the monitoring of project's activities.
- Activity 2.5. Identify policy and financing instruments and technology options to implement priority climate change measures. This will involve the development of finance strategy with targeted efforts to secure funding for the short to medium terms actions as a priority. In advanced developing countries policy-ready and investment-ready portfolio of activities would be developed.

Module 3: Enhanced MRV systems

- Activity 3.1. Carry out capacity-building activities for relevant high government officials, including Ministries of Environment and Finance, to strengthen their roles in MRV-related schemes to support mitigation actions and low-emissions strategies, overall. This activity will mainly be directed via tailor- made information sessions.
- Activity 3.2. Design MRV system to support the implementation of national appropriate mitigation actions and, where appropriate, low-emission development strategies. Work among others includes selection of appropriate methodologies and monitoring protocols; training for the use of protocols and tools; specification and organisation of reporting process; and defining the verification process and the selection of verification bodies.
- Activity 3.3. Strengthen national technology information and monitoring in the context of technology innovation, development and transfer to reduce GHG emissions. This activity will enhance technology information in NCs and build on current initiatives with GEF funding to assist countries conduct their technology needs assessments.

Component 2: Private Sector Capacity Building for Mitigation Actions

The following activities will be conducted taking into account country specific circumstances and sector needs. Content of training and guidance materials, for instance, will be adapted to the beneficiary country/sector. The outcome of activities 4.1 to 4.3 feed into subsequent activities and contribute to the successful completion of notably activities 4.4 and 4.5, which require knowledge and capability to using MRV tools and performance assessment methods.

- Activity 4.1. Identification of most appropriate mitigation opportunities⁵. Identifying target sectors, mitigation potential and key private stakeholders. Workshops will be organised to reach private sector stakeholders. The workshops will take into account the opportunities provided to these stakeholders, among others by the international carbon market. Stakeholders will be given clear guidance on how to increase their access to funding opportunities.
- Activity 4.2. Assessing capacity for data collection of private sector stakeholders and establishing regional knowledge exchange network with industrial associations and relation with international peers to support access to and exchange of data types. Relevant industrial associations from EU member states will be invited, as appropriate, to share their experiences on efforts to tackle GHG emissions in different industrial sectors.
- Activity 4.3. Identify appropriate sector measurement tools and the ways for the diffusion and use of these tools. This will be done via templates, handbooks, toolkits or spreadsheets, as well as training programmes and workshops. Apart from developing capacity of the selected private enterprises on tools to assess GHG emissions and mitigation potential, this activity will seek to identify most feasible options for GHG emission reduction while enhancing production efficiency.
- Activity 4.4. Analysing possibilities for and applicability of different kinds of NAMAs or sectoral approaches in the selected sectors, suiting industry objectives and country-based needs, taking into account capabilities for implementation. Special attention will be paid to formulation of NAMAs for SMEs. Experiences from EU member states and other countries will be used to identify collaboration mechanisms and facilitate lessons learned on the development and implementation of NAMAs.
- Activity 4.5. Implementation of data collection frameworks and diffusion of methodologies and guidelines for measurement and reporting. Pilot companies will be selected for the practical implementation on site, after which implementation lessons will be distributed to the larger group of relevant stakeholders via fact sheets and information sessions.
- Activity 4.6. Outreach of optimal data frameworks and reporting conditions to government bodies, the UNFCCC and international business peers. MRV strategies might be designed to assist participating private sectors track the proposed measures, as appropriate.

3.3. Risks and assumptions

The main risks for this programme are: (i) lack of local ownership, either from governments or industries; (ii) mismatch between overall proposed framework and specific local needs; (iii) limited local capacity and/or expertise of beneficiary and related stakeholders available to assist with implementation; (iv) limited financial means to implement the full set of activities. In the sections below we address the means to mitigate these risks and the conditions set for the implementation of the programme.

Lack of local ownership. The main mitigation measure to increase local ownership is an active involvement of local stakeholders. In the initial phase of project formulation active contacts have been sought by UNDP and EU officials with appropriate national government representatives. These have contributed to the identification of local gaps and needs as well as commented on the proposed project approach. At the start of the project inception phase,

⁵ To reduce risk of duplication of work, account will be taken of the results of the proof of concept study (Final report available at http://ec.europa.eu/enterprise/policies/sustainable-business/climate-change/sectoral-approaches/files/global_sectoral_study_final_report_en.pdf)

meetings will be held with local stakeholders. These will include representatives from Ministries of Environment and their national climate change teams, Ministries of Finance, Industry and/or Energy, representatives of selected sectors for project implementation (e.g. branch organisations, large industries), and a broader range of institutions working on climate change in the country. These meetings will address existing MRV gaps, and will map the needs from the country's perspective to support mitigation strategies.

Mismatch between overall proposed framework and specific local needs. Using one overall framework for the design of NAMAs and LEDS may create the risk that the proposed objectives, means and/or priorities do not match specific local situations. This may hamper the acceptance and actual uptake of the proposed means. We mitigate this risk by using a tailor-made “menu approach”. The overall framework includes the typical set of activities that could be undertaken in preparing LEDS. The framework is not intended to be prescriptive, but serves as a menu from which countries can select the most appropriate modules and activities depending on their initial conditions and their level of ambition. In addition, the means of support are not prescriptive. Some countries may pursue the activities independently, while others may seek support from the regional centre of excellence (CoE)⁶ or the development community. For example, Least Developed Countries (LDCs) may rather focus their efforts on improving their inventory and data management system. In contrast, most advanced developing countries with larger emissions or countries with a high deforestation rate might be interested in support for developing effective NAMAs and LEDS.

Limited local capacity and/or expertise. Many countries suffer from lack of local capacity and expertise to fulfil UNFCCC requirements. The project aims to tackle this problem but may also suffer from it during its implementation. For this reason, active co-operation is being sought with local NC coordinators and existing co-operation arrangements such as the regional CoEs and ongoing capacity building activities will be used. EU/UNDP will work closely with government counterparts, industry and private sector organisations as well as other relevant stakeholders, to ensure that appropriate linkages are built with NC activities and objectives. This will ensure that the institutional arrangements for project implementation are established taking advantage of the technical human resources developed and that are available under the NCs. To avoid duplication of efforts and fragmentation, the programme assumes that technical capacity developed under the NC project will fully participate in or contribute to the implementation of the project in the selected countries. Furthermore, communication and coordination strategies to target the key stakeholders will be put in place from the beginning of the project to ensure strong project ownership and therewith enhance local involvement.

Limited financial means to implement the full set of activities. The limited financial means available to fund the proposed programme could risk affecting the quality of work delivered. Various means have been implemented to mitigate this risk including (i) the menu approach facilitates that only the most relevant activities will be selected and implemented; (ii) the inception phase will be used to match needs with capacities and time frame with availability of staff; (iii) central coordination and active use of the regional centres of excellence will facilitate efficiency of efforts; (iv) the programme will to a large extent build on results of previous and ongoing projects with existing working relations. Besides, active cooperation

⁶ The regional centres of excellence provide advisory services to UNDP country offices and headquarters programme staff. In this project the best qualified regional centres (selected via a commercial tendering process) will have an active capacity building role with the oversight of the Project management unit. The centres will conduct training, as appropriate, provide handbooks, templates and tools, as well as provide technical backstopping during implementation at national level. In this way the project aims at a high level of South-South cooperation.

will be sought with other donors, as described in Section 2.3, to increase the available amount of funding.

3.4. Crosscutting Issues

UNDP's experience in supporting sustainable development over the past decades shows that the most important success factor is alignment of proposed activities with national and local priorities. An effective climate change capacity building programme should be able to support social-economic and human development challenges and maximise potential benefits for energy access and security, health, employment, mobility and competitiveness.

The programme is aligned with the key objective of the European Consensus on Development regarding its "primary and overarching objective of EU development cooperation is the eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals (MDGs)⁷". It is particularly relevant to EU support to developing countries to ensure environmental sustainability and develop a global partnership for development. The proposal also builds on the EU's commitment to promoting policy coherence for development, and is consistent with EU support for broad participation of all stakeholders in countries' development, including the involvement of the civil society, the private sector and NGOs.

The programme will improve national governance by establishing and maintaining national MRV systems, thus strengthening the capacity of governments to monitor and enforce national requirements.

Furthermore, it is expected that the reliable monitoring, reporting and verification of greenhouse gas emissions dwelling also on international research results supported by EU Research Framework Programmes and associated expertise, and the design of NAMAs and LEDS will improve access to international finance.

3.5. Stakeholders

This programme involves two types of principal stakeholders. On the one hand, it concerns actors directly responsible for climate policy, monitoring and reporting. This includes Ministries of Environment and their national climate change teams, as well as other Ministries (e.g. Industry, Energy, Finance, Science and Technology) involved in Climate Change activities. On the other hand, it involves the private sector⁸ -business organisations, large industries as well as small and medium sized enterprises- which would be the actors implementing mitigation projects.

Secondary stakeholders include a broader range of institutions locally working on climate change, ranging from donors, other government institutions, NGOs, civil society organizations, academia and research institutions, especially those working directly on climate change and its impact. The consultation process will help determine which stakeholder to involve in the project and how to do so, in order to ensure sound project planning and local ownership. It will also help in the design of the institutional arrangements and the coordination mechanism, and to facilitate efforts to integrate climate change into relevant national and sectoral planning.

⁷ Official Journal of the European Union; European Council Commission; The European Consensus on Development, 2006/C/46/01

⁸ This would include state-owned companies.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The programme will be implemented through a Joint Management modality with an international organization, through the signature of an agreement with UNDP. It will be carried out through a collaborative effort between EU and UNDP. UNDP has been chosen as the EU's implementation partner given their long and outstanding record on capacity building activities, in particular in the field of MRV, and the general support to developing countries; as well as their network of local partners in most countries of the world and control of UN implementation mechanisms. Coordination arrangements will include regional project Steering Committees with the European Commission and UNDP as chair and co-chair, and with participation of appointed delegates from each participating donor and recipient country. The Steering Committee will provide overall guidance to project implementation and will monitor progress and recommend corrective actions, as required. This implementation process will also seek to provide both a platform for donors to participate in the programme and an informal venue for discussing relevant issues under the UNFCCC negotiations related to project implementation.

Technical support will be provided through regional centres of excellence under UNDP's guidance and supervision and by drawing from the vast expertise of EU Member States and the EU's climate research programmes and its international partners. UNDP HQ will oversee operations and administration, working in collaboration with UNDP's regional technical advisors to develop the scope of activities in each country.

The coordination mechanisms and roles are described in more detail below:

The UNDP HQ will be responsible for the overall management and technical oversight of the programme. It will work closely with UNDP offices of the respective countries to support the development of the projects in each country and ensure coherence in approaches and set of activities. It will provide guidance on monitoring of projects' progress at country level and will facilitate the dissemination of lessons learned across countries. UNDP HQ will also identify possible centres of excellence, develop the terms of reference of call for tenders, and coordinate the recruitment of the regional centres. It will also be responsible for monitoring support provided by the regional centres to ensure quality standard and adequate provision of technical backstopping to countries⁹.

UNDP Country Offices (COs) will be the project counterpart at national level. COs will coordinate the preparation of the projects in each country with the respective government institutions and/or private sectors. They will facilitate stakeholders' consultations and stocktaking of relevant activities to define the scope, objective, activities, implementation arrangements, and work plan. In coordination with their government counterparts, COs will be responsible for contractual procedures (i.e. project managers, consultants, services), and setting up the necessary administrative procedures and budgetary provisions. They will oversee project implementation and ensure that bottlenecks are addressed through regular monitoring of activities to avoid potential delays. COs will communicate any technical constraints or backstopping needs from countries to UNDP HQ and/or regional centres so that

⁹ UNDP is using this model in its global project, Capacity Development for Policy Makers to Address Climate Change, in which five regional centres of excellence provide the technical backstopping to countries undertaking investment & financial flows (I&FF) to address climate change. The centres were also closely involved in developing the UNDP methodology for the I&FF assessments. UNDP Environment & Energy Group also supported the establishment of a Poverty-Climate Change network, which features membership of more than 20 southern institutions and think tanks.

national teams are advised in a timely manner. Finally, COs will provide annual progress report to UNDP HQ.

Regional Centres (RCs) of Excellence will be responsible for the technical backstopping to national teams, as per the Terms of Reference. Specific areas of support by the RCs will be identified based on countries' needs. Broadly, the RCs will be responsible for developing technical capacities at the country level, including training as appropriate, providing on-line backstopping to countries, answering specific queries from national teams, advising on methodological issues, and carrying out technical reviews of draft studies and reports, among others. RCs will report to COs and UNDP HQ on the outcomes of technical backstopping activities on a country-by-country basis, identify follow-up actions to ensure high quality of studies, and provide recommendations, as appropriate, on additional technical support. RCs will also be responsible for the compilation of lessons learned and good practices under the guidance of UNDP HQ and COs.

Government Institutions and Private Sector Counterparts will be responsible for on-the-ground implementation of the project. Coordinators and national teams will carry out the activities as per the agreed work plans, advice on methodological approaches to be adopted for the different components of the projects, identify potential gaps in the data required for the studies and recommend ways to address them, identify technical assistance and training needs, and report on project' progress as per agreed monitoring and reporting procedures. They will be responsible for convening the necessary stakeholders' consultations and disseminate the relevant outcomes within the relevant organizations.

UNDP HQ will coordinate with EU counterparts to identify technical support that can be provided by experts from EU Member States. A roster or database of experts from EU will be developed to coordinate and facilitate the participation of these experts in project activities as required.

EU delegations in beneficiary countries will be closely associated to project development and implementation. Once the national projects are developed and backstopping needs identified for each country, a list of areas of collaboration required will be matched against expertise available within EU partners. A strategy to streamline potential support by EU experts to project activities will be developed to strengthen the technical assistance to countries. This assistance can take the form of capacity building, e.g. by training project teams or regional centres, as appropriate; provision of consultants to guide studies at national level; transfer of know-how, especially in the private sector component; and exchange of relevant experiences from EU member states. Twinning arrangements between experts from EU Member States and beneficiary countries could be set up in order to enhance co-operation.

4.2. Procurement and grant award procedures

All contracts implementing the action will be awarded and implemented in accordance with the procedures and standard documents laid down and published by UNDP.

4.3. Budget and calendar

The maximum EU Contribution is EUR 8 000 000. Other donors (among which some Member States) have been approached for co-financing and might decide to contribute financially.

Table 1 includes an indicative budget with a breakdown of the overall amount by main components over a 3-year period.

Table 1 Indicative budget breakdown

Description	Total (€)	Year 1 (€)	Year 2 (€)	Year 3 (€)
Operating budget for proposed work in 10 countries	5,476,636	1,352,804	2,053,738	2,070,093
• Of which for component 1	3,400,000	837,500	1,281,250	1,281,250
• Of which for component 2	2,040,000	502,500	768,750	768,750
Technical support programme	2,000,000	750,000	750,000	500,000
• Of which for component 1	1,250,000	468,750	468,750	312,500
• Of which for component 2	750,000	281,250	281,250	187,500
Total	7,476,636	2,102,804	2,803,738	2,570,094
Support costs (eligible indirect costs)	523,364	147,196	196,262	179,906
Grand total	8,000,000	2,250,000	3,000,000	2,750,000

Note that the indicative budget only refers to the budget applied for in this proposal and does not include budgets from donor countries as is currently being pursued.

4.4. Performance monitoring

During the inception phase the needs assessment will be completed, based on the results of (i) gap identification based on desk research from key input sources such as the latest NCs, (ii) results from complementary actions as indicated in Section 2.2, (iii) the oral information provided by NC focal points and government representatives, and (iv) meetings held with local (public and private) stakeholders. Information needs will be translated into manageable activities, selected from the menu approach offered in this programme. The inception phase will result in detailed national action plans with a clear selection of project scope, detailed planned activities and activity budgets. For each of the activities, performance indicators will be defined and included in the country specific logframe. Typical indicators will be a combination of output indicators (such as number of people trained, number of inventories and data systems set in place) and outcome indicators (such as amount of GHG emission reduction identified, increased accessibility to carbon market). Private sector-related indicators will include number of industry organisations engaged, number of experts involved, among others. A monitoring plan will be set out with clear responsibilities for each of the parties involved in the project. Performance indicators for regional CoEs will be included in the tendering procedure for the selection of the most appropriate CoEs to conduct (part of) the capacity building process and technical backstop support.

During the project implementation the Centres of Excellence and the UNDP international project support will have an active role in quality control of local activities. The local project managers will be required to periodically report to both bodies, after which parties will discuss project changes if deemed necessary. If changes are proposed, these will be put forward to the Steering Committee.

4.5. Evaluation and audit

Primary tools for the evaluation will be the national logframe matrix as specified during the inception phase, the work plans and the monitoring progress reports submitted by the project management team. Commission representatives shall be invited to participate in the main monitoring and in the evaluation missions relating to the performance of actions of this programme.

Project-related evaluations will be undertaken in accordance with the Financial and Administrative Framework Agreement (FAFA) concluded between the European Commission and the United Nations in 2003. In line with the FAFA, financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the Financial Regulations, Rules and directives of the United Nations Development Programme.

4.6. Communication and visibility

Donor visibility will be provided as per the provisions of the FAFA and in line with the “Joint Visibility Guidelines for EU-UN Actions in the Field” endorsed by the institutions in 2008. The programme will have various layers of communication, both to the direct parties as well as to the broader scope of parties interested in the work. At the start, local teams will actively communicate planned activities and targeted results to a broad group of stakeholders to create a wide interest in the programme, further understanding of its needs and foster active involvement. Selected regional centres of excellence, supported by the local project team, will actively communicate on the tools and systems provided during the course of this programme, and when necessary provide explanatory information such as guidebooks and technical system descriptions. Prior to and following each capacity building event (such as trainings and workshops) active communication will be done to the targeted audience as well as to the various donors and recipients. In all steps of the programme NC contact points will actively engage in a dialogue with their governments in order to ensure synergies.

Action Fiche V for Partnership for Market Readiness

1. IDENTIFICATION

Title/Number	Partnership for Market Readiness (PMR) DCI-ENV/2010/246-241		
Total cost	Maximum EU Contribution: EUR 5 000 000 Estimated total eligible costs: USD 100 million <i>For this calendar year the USA has allocated USD 5 to 15 million. Other countries, including Norway, Sweden, Australia, Japan, Spain, and Netherlands have indicated that the PMR would be one of prominent initiatives under consideration for fast start funding of the next year.</i>		
Aid method / Method of implementation	Joint management with the World Bank Group (WB)		
DAC-code	41010	Sector	Environmental policy and administrative management

2. RATIONALE

2.1. Sector context

As the world strives to scale up global mitigation efforts, many developing countries are in the process of formulating their national climate strategies and aligning them with their overall development plans. One of the challenges ahead is to create adequate incentives to support these mitigation actions. While public sources of finance will likely remain crucial to the delivery of such support, there is broad recognition that carbon market mechanisms have an important complementary role in enabling the cost-effective achievement of national priorities.

There is strong interest from many developing countries in exploring the use of carbon market mechanisms to achieve their mitigation objectives and to channel financial resources and technology. For instance, Mexico indicated "the establishment of an integrated national scheme for emissions trading can be aspired to in the medium term, through a realistic, step by step process involving the strengthening of national capacities"¹⁰. South Africa has considered use of the market as a part of its options for the long term mitigation scenarios¹¹. During the bilateral consultations with the World Bank, Mexico, Indonesia and Colombia demonstrated strong interest in piloting new carbon market mechanisms (extending beyond project approach and going beyond mere offsetting of developed country emissions).

Considerable conceptual work on new carbon market mechanisms has been done by various academics, private sector and other organizations. However, there has been little testing of these concepts to inform the design process and their applicability to

¹⁰ Mexico's National Strategy on Climate Change (2007)

¹¹ Long term mitigation scenarios: Strategic options for South Africa, October 2007.

the beneficiary country circumstances. There is a need for piloting new carbon market mechanisms in order to crystallize the challenges and practicalities of implementation of these mechanisms on the ground. The PMR is designed as a partnership among developed and developing countries. In light of the objective of knowledge sharing, the Partnership would operate in a manner that allows full participation by all involved countries. The Partnership arises from the recognition that there is need for more ambitious mitigation commitments and actions from all countries, and carbon market mechanisms are a cost-effective way to achieve this. The PMR is aimed at major emerging economies and middle-income countries interested in exploring new carbon market mechanisms, including sectoral crediting mechanism.

The beneficiary countries are Parties to the United Nations Framework Convention on Climate Change (UNFCCC) that aims at stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.

2.2. Lessons learnt

The World Bank has ten years of carbon finance experience¹², starting with a pioneering function in piloting and developing the CDM. Among the lessons learned, the importance of capacity building in promoting the CDM should be emphasized. In the early days of the carbon market, limited knowledge of and experience with the mechanisms prevented most developing countries from being effective players in this emerging market. As a response, the World Bank designed and implemented multiple capacity building programs¹³ to support developing countries to create an enabling environment for project-based carbon transactions.

In addition, the World Bank together with other Multilateral Development Banks have jointly developed investment plans for 12 countries¹⁴ in the context of the Clean Technology Fund, in which priority sectors were identified for GHG abatement. In addition, the World Bank has also facilitated low carbon growth studies in six countries¹⁵ to analyze sector wide mitigation measures across the economy in line with the country's development strategies.

Early lessons from these activities show the importance of defining, inter alia, the boundary of a sector, the baseline and projected scenarios, carbon leakage and an approach to quantification of emissions reductions. Moreover, they also highlight the need for setting up a domestic process correctly from the outset, for example, through identifying a domestic champion with convening power, engaging key stakeholders early in the planning process, and building capacity for cross-sector engagement, determining resource needs and building a strong domestic team. These lessons will be incorporated designing the Partnership.

2.3. Complementary actions

There are some EC-funded projects aimed at capacity building for the development and implementation of greenhouse gas emissions trading systems (ETS), which is the

¹² http://siteresources.worldbank.org/INTCARBONFINANCE/Resources/Carbon_Fund_12-1-09_web.pdf

¹³ Programs "National Strategies Studies (NSS)", "PCF Plus" and "CF-Assist"

¹⁴ Egypt, Mexico, Morocco, Philippines, South Africa, Thailand, Turkey, Vietnam, Colombia, Indonesia, Kazakhstan, Ukraine and an investment plan on Solar Power in the Middle East and North Africa Region

¹⁵ Brazil, China, India, Indonesia, Mexico and South Africa

next, more sophisticated step after sector-wide carbon market mechanisms. For example, International Carbon Action Partnership (ICAP) summer school on emissions trading for advanced developing countries¹⁶ and policy-focused dialogue on the opportunities and challenges for domestic carbon trading in South Africa¹⁷. One project explored concept of sectoral approaches covering not only carbon market mechanisms, but also issues like technology cooperation¹⁸. However, these projects have shown that particularly for some developing countries application of the domestic ETS is too ambitious and a transitional instrument, such as sectoral carbon market mechanisms, is needed.

The World Bank manages Prototype Carbon Fund (PCF), which piloted the CDM projects, and Carbon Partnership Facility (CPF). The CPF focuses on emission reductions transactions with primarily aim to purchase of carbon assets from large emissions reduction programs. It consists of Carbon Asset Development Fund (CADF) and Carbon Fund (CF). The CADF, for which the contributions come mainly from donors, and buyers and sellers of carbon credits, provides financing to program developers, and in some cases, host country governments, to enable them to prepare emission reduction programs. The Carbon Fund which is funded by buyers of carbon credits will subsequently purchase the emission reduction credits generated from those programs. Since the primary aim of CPF is to sell and purchase carbon assets, it is not fitted to facilitate capacity building initiatives. However, experiences of the CADF in developing programmatic operations and sector-based methodologies can provide valuable insights on capacity building for sectoral carbon market mechanisms. The Carbon Fund is expected to subsequently transact on carbon credits generated through any new carbon market mechanisms.

2.4. Donor coordination

The PMR is intended to set up in the way that the process is driven by countries. Depending on the number of countries involved, a Partnership Committee (PC) may be set up with balanced representation from both donor countries and beneficiary countries. PC will review funding proposals, decide on allocation of grants to countries and assess progress of implementation. The PC would meet regularly, operating as a technical working group, to discuss common policies, progress of implementation of capacity building packages and piloting of carbon market mechanisms, and other implementation issues.

Although beneficiaries will present their proposals for funding and progress reports on implementation, any decisions with respect to funding will be taken collectively by entire PC. All participants, donors and beneficiaries, are expected to engage in the discussions and share technical inputs from their experience.

Recognizing the broad range of activities necessary to build market readiness and the sizeable scale of support needed, many initiatives have been/are being launched both bilaterally and internationally to facilitate this. Each of these initiatives has a particular area of focus, nevertheless, it is important to ensure coordination and coherence both to avoid duplication of efforts and to minimize complexity and conflicting requirements for participating countries. During the process of establishing the PMR multilateral development banks (MDBs) and UN agencies has

¹⁶ http://www.icapcarbonaction.com/index.php?option=com_content&view=article&id=81&Itemid=83&lang=en

¹⁷ <http://www.erc.uct.ac.za/Research/ECCM/ECCM-intro.htm>

¹⁸ <http://www.ccap.org/index.php?component=programs&id=26>

been actively consulted. It is envisaged to work closely alongside them, inviting them to participate as observers and experts in the Partnership meetings and relying on them to support on the ground implementation as experts in countries where they may have existing relationships or ongoing work.

Participation in the meetings would allow for transparency on existing and planned efforts, thereby minimizing scope for duplication of activities. The implementing partners will be responsible for ensuring compliance with fiduciary standards for grant implementation in the beneficiary countries, and providing technical support. These agencies will rely on their own policies and procedures in developing and managing activities that the Partnership will finance, and report directly to the Partnership.

3. DESCRIPTION

3.1. Objectives

Overall objective is to reduce greenhouse gas emissions globally in a cost effective manner by scaling up of the use of carbon market mechanisms in developing countries. Specific objective is to improve capacity of developing countries to develop and implement cost effective mitigation policies, including through the sectoral crediting mechanism.

3.2. Expected results and main activities

Expected results:

- 1) The overall capacity of relevant stakeholders in 10-15 developing countries to develop and implement cost-effective mitigation measures through market based mechanisms is improved. It is expected that as a result of capacity building, the beneficiary countries would be able to utilize new carbon market mechanisms to generate high quality emission reductions.
- 2) Six to eight countries undertake implementation of market instruments, including testing of new carbon market mechanisms such as sectoral crediting, and developing domestic market instruments such as emissions trading schemes.
- 3) Continuous discussion forum established for stakeholders from developed and developing countries to share experience on the carbon market mechanisms, improving overall knowledge and understanding of relevant stakeholders about new carbon market mechanisms.
- 4) Partnership launched by the end of 2010. Trust fund and secretariat set up and operational soon thereafter. A small secretariat unit will be set up at the time the PMR is established.

Main activities to reach expected results above:

Activities to reach expected result 1:

- 1.1. Building country specific “infrastructure” for market readiness through tailored use of the following activities as and where needed:

- 1.1.1. **Assessment** - feasibility and capacity assessment for utilizing market mechanisms within a portfolio of policy instruments in the context of the

mitigation strategies, including analysis and appraisal of national, sub-national and sectoral approaches. Implementation will primarily be led through World Bank country offices; however, other organizations could also be implementing partners.

- 1.1.2. **Data** - building or enhancing existing data collection systems and institutional capacity for data reporting and management. The support provided would improve technical capacity, data reliability and availability at both a technical and institutional level, examine the data accuracy and its use to set up emissions reference levels, and define the geographic boundary of a sector or NAMA for market instruments. An expert group drawn from a roster of experts would be established to facilitate the work of the Partnership and provide technical assistance to the countries for readiness preparation. The roster of experts will include representatives from organizations active in capacity building, consultants specializing in carbon markets, academics and practitioners that have been involved in designing and implementing carbon market instruments. Support from this group will be supplemented by local expertise that will handle the design and implementation in country.
- 1.1.3. **MRV** - design or enhance the existing MRV frameworks to ensure transparency, quality and credibility and are consistent with international good practice. This would involve setting up a reporting system, designing consistent reporting formats, managing a database or registry system, putting in place measurement protocols and establishing an independent verification process. The capacity building would be designed to provide such support and promote knowledge sharing at national, sub-national and installation levels.
- 1.1.4. **Institutional capacity** - engage with key stakeholders early in the planning process and help the responsible government agencies organize cross-agency dialogues and broader consultations. Building a critical mass of human resources with technical, policy and regulatory expertise is essential for successful implementation of any market instrument.
- 1.1.5. **Policy and legal frameworks** - facilitating the design of policy and legal frameworks for implementation of market instruments, including developing standards, technical guidelines and introducing incentive (or benefit-sharing) systems to promote broad private sector participation.

- 1.2. Organizing training workshops at country, regional and international levels with the objective to help beneficiary countries to build up a pool of expertise.

Activities to reach expected result 2:

Piloting new carbon market mechanisms, including sectoral crediting, and implementing all the pre-requisites and institutions to create learning of their operational aspects including:

- 2.1 defining the sectoral boundary
- 2.2 selecting participating entities
- 2.3 establishing baseline emissions and crediting thresholds

2.4 creating incentives for private sector participation

Activities to reach expected result 3:

- 3.1 Creation of a platform to enable policy makers from both developed and developing countries, practitioners, and public and private entities to share experiences and information regarding elements of market readiness, to learn from each other, and to explore and innovate together on new carbon market mechanisms and approaches;
- 3.2 Sharing of lessons learned, including with including with the UNFCCC through organising side events and other communication events

Activities to reach expected result 4:

- 4.1 Launch of the Partnership by the end of 2010
- 4.2 Establishment of a small secretariat unit
- 4.3 Operationalisation of the trust fund and secretariat.

3.3. Risks and assumptions

Some countries may perceive the project as potentially jeopardizing their negotiation positions and the process under the UNFCCC. However, such risk could be mitigated by focusing on the technical discussions and on-the-ground capacity building.

Informal consultations with interested developing countries, including South Africa, Mexico, Colombia, Indonesia, India, Thailand and China have shown their strong interest in exploring the use of carbon market mechanisms for achieving mitigation objectives and to channel financial resources and technology. However, some developing countries indicated that the development of any new carbon market mechanisms is hindered by a lack of understanding on how such mechanisms would work on the ground and a lack of basic “infrastructure” for instruction of these mechanisms in the country, e.g. data collection and management systems, MRV protocols and institutional frameworks. Close cooperation with the developing country governments will help to mitigate these risks.

Depending on the size of funding eventually mobilized for the project and the level of interest from countries, there could be a challenge in scoping the capacity building package needed for readiness preparation.

Learning-by-doing principle is a key feature of the PMR; therefore inherently there is a relatively high uncertainty with regard to specific conclusions it would lead. Regardless if the final decision on the establishment of new carbon market mechanisms will be taken under auspices of the UNFCCC or via bilateral or multilateral agreements, the demonstration actions like the PMR will improve understanding on the options for practical implementation of new and scaled-up carbon market mechanisms. It will be, nevertheless, important to ensure that the knowledge generated through the PMR is fed into the UNFCCC process. The World Bank is well placed to present the results to the UNFCCC and to disseminate them to policy makers as it is not linked to a specific Party to the UNFCCC and it possesses an excellent expertise in carbon finance.

3.4. Crosscutting Issues

The project is aligned with the primary and overarching objective of EU development cooperation: the eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals (MDGs). The project will contribute to the development and implementation of policies using market-based instruments that can put developing countries on the low carbon development path in their key industrial sectors and energy sector. In particular, this project will support to developing countries to ensure environmental sustainability and develop a global partnership for development.

The project is also consistent with principles of ownership, partnership, an in-depth political dialogue and participation of civil society. The project is developed in close consultation with developing countries. Beneficiary countries will propose capacity building packages to explore and prepare them for applying market-based instruments in the implementation of their climate plans and strategies. This will ensure ownership and relevance of such capacity building program. A platform for countries to share experiences on design issues and implementation of carbon market mechanisms will establish a partnership among policy makers and practitioners. Where possible, the PMR will draw expertise and experience from international and national organizations, academia, non-governmental organisations and private entities.

3.5. Stakeholders

The main stakeholders targeted by this project are developing countries' governments, in particular departments which are responsible for climate change, but also sectoral policies, such as ministries of environment, energy, economy, finance and development, and relevant government agencies.

Depending on the size of the Fund, the Partnership would provide capacity building package to 10 to 15 countries, mainly middle income countries. As a forum for knowledge sharing, it is also open for participation (e.g. attending partnership meetings) by the countries that have expressed interest in using market instruments for mitigation. Relevant international and national organizations, academia, non-governmental organisations and private entities can be also invited to participate in the meetings of the Partnership. The relevant stakeholders for the capacity building package will be proposed by the developing countries.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

Joint management through the signature of an agreement with the World Bank

The PMR will be implemented under joint management as this is the most efficient model for a multi-country pilot initiative receiving funding from a number of donors. The World Bank is in the unique position of having a combination of technical expertise on carbon finance and development of innovative carbon market mechanisms as well as using its network of developed and developing countries in a balanced and impartial way. The Bank's ten year carbon finance experience,

convening power and global reach make it a credible partner for providing technical assistance and capacity-building support to developing countries.

While the World Bank manages 12 Carbon Funds and Facilities, the majority of these are focused on implementing the CDM projects and programs and does not focus on capacity building for broader market readiness or piloting of new carbon market mechanisms. The Carbon Partnership Facility (CPF – point 2.3. Complementary Actions) is primarily focused on developing specific program level carbon transactions, such as Programmes of Activities that is based on the existing CDM framework. As such the Partnership will certainly benefit from the experience gained through such transactions and the cooperation between public and private entities of the CPF.

It is intended to explore the synergies between the CPF and the Partnership to ensure cross-fertilization and a two-way flow of information. In the future it may be possible, if a participating country of the Partnership has built capacity and become market “ready”, and if the country so wishes, it could seek to sell the emissions reductions generated through piloting a new carbon market mechanisms to one of the tranches of the Carbon Fund of the CPF. This would require new tranches to be established under the Carbon Fund, depending on the demand from countries to do so and the outcomes of the international negotiations on the design of new market mechanisms.

The project will be implemented through Administrative Agreement with the World Bank.

4.2. Procurement and grant award procedures

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned.

4.3. Budget and calendar

The target size of the PMR is USD 100 million. It is expected a small grant in the amount of USD 200 000 will be allocated to a beneficiary country to enable it to identify and organize sectoral programs for piloting.

Depending on the need, on average USD 5 million would be allocated to a beneficiary country for program implementation:

- Data collection and management system and baseline study and set up: 1.5million
- MRV:1.5million
- Institutional strengthening, including setting up domestic unit for coordination and implementation: 0.5million
- Regulatory system preparation: 0.7million
- Stakeholder consultation: 0.3million

- Operational cost for PMR support: 0.5

It is estimated that USD 5 million is not sufficient to bring PMR program to do piloting. The beneficiary countries will be required to allocate human and financial resources to perform all above mentioned tasks.

Once the grant agreement is signed with the beneficiary country, a detailed timetable and schedule will be established in the grant agreement on procurement.

The expected time frame for building adequate capacity in country and developing and implementing pilots is expected to be between three to five years, however this is subject to change once the full scale of activities countries want to undertake becomes clear.

The Partnership itself does not have a sunset clause and will continue to provide support as long as there is demand from countries for market readiness capacity building and piloting. The EU contribution will be valid for maximum 5 years.

4.4. Performance monitoring

To access funding beneficiary countries need to make an initial assessment in the form of assessment note on capacity building needs and gaps. The assessment note will be reviewed by the experts and the Partnership Committee (see point 2.4. Donor coordination). Based on this review and funding need, the Partnership Committee will allocate funding to the beneficiary countries. The beneficiary countries will need to report regularly to the Partnership on the progress of implementation. The funds will be disbursed in instalments against a set of mile stones (such as defining sectoral boundary, selecting participating entities, setting the emission baseline and crediting threshold, setting up MRV system).

Baseline and target value: emission reductions are generated within a defined timeframe with the aim to generate tradable emission reduction units.

Objectively verifiable indicators:

- Number of countries and sectors, where new carbon market mechanisms are tested;
- Infrastructure for carbon market mechanisms developed;
- Activities implemented based on gaps identified in initial Assessment Note and through Capacity Building Support Packages;
- Each pilot implemented defined a geographic/sectoral boundary for emissions, developed an emissions baseline, set an emissions reduction goal, developed appropriate methodologies as needed and selected participating entities;
- Regular Partnership meetings convened. Discussions summarised and disseminated through website;
- 2-4 workshops organised annually;
- Number of experts trained;

- Partnership launched by Cancun and funds received.

4.5. Evaluation and audit

Detailed evaluation and audit arrangements are in an early design stage. As a general principle, continuous evaluation of the initiative will be under the responsibility of the Partnership Committee.

In addition, it is envisaged to carry out an independent evaluation of the PMR no later than after three years of operation. The auditing arrangements will follow the World Bank standard auditing procedure.

4.6. Communication and visibility

It is anticipated that the experiences through the PMR can be shared with other countries, stakeholders and the UNFCCC through workshops and seminars, and/or summary reports. Moreover, it is expected that all the Participants within the PMR will also undertake broader dissemination of their experiences to interested parties.

The visibility of the European Commission contribution to the PMR will be fostered by a participation of the European Commission in the Partnership Committee. Close interactions between the World Bank and our delegations in potential PMR beneficiary countries should also be encouraged as it would provide an additional visibility of the EU contribution to the PMR. Standard EU provisions for visibility will be included under the financing agreement consistent with the framework agreement between the World Bank and the EU.

Action Fiche W for the FCPF – Readiness Fund

1. IDENTIFICATION

Title/Number	Support to the Forest Carbon Partnership Facility's Readiness Fund DCI-ENV/2010/239-065		
Total cost	EU Contribution: EUR 4 000 000		
Aid method / Method of implementation	Joint management with the World Bank Group (WB)		
DAC-code	31210	Sector	Forestry policy and administrative management

2. RATIONALE

2.1. Sector context

A four-year Strategic Thematic Programme for Environment and Sustainable Management of Natural Resources including Energy¹⁹ (ENRTP, 2007-2010) was adopted by the Commission on 20 June 2007. The basic act for this programme is the Development Cooperation Instrument²⁰ (DCI), in particular Article 13, which was adopted on 18 December 2006.

The four-year strategy addresses challenges which have a profound effect on the lives of poor people: rapidly degrading key ecosystems, climate change, poor global environmental governance and inadequate access to and security of energy supply.

The strategy will be implemented through a combination of different mechanisms in accordance with the Council (Financial) Regulation²¹ and the options provided for in Article 25 of the DCI, in particular calls for proposals, direct agreements, joint management, and tenders for services.

On 03/12/2007 the Commission adopted the Annual Action Programme 2007²² under the ENRTP.

Forest loss and degradation has been on the international community's agenda for over three decades. However, little progress has been made in reverting deforestation trends in most tropical and subtropical countries. About 13 million hectares of tropical forest was permanently destroyed each year in the period 2000-2005. The once-vast tropical forest estate is disappearing—mostly through conversion to agriculture—at a rate of approximately five percent a decade, a trend that is likely to continue for 30-50 years.

Deforestation and forest degradation are the second leading cause of global warming. They account for about 20 percent of global greenhouse gas (GHG) emissions, and over a third of emissions from developing countries. In many developing countries, deforestation and forest degradation account for a majority of carbon emissions. For example, in Brazil and Indonesia, deforestation and land-use changes represent an estimated 70 percent and 80 percent of emissions, respectively.

¹⁹ C(2007)2572

²⁰ Specifically Art 13 and Article 38 of the DCI Regulation

²¹ Regulation 1605/2002 and revisions thereof

²² Commission Decision C/2007/5836 of 03/12/2007 last amended on 19/12/2007 C/2007/6540
http://ec.europa.eu/europeaid/where/worldwide/environment/working-documents_en.htm

Many forest-rich countries are also among the poorest in the world. Forest resources directly contribute to the livelihoods of 1.2 billion people living in poverty and indirectly support the natural environment that nourishes agriculture and the food supplies of nearly half the population of the developing world. Forests can be an important source of income, employment and subsistence for the rural poor and for national economic development more broadly. Almost 100 million people, many of them in small indigenous communities, live in remote areas in closed tropical forests. Another 800 million rural people live in or around tropical forests and savannas, and rely on their resources for fuel, food or subsistence income. Deforestation for agricultural expansion, cattle ranching, logging, and plantation development, can deprive the poor of access to resources. Lacking viable alternatives, poor people often convert forests into farms that soon become unproductive due to degraded topsoil conditions. This process destroys sustainable sources of timber and related forest products that offer long-term stability and exchanges them for short-term income generation. If appropriately designed and channelled, new funding sources to tackle deforestation and degradation also hold promise as a tool for reducing poverty among forest-dependent people and promoting their sustainable development.

In the face of this continuing challenge, the international community started some initiatives in order to support developing countries in their efforts to build capacity and get ready to any internationally agreed REDD (Reducing Emissions from Deforestation and Forest Degradation) mechanism (the so called 'REDD Readiness' support).

Countries and institutions have advanced their theoretical knowledge and practical experience on how to reduce deforestation and forest degradation. However, the lessons learned, decision support tools, and policy insights are generally confined to specific drivers of deforestation. Seldom have these lessons been up-scaled into comprehensive national strategies to achieve REDD results on the basis of positive incentive programs. The Forest Carbon Partnership Facility (FCPF) aims to help fill this knowledge void with crisp guidance, successful pilots on the ground, and insightful evaluation of lessons. Its efforts will serve as a rehearsal for any potential post-2012 climate policy regime.

2.2. Lessons learnt

The FCPF builds on lessons learnt from past World Bank and other initiatives oriented towards combating deforestation and build capacity for REDD. In particular, the FCPF is developing synergies with UNREDD and other related initiatives²³.

Amongst the key lessons learned is the need to engage a large variety of stakeholders and for cross-sectoral coordination. Modalities for scaling up activities should be considered from the outset in order to consolidate project based actions. Many of the successful projects are the ones working with the private sector and which explicitly include the market component and not only forest management from a technical perspective.

²³ Relevant information can be found on the following websites:

- UNREDD, the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries, <http://www.un-redd.org/>
- PPG7 (EU contribution): <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20757004~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>
- PFBC (EU contribution): <http://www.cbfp.org/index.htm>
- EU FLEGT: <http://ec.europa.eu/environment/forests/flegt.htm>
- the World Bank Programme on Forests (PROFOR): <http://www.profor.info/profor/>

The "learning by doing" component is a key feature of the FCPF, which has the dual objectives of building capacity for Reducing Emissions from Deforestation and Degradation (REDD) activities in developing countries and testing a programme of performance-based incentive payments in pilot countries in a context where the designing policy approaches and positive incentives to reduce emissions from deforestation in developing countries has a high policy profile in the post 2012 international negotiations on climate change.

2.3. Complementary actions

The participation to the FCPF Readiness Fund will complement the already ongoing EU contribution to the FCPF Carbon Fund and increase the overall EU coherence. It will also complement the EU actions quoted above (PPG7, PFBC, FLEGT) as well as ongoing forestry cooperation projects carried out by the EU delegations as well as under the ENRTP thematic programme on forests.

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2.4. Donor coordination

Coordination between countries taking part of the project both as a potential REDD countries (developing world) and donor / buyer countries (industrialised work) has already been engaged through those workshops and the World Bank, initial promoter of the initiative, took into consideration and integrated, during the designing process, views of countries, allowing consensus on the key features and the way the facility should work.

The design of the governance structure of the scheme emerged from this process and it is therefore expected that, following this track, there will be a good level of coordination between countries, as well as other participants involved such as international organisations, the private sector or NGOs.

The FCPF was launched during UNFCCC COP13 in Bali. The target size of the Readiness Fund is US\$185 million. As of March 2009, the Trustee of the Readiness Fund has signed Donor participation Agreements for a sum of US\$107 million, which enables the trustee to provide grants of up to US\$3.6 million (Total grant) and cover associated expenses for at least 20 REDD Country Participants, out of 37. This suggests a funding gap of US\$78 million in order to support all 37 REDD Country participants to the FCPF. During the Third Participants Committee Meeting of 16-18 June 2009 in Montreux, resolution PC3/2009/4 encouraged Donor Participants to increase their contributions to the readiness Fund and additional donors were sought. Seen as an entity, the EU (i.e. the EC and MS) is the current biggest contributor by far to the Facility. The participation of the European Commission to the Facility will help create the basis for EU coordination.

3. DESCRIPTION

3.1. Objectives

In the Communication "Limiting Global Climate Change to 2 degree Celsius – the way ahead for 2020 and beyond", the European Commission proposed the main features for a European and international strategy to combat climate change. It stressed the need to tackle emissions from deforestation and advised to adopt the objective of halting emissions from deforestation within two decades. This proposal from the Commission was endorsed by the Council of the European Union: paragraph 15 of the 20 February 2007 Council Conclusions on EU objectives for the further development of the international climate regime beyond 2012 states that the Council of the European Union "emphasises that the emissions from deforestation in developing countries amount to about 20% of global carbon dioxide emissions and that concrete policies and actions as part of a global and comprehensive post-2012 agreement are needed to halt these emissions and reverse them within the next two to three decades [...]".

In its 12 July 2007 submission to the United Nation Framework Convention on Climate Change secretariat, the EU stated that "practical experiences are needed to explore how efforts under the UNFCCC process could contribute to reducing emissions from deforestation [...], that "to this end, pilot activities should be initiated to explore approaches combining national action and international support" and that "pilot activities could cover: activities to improve the monitoring and reporting capacity required for RED (reducing emissions from deforestation) schemes; definition of national baselines or emissions reference levels; assessment of implementation of policies to combat deforestation; positive incentives to encourage countries to take or intensify actions to reduce emissions from deforestation during the pre-2012 period relative to a national emissions reference level."

The FCPF intends to assist developing countries in their efforts to reduce emissions from deforestation and degradation (REDD). It has the dual objectives of building capacity for REDD activities in developing countries and testing—on a relatively small scale—a program of performance-based incentive payments in pilot countries. By addressing the drivers of deforestation and degradation, the Facility is expected to achieve benefits that go beyond climate change mitigation, including poverty reduction.

The overall development objective of the Facility is to set the stage for a much larger system of positive incentives and financing flows in the future, which is in line with the EU strategy on REDD described above. It is expected that the framework and approaches that will be tested under the FCPF will inform Parties to the UNFCCC as they negotiate a future climate regime which may include REDD. It seeks to create an enabling environment and sponsor a body of knowledge and experience that can facilitate the development of a much larger global program of incentives for REDD over the medium term (5-10 years).

The FCPF is by far the most developed multilateral initiative to address deforestation in the context of climate change. To a large extent, UNREDD is using the advisory and technical work undertaken by the FCPF to develop its approach and documentary material for REDD Readiness activities at country level.

3.2. Expected results and main activities

The "learning by doing" component is a key feature of the FCPF. The FCPF will be comprised of two separate mechanisms. Each mechanism will include a trust fund for which the World Bank will act as Trustee:

1. **Readiness Mechanism (Readiness Fund):** Under this mechanism, the Facility intends to assist 37 developing tropical and sub-tropical countries prepare themselves to participate in a future, large-scale system of positive incentives for REDD. The Readiness Mechanism is designed to assist developing countries to reach a capacity level where they will be ready to participate in a future system for positive incentives to REDD. Designing and implementing accurate measurements, monitoring and verification systems to enable countries to report on emissions from deforestation and eventually forest degradation is one of the core element of the Readiness Mechanism.

2. **Carbon Finance Mechanism (Carbon Fund),** already receiving a contribution of EUR 5 000 000 from the EU): The Facility will support a few countries that will have successfully participated in the Readiness Mechanism to join, on a voluntary basis, a second mechanism through which the Facility will implement and evaluate incentive payments for REDD policies and measures in approximately five developing countries. The Carbon Fund will remunerate the selected countries in accordance with negotiated contracts for verifiably reducing emissions beyond the baseline scenario. The Facility is designed to test a number of ways of reducing deforestation and degradation based on national circumstances. A mixture of interventions and incentive models will be piloted, from policy reforms to on-the-ground investments. Similarly, several techniques for estimating past and future emissions will be tested. A common principle underlies these various approaches, namely that REDD must result in real, measurable, and long-term benefits related to the mitigation of climate change.

Together, these two mechanisms seek to create an enabling environment and sponsor a body of knowledge and experience that can facilitate the development of a much larger global program of incentives for REDD over the medium term (5-10 years).

The Facility will contribute to the development of methodologies which accurately and cost-effectively assess the carbon benefits of avoiding deforestation and degradation. These methodologies will use state-of-the-art scientific practice and will reflect and be informed by lessons and guidance emerging from other international processes. The goal is to use methods to validate simple, conservative and cost-effective measurement protocols.

Quality control will be applied to all methods and pilots with an equal level of rigor. In addition, independent verification of the results will be based on a conservative and transparent approach.

3.3. Risks and assumptions

The "learning by doing" component is a key feature of the FCPF, and as such there is a high level of uncertainty with regard to the conclusions it will lead to. It is likely that the post-2012 climate regime will provide financial incentives aimed at reducing deforestation. It is assumed that "demonstration actions", such as the FCPF, will help the designing of an effective post-2012 scheme on reducing deforestation to mature.

It is critical to ensure that the knowledge generated by the FCPF experience is fed into the UNFCCC process. The World Bank is well placed to present the results to the UNFCCC and to disseminate them to policy makers. However, the limit between informing the negotiations and influencing them is certainly difficult to draw and this is expected to be one of the issues requiring close attention in the case of the FCPF. The most efficient way to handle such a delicate issue is certainly to be closely involved in the Facility. This is also one of the objectives of the proposed EU contribution to the FCPF.

There is also a risk that the image of the World Bank in some developing countries could lead to reluctance by certain countries or stakeholder to engage actively. There is further risk that some stakeholders who question the value and integrity of the World Bank actions in the forest sector and equate WB investments with promoting industrial logging against the wishes of indigenous people will limit stakeholder engagement with the process and Facility. However the World Bank has shown awareness to these issues and has sought to address them in the design of the facility.

3.4. Crosscutting Issues

The FCPF has a climate change focus: it is aiming at assisting developing countries in their efforts to reduce emissions from deforestation and degradation (REDD) and testing a program of performance-based incentive payments in pilot countries. By addressing the drivers of deforestation and degradation, the Facility is expected to achieve benefits that go beyond climate change mitigation, including poverty reduction.

- Sustainability of the REDD approach is likely but not guaranteed as it will depend on the final decisions under the UNFCCC. Demonstration activities are expected to initiate actions in developing countries that will then be scaled up through the post-2012 international climate regime.
- Institutional sustainability will be ensured by working through existing structures and organisations at the national level, involved in not only governments but also civil society and the private sector.
- The project does not raise question of technological sustainability. However, the approaches to be tested will only work if they provide effective incentives to stakeholders; hence the importance of stakeholder involvement.

The country-led Readiness process will include an intensive stakeholder consultation process designed to inform relevant stakeholders in the REDD Countries about the substance and meaning of REDD, identify affected stakeholders, work with relevant stakeholders on a consultation and communication plan that would define the procedures and mechanisms for stakeholder consultation, responsibilities, process to voice grievances and disclosure policies throughout the Readiness phase, in particular for the setting of REDD strategies and operational framework for REDD. Special attention will be paid to forest-dependent communities, including Indigenous Peoples, in the debate on concrete solutions for reducing deforestation and degradation; and involve key national and international scientific and political stakeholders in the discussion of issues related to Readiness.

New REDD interventions will be made on a clear legal basis, including a regulatory framework enabling financial transactions to reach out to the targeted beneficiaries. The countries will have to adopt rules governing payment and distribution mechanisms, and criteria and indicators for eligible programs and projects. The rules will have to take into account the rights of forest dwellers and Indigenous Peoples, existing land-use structures, and the efficiency and equity of distribution mechanisms.

Activities financed under the Readiness Mechanism will be treated similarly to the elaboration of other plans and strategies supported by the World Bank. However, in the context of the FCPF, likely significant and cumulative impacts will have to be flagged and a description of how those impacts would be addressed during implementation will be required. The FCPF will therefore go beyond the requirements of the World Bank's Safeguard Policies. The FCPF's safeguard process, especially the emphasis on consultation and social inclusion, is expected to significantly add to the quality and sustainability of the REDD Strategy and Reference Scenario.

Specifically, social and environmental concerns will be addressed as follows:

- **Consultation:** the development of strategic Readiness documents by REDD Participant Countries will involve the consultation and participation of key stakeholders in the country, including social groups directly affected, as well as the public sector, Indigenous Peoples and other forest dwellers, the private sector and the donors' community. It is understood that the success of Readiness strategies is wholly dependent on the meaningful consultation and support of local peoples. Thus, consultation should be carried out after thorough analysis of the people who may be affected, analysis of how they can be included in the process in a meaningful and timely way, and included in the implementation of any strategy.

- **Social and Environmental Impacts:** As part of the REDD strategy, the Participant Country will assess whether the policies and measures proposed will be likely to have significant environmental and social consequences, especially on Indigenous Peoples and vulnerable groups. These simplified assessments will help the REDD country to identify likely impacts, risks and consequently take more accurate decisions on what kind of strategic options should be implemented in future. It will also be part of the REDD strategy to summarize relevant analytic knowledge of these effects and of the country's systems for reducing adverse effects and enhancing positive effects associated with the specific policies being supported.

The project is not particularly targeted at women but will benefit women and families who depend on non timber forest products for many livelihood needs, including medicine.

3.5. Stakeholders

Developing countries' governments are the main stakeholders targeted by the project:

The Readiness Mechanism is designed to assist developing countries to reach a capacity level they will need to be ready to participate in a future system of positive incentives to REDD, including inter alia:

- 1- Designing and implementing accurate measurements, monitoring and verification systems to report on emissions from deforestation
- 2- adopting a national REDD Strategy that reflects each country's priorities and is mindful of its constraints;
3. Developing a national reference scenario for REDD.

The REDD Participant Countries that will have been selected into the Readiness Mechanism and are able to demonstrate progress towards meeting the goals set out in the Readiness Action Plan will be eligible to submit an Emission Reductions Program (ER Program) to the Carbon Finance mechanism for consideration for a potential purchase. It is expected that FCPF will be able to review a great diversity of ER Programs depending on country circumstances and preferences, targeted among others towards general economic policies and regulations, forest policies and regulations, forest management, rural development. 37 developing countries have already requested participation in the FCPF.

The unifying principle across all of these ER Programs is that financial incentives have to go where they are needed for emission reductions to be real and sustainable. In some cases, the national government can be the best actor to enact and implement the necessary policy changes and regulations. But most of these changes will also require the involvement of local communities, individuals and the private sector, in which case these stakeholders or right-holders would expect to partake in the REDD activities and the corresponding carbon revenues (or alternative financing or support) in recognition of their contributions. In other cases, local communities, individuals and the private sector would be the primary actors implementing the ER Programs and thus expect to be the principal beneficiaries of ERPA or other acceptable forms of payments or support.

The project states that each country will need to achieve a high level of stakeholder participation, because:

- (i) Experience varies by stakeholder, and knowledge is not evenly shared;
- (ii) Experience needs to be synthesized into overarching insights into what has worked and has failed, and why;
- (iii) FCPF strategies and emissions reduction programs need to have buy-in from all affected and implementing parties.

In this context, it will be important to consider the views of local stakeholders, including forest dependent indigenous peoples and other forest dwellers. Their participation is not only critical to achieving success, but also they possess significant knowledge about sustainable forest management and conservation.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

Joint management through the signature of an agreement with the World Bank likely to be similar to the Carbon Fund Participation Agreement²⁴ already signed in 2008 for participation to the Carbon Fund of the FCPF.

Since 2009, the EU is participating to the works of the Participants' Committee and has equal voting rights of Readiness and Carbon Fund donors. In order to assure proper implementation of the Fund and effective use of the EU contribution, the presence of at least one representative of the EU needs to be guaranteed during Participants Committee and Participants Assembly meetings. Participation of EU representatives from different services would also be desirable as the FCPF covers a wide range of domains, from development cooperation to technical forestry issues, carbon finance and markets.

4.2. Procurement and grant award procedures

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned.

4.3. Budget and calendar

The EU contribution to the Readiness Fund of the FCPF is EUR 4 000 000.

The FCPF's target capitalization was at least US\$ 300 million (EUR 205 million), consisting of at least US\$ 100 million (EUR 70 million) in the Readiness Fund and at least US\$ 200 million (EUR 135 million) in the Carbon Fund. The ceilings of the Readiness Fund were increased to accommodate for the participation of extra 17 countries compared to the original target (from 20 to 37). To obtain a seat in the Participants Committee the minimum level for contributions to both the Readiness Fund and Carbon Fund is set at US\$ 5 Million (approx. EUR 3.5 million) per contributor.

The Readiness Fund is operational since 2009 as well as the Facility. The Carbon Fund is expected to become operational - and publicly announced - by the end of 2010. Foreseen indicated operational duration -: the foreseen date for the termination of both Readiness Fund and Carbon Fund is the **31 December 2020**. The Facility shall be terminated upon termination of both Funds.

4.4. Performance monitoring

The performance monitoring arrangements are being defined and a consultation is ongoing. The evaluation of the operation of the Facility will fall under the responsibility of the Participants Committee.

Two evaluation needs have been identified so far:

- first, quantifying emissions reductions for resource management and market requirements;

²⁴ Reference: EuropeAid/ENV/2008/150102/TPS - TF No 071077

- and second, program performance evaluation—is it meeting its intended objectives effectively?

The first need requires a data acquisition and management plan for remote sensing and other analysis of forest and land-use change, and economic data for development of the reference case in the absence of REDD strategy actions. The overall Facility design will plan for data collection (e.g., forest inventory or carbon density per hectare data), methods to monitor implementation of Readiness Action Plan policies or programs, verification of emission reductions. Additional design requirements include estimation of additional benefits like biodiversity and rural livelihood enhancement, and compliance with World Bank safeguard policies. Monitoring challenges include monitoring forest degradation (more difficult to assess using remote sensing than deforestation), attribution of REDD outcomes to program actions, and allocation of compensation payments to specific land users. Addressing these challenges may include developing remote sensing capabilities at the resolution required to monitor specific REDD strategy actions and program effects on additional benefits.

FCPF program performance evaluation at the country and within the Bank will strive to answer the following questions to accomplish course correction:

- What has worked so far in this program, and why?
- What can be done better programmatically in terms of the efficiency and equity of the delivery approach?
- Are program benefits verifiable?
- And how can successes be replicated in a wide range of country conditions?

The FCPF may also provide an analytical framework for rating a country's ability to monitor and evaluate its progress in achieving designated development (i.e., REDD) goals. This diagnostic tool could help determine a country's understanding, capacity, and use of existing monitoring, evaluation and, ultimately, knowledge management systems to establish a results-based evaluation system.

This assessment would:

(i) determine whether political or institutional disincentives exist before beginning to build a system; and (ii) review a country's current capacity to monitor, evaluate and disseminate along the following dimensions: technical skills, managerial skills, existence and quality of data systems; available technology; available fiscal resources; and institutional experience.

4.5. Evaluation and audit

Evaluations (mid-term, final, ex post) and audit arrangements following our (framework) agreement with the WB.

4.6. Communication and visibility

Dissemination of existing knowledge and new analytic tools, data, and program findings will occur through analysis of deforestation and degradation driver variables (e.g., logging concessions or agricultural development policies). Findings and strategies to facilitate harmonization of REDD methods, standards, and delivery approaches will be communicated via web-based databases and list serves. These systems will be continually updated to share documents publicly, as well as protect the exchange of confidential investor-sensitive materials.

A broader platform may be utilized to provide a doorway into REDD activities beyond the FCPF. The Bank and FCPF will have comparative advantage in playing a central coordinating knowledge management role between the partners in the FCPF, other experts and analytic processes, and the UNFCCC technical and consultation processes. The Facility is already regularly engaging a large group of international organizations and technical groups working at the cutting edge of REDD.

The visibility of the EU contribution to the FCPF will be fostered by a participation of the European Commission in the Participants Committee and Participants Assembly. Close interactions between the World Bank and our delegations in the REDD countries should also be encouraged as it would provide an additional visibility of the EU contribution to the FCPF. Standard EU provisions for visibility will be included under the financing agreement.

Visibility will be guaranteed by respecting the visibility guidelines specified in the Framework Agreement with the WB, further clarified in the Interpretative Letter signed in June 2006 by the Commissioner for External Relations and the WB President.

Action Fiche X for EU REDD Facility

1. IDENTIFICATION

Title/Number	Support to EU REDD Facility (REDD = Reducing Emissions from Deforestation and Forest Degradation) DCI-ENV/2010/239-066		
Total cost	EU contribution: EUR 3 000 000		
Aid method / Method of implementation	Project approach Joint management with international organisation: European Forest Institute.		
DAC-code	31210	Sector	Forestry policy and administrative management
	41010		Environmental policy and administrative management

2. RATIONALE

2.1. Sector context

Forests are vital for many developing countries- for their economies and for the livelihoods of hundreds of millions of poor people, in protecting the environment and as home to much of the world's biodiversity. Forests also store significant amounts of CO₂, thus preventing further increases in concentrations of greenhouse gases in the atmosphere. Despite this, forests decline at rapid rates: in part a result of poor forest governance and market failures in valuing environmental services. Illegal logging is a symptom of governance failures. According to FAO estimates some 13 million hectares of forests are lost every year. Deforestation accounts for more than 15% of global carbon dioxide (CO₂) emissions, more than total EU greenhouse gas emissions²⁵. Reducing emissions from deforestation is essential to achieve our objective of limiting global warming to 2 degrees Centigrade. The EU objective to halt global forest cover loss by 2030 and to reduce gross tropical deforestation by at least 50 % by 2020 compared to current levels. The 2008 Communication on deforestation underscored the importance of positive incentives to encourage developing countries to reduce emissions from deforestation by encouraging them to maintain forest carbon and to invest in low-carbon sustainable development strategies. The EU is supporting the development of REDD strategies through country specific development assistance (geographic programmes) as well as under the thematic programme on environment (under the GCCA and by contributing to international initiatives such as the World Bank Forest Carbon Partnership Facility).

There are a number of existing and new initiatives and facilities in support of both REDD and climate change adaptation objectives. The increased interest from both developed and developing countries in halting deforestation and forest degradation has spurred a flurry of activity and expectation. However, the limited capacity of some developing countries and many stakeholders in developing countries to keep track of, influence and benefit from these initiatives is leading to increased frustration and misunderstanding from many stakeholders.

²⁵ 2008 EU Communication on Deforestation

Future REDD mechanisms may benefit hugely a number of developing countries: the ambition is to establish finance of about \$15 billion annually by 2020 so as to provide sufficient incentive to stop deforestation. Many countries have embarked on national consultations, have developed REDD strategies and are reviewing policies to prepare for this future. However, this has been done without clear guidelines and strategic analysis, in a fast-moving environment. Some private companies have developed a "REDD-preparation business" that they are promoting to Governments as the panacea and unique way forward. Different organisations (Private sector companies, NGOs, think tanks, Foundations) have approached the developing countries governments with a specific agenda without clearly setting the global scene, what is at stake and what would be the different options. Partner countries governments, particularly those facing capacity constraints, are not well equipped to assess the different options that are proposed, their consequences, in terms of costs, future directions and expected benefits. This Facility aims at helping the partner countries authorities to be better prepared to define and implement REDD strategies and REDD related policies.

Sound forest governance will be a necessary prerequisite to ensure sustainability. The FLEGT VPA can help establish the governance systems and institutions necessary for REDD. But, cooperation between these two initiatives at national level is often lacking. This risks undermining both, especially where capacities are limited.

The Forest Law Enforcement, Governance and Trade initiative (FLEGT) is EU's response to the global problem of illegal logging that has significant environmental damage, costs governments billions of Euros in lost revenue, promotes corruption, undermines the rule of law and good governance and in some places has financed armed conflict. Central in this programme are Voluntary Partnership Agreements that use the influence of the EU market to help developing country governments fight against illegal logging and improve governance.

A FLEGT Facility has been set up in EFI (European Forest Institute) in 2007 with a specific objective to support the preparation and implementation of VPAs and to guide the development of the overall FLEGT process and mechanisms. This Facility is co-funded by the EU, Finland and UK.

Initiated in September 2007, the Global Climate Change Alliance (GCCA) seeks to enhance cooperation between the EU and developing countries, particularly Least Developed countries (LDCs) and Small Island Developing states (SIDS) most vulnerable to climate change, to adapt to the effects of climate change. The EU leads in promoting international action to tackle climate change and as the largest provider of ODA. To this end most of the support to developing countries for their REDD actions would be shaped under the framework of the EU policy set out in the GCCA and in the 2008 EU communication on deforestation²⁶.

The EU Thematic Programme for Environment and Sustainable Management of Natural Resources including Energy²⁷ (ENRTP, 2007-2010) was adopted by the Commission on 20 June 2007. The four-year strategy addresses challenges which have a profound effect on the lives of poor people: rapidly degrading key ecosystems, climate change, poor global environmental governance and inadequate access to and security of energy supply.

Thus there are a number of policies that guide EU work on forest governance and deforestation, including the EU FLEGT Action Plan (2003,) the Communication on deforestation and Climate Change (2008), the climate change communications, the Global Climate Change Alliance.

²⁶ COM(2008)645

²⁷ C(2007)2572

2.2. Lessons learnt

Although many actions on deforestation and forest degradation have been supported in the last years, REDD as such is a new policy area, and there is a strong demand for further support and understanding of this policy area. EU Delegations and the European Commission are contacted by partner countries to better understand the panorama of existing initiatives and to get support for their initiatives, including capacity building initiatives to be prepared for REDD. Experience from the FLEGT Facility shows that an EU Facility that is flexible enough and that is oriented towards helping developing REDD countries to analyse the global picture and the possible options, develop and implement a comprehensive and concrete strategy can really be successful, contribute to positive outcomes and reinforce EU visibility.

The envisaged action should be established with a focus on learning lessons and sharing experience between the many initiatives that are developing in support of REDD and FLEGT as well as from past EU financed action geared to combat deforestation and redress forest degradation such as the PPG7 in Brazil. It would be important to draw on the World Bank and UN experience of their REDD support programmes. Part of the activities of the Facility (see below) would be to draw lessons from past experience and to produce appropriate documents (lessons learning exercises, synthesis, methodological tools, operational guidelines whenever possible) for partner countries decision-makers.

For REDD to succeed, governance is key. Lessons and results from the FLEGT initiative and/or GCCA initiative could help guide REDD. REDD offers opportunities to reinforce the impact of FLEGT. But at the same time it is a challenge to develop synergies through compatible, coherent and complementary action.

- More effort needed to coordinate work on REDD and FLEGT in partner countries: to build on the lessons of FLEGT and the progress it is making in helping countries improve forest governance and law enforcement. These countries have limited staff capacity and we need to avoid inefficient parallel development of policies.
- Key lesson of FLEGT: the formal negotiation framework helps frame national debate and consensus building to produce set of proposals for the Voluntary Partnership Agreements. The multi-stakeholder processes that have guided their development could serve as useful models for national policy development on REDD. The results of the FLEGT processes could provide key elements of reform, improved capacity from which national REDD programmes could build. Currently discussion on REDD is mainly at international level and through multilateral institutions, but any REDD action will ultimately be undertaken at national level, requiring national stakeholder interest and engagement in the results. The negotiation processes for FLEGT may have useful lessons to share.
- If REDD is to be successful it must go beyond provision of financial incentives to address institutional and governance issues.

REDD and FLEGT both require:

- multi-stakeholder policy and planning processes that build a shared understanding and commitment;
- systems for monitoring, reporting and verification that are credible;
- buyers who have confidence in the products they are paying for (carbon and timber);
- systems that prevent circumvention of agreed standards (control of leakage and circumvention);
- avoidance of unintended harmful consequences for local communities.

The external evaluation of the 2007-2010 ENRTP strategy, carried out in 2009, highlighted some of the strengths and weaknesses encountered in the implementation of the ENRTP and allowed to draw some lessons²⁸. One observation was that for many sub-themes under the

²⁸ Contract Nr. 2009/209-440, final report dated 23 December 2009

ENRTP, communication of results and lesson learning was inadequate, particularly between the programmes. The review pointed to the FLEGT sub-theme as an exception to this, noting that the value of annual meetings between the projects and involving Delegation staff as well. The REDD facility will build from this experience with FLEGT project coordination to foster strong lesson learning, improved coordination and communication between the various EU projects supporting the development of REDD at country level.

2.3. Complementary actions

The envisaged action should be designed specifically to complement and foster cooperation between different REDD and FLEGT initiatives. As the facility will be hosted by the EFI, like the EU FLEGT Facility, synergies will be facilitated. Coordination and communication will be significant elements of the programme in order to ensure that this action helps developing countries better access the resources available: under the GCCA, the WB FCPF, UN REDD, FAO and ITTO (International Tropical Timber Organisation) initiatives and the Government of Norway International climate and forest initiative in particular. In addition, the focus on fostering lesson learning and cooperation between REDD and FLEGT initiatives at country level is specifically targeting both opportunities and risks and will be a significant area of focus of this action.

2.4. Donor coordination

Actions developed by the EU REDD facility will seek to build on and contribute to the work programme agreed under the REDD+ Partnership launched in Oslo in May 2010. The REDD+ partnership will be one of the instances where donor coordination can take place. It is also worth noting the FLEGT REDD informal working group set up at EU level (including Commission, Member States and Norway), where the Facility could regularly inform about its activities.

The purpose of this action is to complement the efforts of the UN or World Bank who have started programmes to prepare countries for REDD action (UN REDD and WB FCPF respectively). However, given the limited amount available, it is not the primary objective of the Facility to contribute financially to REDD country strategies for those countries which are already at a quite advanced stage of their REDD preparation (for example they have their FCPF Readiness Preparation Plan approved and financed). Should more funding be made available to the Facility, this may be revised.

Priority may be given as a first step to countries that are targeted under the GCCA initiative and which are starting to prepare to REDD and/or to developing countries that have engaged or are preparing to engage in a FLEGT VPA process.

Indeed, there is a need to strengthen the linkages between FLEGT and REDD initiatives at country level to ensure that they reinforce each other. This would best be delegated to a European-based multilateral institution as it is tied to EU action and policy implementation. As the EU FLEGT Facility is already hosted by the European Forest Institute, the selection of EFI as host for the implementation of the EU REDD Facility seems logic. In addition to that, many EU donors of the FLEGT Facility are interested in the EU REDD Facility.

3. DESCRIPTION

3.1. Objectives

Within the overall principle of enhancing forests' contribution to poverty reduction, sustainable economic development, and mitigation of the impacts of climate change by reducing deforestation and forest degradation in developing countries, the **general objective**

of the action is to assist developing countries in preparing for REDD, in particular with regard to forest governance related issues.

The specific objective of the action is to provide effective support to the emergence of the REDD mechanisms in developing countries and to help them build their capacity and improve forest governance for REDD by analysis, advice, outreach and training, as well as by facilitating access to and benefit from different on-going initiatives.

3.2. Expected results and main activities

The main expected **results** are:

- i. More targeted and effective **support** to developing country partners to build their capacity and improve forest governance in support of both REDD and FLEGT objectives; Activities would consist in establishing a technical dialogue on REDD, where the Facility would provide independent advice and training to developing countries interested in building REDD capacities and attracting REDD investments. To this end, the envisaged action should provide analysis; draw lessons learnt from past experiences and other instruments/initiatives; develop methodological tools and operational guidelines; provide training, facilitate exchange of experience, possibly through field visits for partner countries decision-makers; help facilitate and coordinate EU financed REDD actions; facilitate communications and outreach on EU REDD activities, particularly with developing country partners, and thus improve understanding and visibility of EU actions (see below). A key part of the analysis would also be focusing on bringing the useful lessons from FLEGT into the REDD national and international debates, and on promoting synergies between FLEGT and REDD.
- ii. **Guidance** in the development of EU support to REDD processes at country and regional level focused on fast start actions. The facility will help partner countries, involving EU Delegations and Commission/Member States to better reflect on the needs of the partner countries in terms of REDD related issues and propose guidance on how to manage and direct this EU support. The Facility will also communicate more clearly and broadly the actions and commitments of the EU in support of REDD, how to access and benefit from them, in particular in the policy framework establishing the Global Climate Change Alliance (GCCA).
- iii. Improved readiness capacities in partner countries (monitoring, baselines, policy reforms, preparatory actions) and support to other forest or climate change related small-scale **initiatives** relevant for furthering REDD processes. A major part of the **financing** will go to direct support to REDD countries initiatives. Direct financial support may be targeted to specific strategic requests from partner countries, identified and elaborated within the framework of technical dialogue between the partner country and the facility or identified jointly in the framework of the REDD+ Partnership launched in Oslo in May 2010 (possible co-funding with other donors)
- iv. Increased **visibility** and understanding of EU support to REDD fast-start initiatives.

The envisaged action may attract additional contributions from other EU programmes and EU Member States. This will enable to expand mainly the country specific activities, as it is anticipated that the demand will be important.

3.3. Risks and assumptions

There is a risk for the EU REDD Facility to be perceived as another REDD initiative designed to compete with already numerous existing initiatives. The EU REDD Facility should have a relatively modest start and aim at getting visibility through proven track records in helping developing countries to handle REDD. Communication about the Facility should focus on targeted areas of support and concrete achievements. It should be tailored to the needs of specific REDD developing countries.

There is a risk that some of the tasks envisaged under this action may also be developed in the framework of other initiatives. Also, in view of the rapidly-changing institutional environment, there is a possibility that new needs that are not yet identified by the partner countries themselves emerge. To mitigate those risks, the action will be broadly defined in order to be flexible and adaptive to the evolving expectations of developing countries in REDD. The Facility should have the mandate and scope to expand, to work at regional level and to foster cooperation between initiatives and programmes. It should from the outset have the scope to draw further EU and Member State contributions depending on the experience with initial actions.

There is an assumption, as for all fast start actions moving forward from the Copenhagen Accord, of a positive outcome of climate change negotiations. The action is designed to help build capacity for performance based REDD linked to outcome of these negotiations. It will be important that the REDD Facility provides up to date information on progress with negotiations, but remains focused on practical application and lesson learning at country level.

3.4. Crosscutting Issues

The envisaged action should have a climate change focus: it should aim at assisting developing countries in their efforts to reduce emissions from deforestation and degradation (REDD). By improving forest governance and preparing for developing and implementing policies that address the drivers of deforestation and degradation, the envisaged action would be expected to achieve results that go beyond climate change mitigation, including poverty reduction, good governance, transparency and accountability, strengthening indigenous people's rights, strengthening human rights, building gender equality, building civil society capacity, food security, energy security, environmental sustainability and promoting inclusiveness. The focus on coordination and facilitation, will also contribute to aid coordination and harmonisation at country level. Clearly, to deliver lasting results, REDD strategies must, by their nature address cross cutting issues in tackling the drivers of deforestation and degradation.

3.5. Stakeholders

Ultimately, improving forest governance and establishing effective strategies to combat deforestation and forest degradation will affect a very wide group of divergent interests in developing countries (from civil society, advocacy groups, rural forest users, consumers, private sector and government). In addition, demonstrating the practical implementation of REDD could contribute more generally to positive outcomes in the broader climate change negotiation itself. REDD is likely to be one of the most significant ways in which developing countries can contribute to climate change and through which they engage in the international negotiation process.

Many millions of poor people are dependent on forest resources for various uses (food medicines energy, income), as they are on the use of forest lands for others uses (for agriculture, pasture and mining) as well. Increasing the value of forests and the incentives for maintaining forests offers opportunity to increase their contribution to rural livelihoods.

Experience in the development of FLEGT VPA in developing countries has illustrated the importance of broad stakeholder engagement in the development of national policy and priorities. Discussions with civil society and the private sector in some FLEGT partner countries have indicated a strong interest and concern to see that the development of FLEGT and REDD initiatives are coordinated at a country level to ensure complementarity.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

Joint management through the signature of a contribution agreement with an international organisation, the European Forest Institute (EFI) with headquarters based in Finland. For that purpose a Standard Contribution Agreement will be signed.

EFI is already hosting the ongoing EU FLEGT Facility and has accepted to host the EU REDD Facility. This institutional construction has the advantage of drawing on the experience gained in working with EFI as well as on the systems and structures established to manage the EFI FLEGT Facility in order to facilitate a quick start of the EU REDD Facility. It also offers good opportunity to build strong synergy between the FLEGT and REDD initiatives.

The action will need to be broadly defined in order to be flexible and adaptive to the evolving expectations of developing countries in REDD. The Facility should have the mandate and scope to expand, to work at regional level and to foster cooperation between initiatives and programmes. It should from the outset have the scope to draw further EU and Member State contributions depending on the experience with initial actions.

Thus the EU REDD Facility will draw, inter alia, from FLEGT experience; It will be focused on country level; focus on quick delivery; have capacity to evolve and expand based on experience and develops over the next two years of international work on REDD.

An EU REDD Facility Governance Board will be set up with participation of the EU and other donors. It would approve priorities and work plans on an annual or semi-annual basis, similar to the procedures used under the EFI FLEGT Facility. Within the framework of the approved work plans, (indicative) 4-months rolling work programmes will be prepared by the REDD Facility and agreed with the EU.

4.2. Procurement and grant award procedures

All contracts implementing the action will be awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned. In 2009, a four-pillar assessment has been finalised.

4.3. Indicative budget and calendar

The EU contribution to the action is EUR 3 000 000.

The indicative breakdown is as follows:

Item	Indicative budget EUR
Technical assistance (Full time experts and facility management associated costs)	1 400 000
Support to REDD country activities	1 500 000
Visibility	20 000
Evaluation and audits	80 000
Total	3 000 000

Envisaged from the start is the recruitment of two full-time experts. Sub-contracts will mostly target training, specific pieces of technical analysis, development of methodological tools, facilitation of exchange and meetings with experts from different regions. Possibly there will be contributions to ongoing initiatives from other relevant initiatives or to specific requests from developing countries.

The foreseen indicative operational duration is **30 months** as from signature of the Contribution Agreement.

4.4. Performance monitoring

Performance of the Facility is regularly monitored by the EU and other donors. A guiding logframe will be developed within the first three months of existence of the facility. As other multi-donor facilities set up to support live political processes in a range of countries, the logframe should not be too prescriptive to maintain the flexibility and responsiveness inherent in the approach.

Elements of EU REDD Facility performance monitoring may include:

- Number of guidelines and key analytical documents produced;
- Number of countries supported;
- Number of countries with more coherent FLEGT and REDD approaches;
- Number and quality of REDD initiatives supported;
- Number of stakeholder workshops and meetings held;
- Completed studies, reports and impact assessments;
- Participation and degree of ownership demonstrated by partner governments, local civil society and the private sector (indicators may include contributions by local stakeholders to meetings and workshops; participation in / contribution to working groups set up to assess impact and analyse technical issues);
- Progress towards developing REDD mechanisms at country level (MRV, reference levels, establishment of institutional architecture at national level, sub-national projects, development of in-country REDD financing streams,).

Monitoring indicators will be refined and together with the refined logframe will be presented to the Facility Governance Board after three months of existence of the Facility.

4.5. Evaluation and audit

A mid-term external evaluation on the EU REDD Facility will be foreseen during 2012.

A final evaluation will take place after the implementation phase.

The audit arrangements as foreseen in the contribution agreement will apply.

4.6. Communication and visibility

All Facility documents and reports for distribution and the specific website carry the EU flag. EU funding is mentioned / shown in all presentations and talks given by EU REDD Facility staff. All EU REDD Facility staff business cards carry the EU flag. The Facility is very sensitive to the nature of the action where there is a need for close and regular association with the EU.

In terms of more global visibility, the EU REDD Facility should have a relatively modest start in order to mitigate the risk to be perceived as another REDD initiative designed to compete with already numerous existing initiative. It should aim at getting visibility through proven

track records in helping developing countries to handle REDD. Communication about the Facility should focus on targeted areas of support and concrete achievements. It should be tailored to the needs of specific REDD developing countries.

Communication should also focus on demonstrating that the majority of the funding is spent on supporting projects and proposals emanating from REDD countries and answering their needs.

Action Sheet Y for the EUEI in Africa

1. IDENTIFICATION

Title/Number	Africa-EU Renewable Energy Cooperation Programme (RECP). Start Up Phase		
Total cost	Maximum EU contribution: EUR 5 000 000		
Aid method / Method of implementation	Indirect centralised management delegation agreements with GTZ in Germany and AFD in France		
DAC-codes	23010 23030 23081	Sector	Energy policy Power generation/renewable sources Energy education/training

2. RATIONALE

2.1. Sector context

The overall aim, to which this project will contribute, is to implement the energy objectives agreed by the African Union and the European Union during the second EU-Africa summit held in Lisbon on 8 and 9 December 2007. This summit, the first since the 2000 Cairo summit, officially launched the new Africa-EU Strategic Partnership and its First Action Plan. This plan provides both an institutional and an operational framework for the eight partnership priorities, one of which is the “Africa-EU Energy Partnership” (AEEP). The launch of a comprehensive Cooperation Programme between the EU and Africa in the area of renewable energy was a core activity identified in the Lisbon Action Plan and was later confirmed in the Partnership's Road Map - taking into account and building on existing bilateral and regional activities in the field, possibly including twinning arrangements. The Africa-EU Partnership on Science, the Information Society and Space (the 'Eighth Partnership') can complement this and dwell on results from many research collaborations with African teams²⁹.

Within the Energy Partnership, renewable energy & energy efficiency is now one of the three priority areas, together with energy access and energy security, and agreement has been reached on political targets for the increased utilisation of renewable energy in Africa until 2020³⁰. Based on the joint statement between the Commission of the African Union (AUC) and the European Commission of September 2008, an Africa-EU Renewable Energy Cooperation Programme (RECP) is currently being developed by the Africa-EU Joint Expert Group, involving AU and EU Commissions, Member States from both continents as well as Regional Economic Communities (RECs) and/or specialised regional organisations in Africa.

²⁹ European Commission, 2010. The changing face of EU-African cooperation in science and technology. Luxembourg, Office for Official Publications of the European Union, 68 p.

³⁰ Additional 10,000 MW of hydro-power, 5,000 MW of wind energy, 500 MW of other renewable energies until 2020.

African leaders, including at the continental (AU), regional (RECs) and national levels give a high priority to renewable energy, and have expressed this through the adoption of a number of decisions, policies and strategies.

In April 2008, participants in the *International Conference on Renewable Energy in Africa*³¹ agreed on a vision to scale up renewable energy development in Africa to enhance wider access to modern energy, strengthen the continent's energy security as well as support its industrialisation and socio-economic development. The Conference also adopted a Plan of Action for Scaling-up Renewable Energy in Africa.

In February 2009, the Summit of the African Union addressed the theme of Infrastructure and Energy, and welcomed the respective Africa-European Union Partnerships. One commitment of the Summit was to develop renewable energy resources in order to provide clean, reliable, affordable and environmentally friendly energy³². Hence, the establishment of the RECP is fully consistent with African policies and strategies, including the AUC and NEPAD priorities and new initiatives such as *Hydropower 2020*. RECP will strengthen this process by providing support to the development and implementation of sound renewable energy policies and implementation measures.

At the 14th Africa-EU Ministerial Meeting held in Luxembourg on 26 April 2010 ministers welcomed the forthcoming RECP and encouraged the use of climate funding to support it. At the AUC-EC College-to-College meeting held in Addis Ababa on 8 June 2010, the respective Commissioners discussed and committed to launch the RECP. The programme was adopted as one of the concrete activities to undertake in the weeks and months up to the next Africa-EU Summit, including its launch at the First High Level Meeting of the AEEP 14-15 September 2010 in Vienna, Austria, as a specific deliverable of the Energy Partnership.

2.2. Lessons learnt

Overall, Africa covers a substantial share of its energy supply from renewable energy, notably traditional biomass (predominantly woodfuels), which accounts for 70-90% of primary energy supply of some sub-Sahara Africa countries, and hydropower, which accounts for 18% of electricity generation in Africa³³.

However, only a small fraction of Africa's vast renewable energy potential that could be used for generating electricity is utilised – around 10% of its hydro and 1% of its geothermal sources. In theory, all current electricity demand on the continent could be covered by available renewable resources.

There are a number of problems associated with the use of traditional biomass in open cooking fires: deforestation from land clearance for agriculture can lead to local fuel supply shortages, and the smoke is a source of many health problems. Thus, the sustainability of biomass supply needs attention, as well as the introduction of improved cooking and heating appliances.

Also at the continental level, Africa has made several political commitments to increase the utilisation of renewable energy. Important African institutions, such as the African

³¹ The International Conference on Renewable Energy in Africa jointly organised by the Government of Senegal, the African Union, the German Federal Ministry for Economic Cooperation and Development and the United Nations Industrial Development Organisation (UNIDO) was held in Dakar, Senegal, April 2008, to discuss the potential to scale up renewable energy in Africa.

³² AU Declaration on Development of Transport and Energy Infrastructure in Africa, Doc. Assembly/AU/9 (XII). 2009.

³³ Renewable Energies for Africa – Potential, Markets and Strategies. REN 21, January 2010

Development Bank (AfDB)³⁴, stress that African countries, especially in sub-Saharan Africa, need to make greater use of their huge renewable energy potential.

Even though the current level of investment is low³⁵, the situation is gradually improving. NEPAD I-STAP includes several large hydropower investments among its priority projects. The AU Commission's Programme for Infrastructure Development in Africa (PIDA), and other AfDB programmes, are in the process of identifying priority investment projects in renewable energy, including wind, medium scale hydro and biomass co-generation. For the private sector, a growing number of small and medium scale businesses in Africa are involved in photovoltaics, small hydro and biomass for electricity generation.

This confirms the promising potential for a future expansion of the use of renewable energy in Africa. However, experience has shown that there are also substantial barriers that have to be overcome, in order for renewable energy to reach its full potential to replace fossil fuels. The barriers to investment in renewable energy include lack of suitable enabling frameworks conducive to private investments including suitable legislation, regulation for power purchase agreements (PPAs) for independent power producers (IPPs), lack of an appropriate African technology/industry base, lack of familiarity with the topic in local and regional banks, as well as limited capacity for preparing bankable projects and mobilising additional funding. The hurdles for achieving increased access to energy in general are thus well analysed and understood.

Lessons learned from a number of previous projects have been taken into account in the design of the project, inter alia from projects implemented by EUEI Partnership Dialogue Facility (EUEI PDF). The EUEI PDF is a multi-donor instrument established under the EU Energy Initiative³⁶, and currently funded by 5 Member States and the European Commission. The action will also build on experience of previous and ongoing Commission and Member States programmes such as COOPENER, the ACP-EU Energy Facility, the Euro-Mediterranean Energy Market Integration Project and Project "Scientific and Technical Support to Sustainable Energy Development in Africa".³⁷

2.3. Complementary actions

At EU level, the action proposed is consistent with the energy policy adopted for Europe, with the Strategic European Energy Review (SEER) and its international dimension and with the conclusions of the March 2007 European Council towards developing an effective European external energy policy³⁸. It also supports the priorities and dialogue established under the EU Energy Initiative in regard to Africa. The proposed project is in line with EU Development Commissioner Piebalgs new political initiative aiming for access to sustainable energy for all Africans.

The proposed project is developed as a first contribution to the RECP, which in itself is a deliverable of the Africa-EU Energy Partnership, and therefore will be designed to increase coherence and synergies, complement existing activities, and provide added value with respect to other Commission and Member States' initiatives in the energy sector. In particular, the focus of the proposed project is on capacity development, technology transfer, knowledge

³⁵ Clean Energy Investment Framework for Africa. AfDB 2008.

³⁶ Together with the Middle East, Africa received only 2.8 % of global investments in sustainable energy in 2008. Source: Global Trends in Sustainable Energy Investment 2009. New Energy Finance, UNEP and SEFI 2009.

³⁷ The EU Energy Initiative for Poverty Eradication and Sustainable Development is a joint political commitment by EU Commission and Member States to promote access to energy services in developing countries.

³⁸ The project is implemented by the Joint Research Centre in Ispra.

³⁸ The Conclusions of the EU Council in March 2007 call for the development of decentralised energy systems in Africa.

exchange, appropriate frameworks, and market support for renewable energies. With this focus, it will also complement the Commission's instruments which are part of the Integrated Framework of EU Financing Instruments.

Recognising the difference in scope with regard to existing EU instruments in this area, the aim of this project is to reduce possible overlap, increase coordination and synergies. The second ACP-EU Energy Facility, which has a focus on renewable energy, aims at increased access in rural and peri-urban areas through grant support mainly for investments. The added value of the proposed project is that it addresses the general use of renewable energy for power production, i.e. feeding into national networks and mini-grids, and as off grid solutions, and focuses on technology transfer and institutional aspects. The EU-Africa Infrastructure Trust Fund is able to provide grants for such actions as feasibility studies for renewable energy projects, provided that these projects are of a regional nature, which is in practise limited to a few large scale hydro power projects. These interventions are predominantly directed and closely linked to specific investment projects.

The Euro-Mediterranean energy cooperation and the energy activities conducted under the European Neighbourhood Policy are more limited in geographical scope, and do not cover sub-Saharan Africa which is the main target area for the proposed programme. The Global Energy Efficiency and Renewable Energy Fund (GEEREF), which provides equity investment into sub-funds for RE solutions, is a highly specialised fund of global scope, as is its Technical Support Facility³⁹. The added value of the proposed project is that it operates on the basis of African partner country ownership and that its key focus is on renewable energy capacity development, enabling frameworks and market development, linking up with applied research activities.⁴⁰

As enhanced synergies with these existing initiatives as well as increased visibility of EU action should be an outcome of this project, coordination with Member States is a key issue. To reach this, regular communication will be undertaken within the EU Implementing Team of the Energy Partnership, involving most of the Member States active in energy cooperation with Africa.

At regional and national levels, the action proposed is consistent with the AU-NEPAD initiatives and with the activities of the Infrastructure Consortium for Africa (ICA) but also with the priorities identified under the EDF national strategies and indicative programmes in the energy sector. The action will pay particular attention to the various initiatives and activities introduced at national level for renewable energy and will seek complementarities.

In this envisaged Start up Phase, the Renewable Energy Cooperation Programme will develop direct links with capacity building activities under the AEEP which are also provided through the CEMA⁴¹ project (implemented by UNEP Risoe Center) and the "Project Scientific and Technical Support to Sustainable Energy Development in Africa" implemented by the European Commission-Joint Research Centre (JRC), both financed under the ENRTP programme.

The EUEI Partnership Dialogue Facility represents a natural partner as it is strongly involved in the Energy Partnership, i.e. in the development of energy policies and strategies, facilitation of project preparation as well as support to political dialogue.

³⁹ GEEREF's Technical Support Facility provides grants to projects aiming to create innovative funds or business models in LDCs and emerging markets to finance small-scale RE and energy efficiency projects.

⁴⁰ Working with the JRC project, with MS activities as appropriate. The energy research activities under the 7th Research Framework Programme (2007-2013) benefitting Africa are very limited in scope.

⁴¹ EUEI-UNEP Capacity Enhancement and Mobilisation Action for Energy in Africa (EUROPEAID/DCI-ENV/2007-143946/TPS)

Under an earlier delegation agreement (and another in the pipeline for a total of EUR 2 500 000), and with funding from Member States, the EUEI PDF has been supporting the development of the road map for the Africa-EU Energy Partnership (AEEP). This has included lengthy negotiation processes between the EU Implementing Team represented by EU MS and the Commission and the African Implementing Team represented by the African Union Commission and selected member states of the AU and African regional organisations. The work has included the preparatory work (drafting the concept paper and ensuring its endorsement by all parties) for the launch of the RECP and further planned work to define the priority needs to be addressed during the 10 years of the RECP. This complements the activities planned under this Action Fiche and the delegate body will ensure that there is no overlap.

The EUEI PDF has allocated a total of EUR 450 000 in its Phase II project document (covering the three years 2010-2012) for the preparation of the concept note and launch of the RECP, and subsequent market research, fact-finding surveys, stakeholder consultation, and background papers to establish the detailed priority requirements. Of these activities, the market research, fact-finding surveys and the stakeholder consultation are still to be completed. The EUEI PDF project document was agreed by the EUEI PDF Governing Board (on which the European Commission is represented by DGs EuropeAid, Development and Energy) in March 2010. Contributions totalling EUR 2 500 000 through delegation agreements have been approved by the Commission to this instrument to cover these costs among others. Remaining funds for the preparation and follow-up of RECP under this EUEI PDF budget line are expected to be around EUR 360 000 by the end of 2010.

During discussions on the concept note of the RECP between the EU and the AUC (at the “Joint Experts Group” of the AEEP, it was agreed that there should be a phased approach to its implementation, including a start-up phase, and that the time horizon for the programme should be ten years (to 2020).

2.4. Donor coordination

The project will pay particular attention to the various initiatives and activities established at national, regional and continental level for energy and establish the appropriate dialogue framework to further coordinate these activities with the energy strategy established under the partnership. It will raise awareness and will further promote synergies between the partner governments at bilateral and regional level. The involvement of Member State organisations is intended and is key to the success of the start-up phase as well as the overall programme.

Other activities and initiatives relevant or complementary to the proposed project are the bilateral EU Member States programmes with sub-Saharan Africa (which can also be seen as a contribution to the Energy Partnership) and the Global Gas Flaring Partnership of the World Bank, the Priority Action Plan for Euro-Mediterranean energy cooperation in 2008-2013 adopted in December 2007.

Two of the activities (A and B) in the start-up phase are proposed to be delegated to GTZ, which was selected as the agency to host the EUEI PDF by the funding Member States. The EUEI PDF Governing Board, which has representatives of all funding Member States (Germany, the Netherlands, Sweden, Austria and Finland) and the European Commission, approves the Annual Programme. As a result of the first EU contribution to the EUEI PDF, signed in November 2009, the European Commission is represented on the Governing Board of the EUEI PDF.

The general activities of the EUEI PDF are guided by the EUEI Informal Member State Energy and Development Experts Group, where an additional number of MS are participating. The activities developed with financing from the ACP-EU Energy Facility will be guided by the Informal Advisory Group on Energy retained by AIDCO in support of the Energy Facility.

Service Line 2 is funded by EUR 2 500 000 from the EU, and EUR 1 600 000 by MS contributions. Austria and Germany are also demonstrating their commitment to Service Line 2 as co-chairs of the AEEP. Moreover, Austria is hosting the First High-level Meeting of the Partnership in Vienna and explicitly considers their contribution as support to Service Line 2.

Regarding the support to the AEEP, coordination between donors is facilitated through the meetings of the EU Implementing Team, led by Germany and Austria. EUEI PDF is represented in these meetings. So far, twelve coordination meetings have been held since the initiation of the Partnership. EUEI PDF is normally represented also in other meetings under the Partnership fulfilling a secretarial function.

The third component (C) is proposed to be delegated to AFD, which is well placed to implement activities on building capacity for renewable energy project preparation and finance.

3. DESCRIPTION

3.1. Objectives

The overall objective of the RECP is to stimulate sustainable economic and social development in Africa through an increased use of Africa's renewable energy sources. The purpose of the EU support to the start-up phase is that a basis is established for the comprehensive 10 year Africa-EU Renewable Energy Cooperation Programme (including inputs to planning/preparation and mobilising stronger EU MS involvement), and that the first activities of the programme are successfully implemented including on policy and market development and on mobilisation of finance.

More specifically, this includes:

- that the activities are well managed, coordinated and monitored, and that the programme has achieved a clear visibility including widespread dissemination of the lessons learnt.
- that enabling frameworks for renewable energy markets and investments are defined and promoted to African member states by Regional Economic Communities and regional energy centres/networks, as these regional organisations are well placed to coordinate approaches and advise their member states and utilities through existing specialist channels, to facilitate cross-border sharing of experience and to develop regional frameworks to facilitate investments in renewable energy,
- the development of increased capacity in Africa for renewable energy financing, for instance at the Power Pools, to put African project developers and investors in a better position to attract international and local financing for renewable energy projects.

Activities will initially focus on two selected regions, with a view to scaling up to the rest of the continent.

3.2. Expected results and main activities

The expected result is the creation of a working platform that can coordinate between EU institutions, its Member States and African target countries, regions or stakeholders in the energy sector, in regard to the promotion of investments in renewables. The start-up phase will be equally critical in order to set a favourable enabling environment for this cooperation and ensuring that mutual priorities are identified, the vast renewable energy resources can be accurately assessed, to establish goodwill and to demonstrate the mutual benefits of the programme to 2020. The start-up phase will ensure that the priorities for the remainder of the programme are agreed between the African and European partners, and the funding requirements are identified.

3.2.1 Expected results

The expected results of the proposed action are:

- Coordination of different stakeholders and creation of synergies with other programmes (of the EU, EU member states, multilateral development finance institutions, African regional and sub-regional organisations etc.), effective outreach with stakeholders and the general public, activities well monitored and documented, and a number of subcontracts for the start-up phase well managed and having produced the required outputs,
- Implementation of enabling frameworks for renewable energy investment is strengthened in the selected African region and its member states, with the view to later replication in other African regions.
- Better knowledge about i) the operations of existing project preparation facilities, ii) successful application of current, new and emerging mechanisms for leveraging international and local finance, including carbon financing, and iii) increased capacity in African banks for financing of RE projects and increased capacity among African developers, investors and institutions to attract support and financing from international and local sources.

Related to the further development and implementation of the RECP up to 2020, the start-up phase is expected to result in a consensus amongst EU, AUC, RECs, EU MS, EU & Africa civil society on priority actions up to 2020, and endorsement of the further design and planning by the key African and European stakeholders via the AEEP Joint Expert Group.

3.2.2 Activities

A) Support to managing, coordination and monitoring of the start-up phase

This comprises planning, managing, coordinating, monitoring and communicating the results of the programme in its start-up phase, including to:

- Plan and manage the start-up phase, consistent with guidance from a steering committee appointed by the AEEP Joint Experts Group, and in consultation with the AUC, the RECs and other regional partners in Africa, the relevant DGs in the European Commission (Development, EuropeAid, Energy, Climate Action, RELEX/EEAS), and EU Member States,
- Identify European and African implementing partners,
- Follow-up activities and further support of the Africa-EU Renewable Energy Cooperation Programme, including market research, fact-finding surveys, stakeholder

consultation, background papers to establish the priority requirements of the programme,

- Facilitate additional inputs from Africa and EU to the planning of the 10-year RECP, including priorities and needs, activities and implementation mechanisms, identification of additional partners and financing sources,
- Elaborate specific cooperation agreements/sub-contracts, including competitive consultancy contracts on specific topics,
- Monitor and evaluate activities,
- Ensure coordination with current and planned renewable energy activities in Africa, in particular EU supported activities, to facilitate synergies, avoid duplication and add value. This include the Commission-funded activities of CEMA and JRC, projects funded under the ACP Energy Facility, and MS-funded activities such as the “Energizing Development” programme (NL/D), the AfDB Sustainable Energy Trust Fund (Denmark) and the PISCES R&D cooperation programme (UK),
- Communicate and create awareness to increase the visibility of the RECP and knowledge sharing of the results,
- Report to the AEEP JEG and donors,
- Consult with a wider group of stakeholders, in particular private sector and NGOs, including through the Africa-EU Energy Partnership Forum.

It is proposed that the implementation of this action will be delegated to the multi-donor facility, EUEI PDF, which with its current involvement in the design of the programme under delegation agreement EuropeAid/DCI-ENV/2009/219-569, as well as in managing studies on energy policy and strategy, and specific thematic studies concerning energy access in Africa, is well placed to manage the start-up phase.

B) Implementation support to renewable energy policies and development of markets

The barriers specific to renewable energy, such as lack of experience of banks and developers to the funding mechanisms available, the need for new policies, strategies, legislation to allow for Feed-in-Tariffs/PPA etc are well analysed, several studies exist⁴². These hurdles, their analysis and dissemination of best practices are at the centre of RECP, notably its start-up phase.

The activities include:

- Analysis of relevant African experience with enabling frameworks at the regional and national level (in both energy access in general and renewable energy in particular), and corresponding relevant European experience, in the areas of renewable energy policy, planning, targets setting, regulation, enabling feed-in tariffs, improved PPA/IPP options, other incentives and public-private partnerships, including rural energy concessions,
- Design model policy, legislation and instruments package, including e.g. regulation, legislation, feed-in tariffs and improved PPA/IPP options. The package will initially be developed at the regional level, later to be adapted to the national level. Once successfully tested in the pilot region, knowledge sharing products will be developed for sharing with other African regions.

⁴² Existing studies are for instance "Scaling up Renewable Energy in Developing Countries: Finance and Investment Perspectives", Chatham House, April 2010"; "Energy-policy Framework Conditions for Electricity Markets and Renewable Energies. 16 Country Analyses, GTZ-TERNA Programme, Nov. 2009".

These two early activities will be the basis for workshops, seminars, exchanges and twinning arrangements, as well as specific technical assistance to selected publicly owned utilities. This will build their capacity and make it possible for them to implement the enabling frameworks at the regional and subsequently national level, such as e.g. the provisions for PPAs and Feed in Tariffs (FiTs).

The component will include experiences from the CEMA programme with UNEP. Regional energy centres and networks, Power Pools, regional banks and national energy agencies will be included as implementing partners and as participants. The implementation of this component is proposed to be delegated to the EUEI PDF.

C) Capacity development for project preparation and mobilisation of financing

This action will address the need to close the gap between good ideas and bankable renewable energy projects. It comprises some focused activities in the start-up phase, which will of necessity be geographically limited to one sub-region in Africa. In subsequent phases of the RECP can be replicated in other regions.

The first stage of this component involves capacity assessment and analysis in the following areas:

- Existing project preparation facilities and their current portfolio/capabilities in preparing renewable energy projects, identifying the possible need to strengthen them, and opportunities to replicate the successful ones,
- Comparison of recent innovative financing approaches (e.g. long term guarantees for feed-in tariffs (FiTs) and current CDM/emerging carbon financing mechanisms) with a view to identifying options, sharing knowledge, creating awareness and building capacity to access financing for renewable energy investments,
- Options and barriers for co-financing of renewable energy projects by regional and national banks in Africa, in particular related to local investment in manufacture, installation and technology transfer,
- Experience with and need for implementing standards and performance testing of renewable energy equipment and systems, in order to support investors and consumers in their choice of technologies and to secure quality and durability.

In parallel with these efforts, the component includes:

- Technical assistance and capacity building for African and European developers, investors and financiers, including for national and regional African financial institutions in the performing of due diligence on renewable energy projects in order to identify and minimise risks, and in innovative financing solutions, including support to FiTs. Regional and national banks, private sector, energy organisations, centres and networks will be included among the participants. TA will be provided for feasibility studies and for ground validation of data, which complements the remote sensing and modelling of RE resource data, performed by the Joint Research Centre in Ispra, Investor forums, bringing private and public investors together with renewable energy companies and banks, power pools and utility companies with a focus on the most promising technologies ('low hanging fruit'), including utility management and integrated energy planning, for knowledge sharing and technical exchanges,
- High-level and operational level discussions with private sector (e.g. back-to-back with AEEP High Level Meetings or at AfDB's African Energy Week) on how to increase private sector investments in renewable energy in Africa.

This implementation of this component is proposed to be delegated to AFD, for implementation together with one or a few partner organisations.

3.3. Risks and assumptions

The main risk lies in the level of commitment of the partner countries to the implementation of the action plan of the Africa-EU Energy Partnership (AEEP), including the RECP. However it is anticipated that in a great number of partner countries, the AEEP process will be taken seriously since all African countries have already formally committed themselves by adopting the Africa-EU Joint Strategy and its First Action Plan on 8 and 9 December 2007 in Lisbon. High-level political endorsement from both the EU and Africa will be reconfirmed at the First High Level Meeting of the AEEP, on 14-15 September 2010. The start up phase has to be launched in the near future in order to keep the political momentum and due to political constraints with funds currently available.

The main exit strategy for the project is that activities are continued, further expanded and made even more useful in the subsequent phases. The start-up phase will strengthen the capacity of the participating African regional organisation and countries in implementing enabling frameworks and financing of renewable energy projects. These activities and the related outcomes will thus be relevant in their own right, and will, should the RECP not be continued beyond the start-up phase, be made useful by the involved regional organisations, which will play important roles in the area in many years to come.

Given the capacity of the EUEI PDF and the AFD to manage the activities in the start-up phase, there are no major risks related to this component. The EUEI PDF has already played a key role in the design of the programme, in close collaboration with European and African partners, and is well connected to and respected by the key players. It has suitable staff capacity and procedures. AFD is in a similar recognised position towards the key African players. The documented capacity of the EUEI PDF and AFD, and the integration of this action in the AEEP-framework, is an evidence of sustainability.

A possible risk could be lack of interest from African countries and regional organisations responsible for energy, including financial institutions, African banks and investors. Given the frequently repeated request from financial institutions and investors for stable, long-term frameworks, and the increased political and commercial interest for tapping Africa's renewable energy resources, this risk is however regarded as being rather low. One of the assumptions is that the regional and national institutions, including financial institutions, are ready to participate. The sustainability of the proposed action is linked to the increased interest for renewable energy investments in Africa, which is well documented e.g. through repeated statements from African political leaders and financial institutions, and the pipelines of renewable energy investments in Africa, including the response to the call for proposals for the ACP-EU Energy Facility.

3.4. Crosscutting Issues

The RECP is a key action in the Africa-EU- Energy Partnership, which is an integral part of the Africa-EU Joint Strategy whose main objectives are to strengthen and promote peace, security, democratic governance and human rights, and to facilitate and promote a broad-based and wide-ranging people-centred partnership.

With its focus on renewable energy, the action will contribute to increased energy security and access to energy services in Africa and thus to the MDGs. It will contribute to reduction of greenhouse gas emissions e.g. by facilitating access to the grid by Renewable Energy

Independent Power Producers, and thus substitute coal or oil and the related CO₂ emissions, and to the UNFCCC objectives of increased low-carbon investments, technology cooperation and transfer. Increased use of renewable energy will contribute to environmental sustainability, e.g. by reducing air pollution from the use of fossil fuels and indoor air pollution through more efficient stoves and the use of cleaner and renewable fuels. The latter will improve life quality and health of women and children. The action will contribute to better governance in the energy sector, which often is unreliable, inefficient and expensive, and will address the huge need for better regional and national regulation and incentives that will enable the development towards a more efficient, sustainable and reliable energy system.

3.5. Stakeholders

The stakeholders are the members of the EU and African AEEP Implementation Teams and the Joint Experts Group. The RECP concept note has been discussed extensively by these groups, which have shown a high level of commitment. The concept note has furthermore been consulted widely among MS involved in the EUEI Expert Group, with civil society, private sector organisations and other stakeholders. These consultations have provided significant inputs to the design.

The immediate beneficiaries of the start-up phase will be regional organisations and institutions in Africa, including AUC, RECs, Power Pools and Energy Centres. Through the project, they will be in a better position to facilitate EU-Africa cooperation on technology transfer and market development within renewable energy in cooperation with their member states and the private sector, including the design of regional interventions. The African member states will be invited to contribute with their own experience and will be involved in capacity building activities. The actions in the start-up phase will focus within 2-3 pilot regions, and will be expanded to other regions in the subsequent phases. In addition to delivering specific outputs, each action will strengthen the capacity of the participating African organisations. Close collaboration with relevant European institutions, such as KfW and EIB and twinning with utilities and energy agencies is envisaged. Other stakeholders will be involved through direct consultations and through the AEEP consultation process with the e.g. private sector, civil society and research institutions.

Apart from the African and European partners in the AEEP, and the institutions involved in indirect implementation, the Programme will seek interaction with and supplement the related activities of a number of international organisations and institutions.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The method of implementation will be indirect centralised management via delegation agreements with GTZ in Germany (Component A and B) and AFD in France (Component C). The possibility of combining the delegation agreement with GTZ with the action entitled "Continued support to the EUEI Partnership Dialogue Facility (2010-2012)" from ENRTP 2010 AAP Part I, Action Sheet D for the EUEI in Africa should be explored.

Experience indicates that a successful fast-start and implementation requires the involvement of EU implementing actors, which are already well connected with the key African partners (mainly at the regional level) and involved in specific renewable energy cooperation activities.

The reason for selecting GTZ is that it hosts the Project Management Unit (PMU) of the multi-donor facility EU Energy Initiative Partnership Dialogue Facility (EUEI PDF) on behalf of EU Member State governments and the EC. The PMU manages a series of activities in support of the EUEI concerned with energy access and energy security in Africa.⁴³ GTZ conducts an extensive programme on behalf of the German government and in partnership with other EU Member States to promote renewable energy in Africa and worldwide, including links between European and African private sector partners. GTZ has offices in 44 African countries which can provide political advice and administer local contracts on behalf of EUEI PDF.

Components A and B will be implemented by the EUEI PDF, which has already been tasked, through its support from ENTRP, to design the concept note of the 10-year RECP and facilitate the political endorsement. This support, however, does not cover the task of managing the start-up phase and design of the detailed action plan for 2014-2020. The EUEI PDF is well placed to implement activities A and B as a result of its extensive working contacts with the RECs, Power Pools, private sector and the AUC, and its prior management of the development of energy access policies and strategies in all regions of sub-Saharan Africa.

AFD has a vast experience from many years of support to the African energy sector, including from a wide range of renewable energy projects (wind, small hydro, geothermal, solar and biomass). This includes support to specific projects and to regional activities, such as the ECOWAS/UEMOA White Paper on Energy Access and the newly founded ECOWAS Centre for Renewable Energy and Energy Efficiency. AFD also has a long involvement in renewable energy financing, and is thus well placed to implement component C.

The work will be guided by a (lean) Steering Committee appointed by the AEEP Joint Expert Group, and will thus be fully integrated in the AEEP structure. It is envisaged that the Steering Committee will have 3 African (1 appointed from AUC) and 3 European members (1 from the European Commission), with each side appointing a co-chair.

An action plan with more defined actions should be elaborated before the signature of the delegation agreements. The EUEI PDF and AFD will identify the sub-activities, under A+B and C respectively, which are relevant for sub-contracting to qualified institutions or organisations for implementation. After being discussed with the RECP Steering Committee, they will launch a contracting process for these actions, according to their respective rules and regulations.

In the start-up phase, each of component B and component C will focus on one African region (preferably not in the same). The regions will be selected in consultation with the Steering Committee and key partners. Among the criteria will be political commitment and relevant experience at the regional and national level, the availability of regional institutions and networks and good chances of successful outcomes, which is particularly required for the start-up phase. Co-financing is expected to be provided by EU Member States. Components B and C should be implemented with another European Partner organisation⁴⁴.

⁴³ This include assistance to develop energy-related policies and strategies of partner governments, support for the priority actions agreed between the EU and the African Union under the Africa-EU Energy Partnership Action Plan, and facilitation of donor coordination and strategic dialogue between EU and the AU and with civil society in both continents. The EUEI PDF also conducts thematic studies and policy analysis.

⁴⁴ From a EU MS

4.2. Procurement and grant award procedures

All contracts implementing activities A and B must be awarded and implemented in accordance with the procedures and standard documents used by the EUEI PDF, which are identical to those laid down and published by GTZ, and for implementing component C in accordance with AFD procedures and documents. For implementing the action, EUEI PDF and AFD will besides (sub) contracting also draw on their own expertise and the expertise of other EU MS executing agencies.

4.3. Budget and calendar

The maximum EU contribution is **EUR 5 000 000**. Co-funding is expected from both delegated entities but the amounts cannot yet be confirmed. The indicative duration of the action is **36 months** with a tentative budget breakdown for the EU contribution as follows:

Component	EUR
A. Support to managing, coordination and monitoring of all EU RE action in Africa during the start-up phase	1 000 000
B. Implementation support to renewable energy policies and development of markets	2 000 000
C. Capacity development for project preparation and mobilisation of financing	2 000 000
Total	5 000 000

4.4. Performance monitoring

Baseline values and key performance indicators will be incorporated in the project's design for periodic assessment of the progress of the project components. This mechanism shall be specified in the project action plan, to be developed during the contract negotiation phase and validated during the inception phase. The observed performance shall be described in the periodic progress reports.

This project should be understood as aiming to establish a policy dialog and provide institutional capacity building, designed to accompany reform processes in beneficiary countries. In this light, performance indicators will be related to the progress made on the actions included in the Africa EU Energy Partnership Action Plan and the RECP concept note notably related to the promotion of renewable energy for improvement of energy security and energy access. The indicators for the start-up phase will focus on the progress in the roll-out of RECP, and particularly on the progress in promoting enabling frameworks and financial services for renewable energy.

Among these can be:

- Design and political adoption by RECs of measures which stimulate increased use of renewable energy
- The progress of implementing enabling frameworks, such as long term feed-in tariffs
- Adoption of new financing approaches for renewable energy,
- Increased activities in preparation of projects and investments in renewable energy,

Other indicators include:

- List of specific contracts implemented and the results,
- The number and relevance of attendees at capacity building activities, and their evaluations of the courses,
- The number of outreach meetings and the number and dissemination of information products.

The EUEI PDF and AFD will prepare Annual Action Plans, which will be endorsed by a Steering Committee appointed by the Joint Expert Group.

4.5. Evaluation and audit

Project reviews will be carried out on a regular basis, based on:

- Monitoring reports,
- Sample evaluations of effectiveness and appropriateness,
- Specific outputs from the analysis and design work, including peer reviews by relevant EU MS institutions, World Bank etc.,
- Mid-term review.

A final evaluation should be foreseen and, if necessary, an audit may be carried out.

4.6. Communication and visibility

The activities of the RECP provide for a high degree of visibility, including at the First High Level Meeting and the Africa EU Energy Forum, both of the AEEP, the Africa Energy Week planned by the AfDB, as well as a number of international fora (such as the Africa Electrification Initiative, sponsored by EUEI PDF, ESMAP, GTZ and FEMA) related to sustainable development and climate change. These options will be used to the maximum possible. EU contributions will be identified and reported in any communication material related to the RECP.

Most of the results of the actions will be widely disseminated to all stakeholders. The implementers of the action will provide information on the activities of the RECP via the existing websites of the European Commission and AUC, the EUEI Group, the EUEI PDF and AFD. The start-up phase will report on the progress made, and use data and results from the different actions as a basis for active information activities or media campaigns in EU and Africa, including by inviting media for meetings, and provide inputs as required for international publications on renewable energy in Africa, produced by e.g. IRENA and REN 21.

Appendix 1& 2 regarding the verification of the conditions for indirect centralised management set forth in the applicable Financial Regulation

APPENDIX 1 TO THE ACTION FICHE FOR THE AFRICA-EU RENEWABLE ENERGY COOPERATION PROGRAMME (RECOOP) – START UP PHASE

REGARDING THE VERIFICATION OF THE CONDITIONS FOR INDIRECT CENTRALISED MANAGEMENT PROVIDED FOR IN ART. 56 OF THE EC REGULATION 1605/2002 (FINANCIAL REGULATION)

The Financial Regulation (FR) (Council Regulation No. 1605/2002) and its implementation rules (Commission Regulation No. 2342/2002) are applicable to the Budget Line 21 04 01 Environment and sustainable management of natural resources, including energy.

Indirect centralised management is selected for the action (component C) concerned with the Agence Française de Développement (AFD). Being a development bank, AFD is highly experienced with both preparation of investment projects and has knowledge of financing sources and mechanisms. By nature of their work, AFD has also a good understanding of the banking and the private sectors, thereby being able to recur to experience of its private sector wing *Promotion et Participation pour la Coopération économique* (PROPARCO). The large number of AFD offices in Africa makes them a very valuable implementing partner.

An assessment commissioned by EuropeAid with title "Executive summary – Assessment concerning indirect centralised management: *Agence Française de Développement (AFD)*" of 28 April 2008 confirmed that the criteria envisaged by Article 56.1 of the Financial regulation are fulfilled. Furthermore, on request from EuropeAid, AFD completed an additional questionnaire concerning their procedures when delegating some of the actions to an implementing partner organisation, which confirmed that the Financial Regulations are respected also at the implementing partner's level, with the exception of grant award procedure.

Summary table

Article [56.1] FR criterion	Comment
(a) Transparent procurement and grant-award procedures, which are non-discriminatory and exclude any conflict of interests and which are in accordance with the relevant FR provisions	<i>EC grant award procedures should be used.</i> <i>Adequate clauses will be included in the Agreement with the delegatee</i>
(b) An effective and efficient internal control system for the management of operations, which includes effective segregation of the duties of authorising officer and accounting officer or of the equivalent functions	x

(c) An accounting system that enables the correct use of Community funds to be verified and the use of funds to be reflected in Community accounts.	x
(d) An independent external audit exercised by a national institution for independent external auditing	x
(e) Adequate annual ex post publication of beneficiaries of funds deriving from the EU budget.	x
Prevention of irregularities and fraud and recovery of funds if necessary	<i>Adequate clauses will be included in the Agreement with the delegatee</i>
The Commission will ensure supervision, evaluation and control of the implementation of the tasks entrusted	<i>Adequate clauses will be included in the Agreement with the delegatee</i>

Conclusion: In his note of note of 20 May 2008 (10549), the Authorising Officer confirmed that the six key pillars - Internal Control System, Accounting, External Audit, Procurement, Grant Award Procedures and Public Access to Information in AFD have been considered compliant with the requirements of the Financial Regulations. Furthermore, in a subsequent note dated 6 November 2009 (Ares(2009)312984), he clarified that with the exception of grant award procedures, the procedures of AFD can be used while implementing the project/programmes in the indirect centralised management mode via the Delegation Agreements.

On this basis, the Director-F proposes that the applicable implementation method for the action sheet entitled "Africa-EU Renewable Energy Cooperation Programme (RECoop) – Start Up Phase " in the Annual Action Programme 2010 Part II for countries eligible under the DCI- Regulation be **indirect centralised management** and submits it to the Commission for decision.

Date:

Signature: Director AIDCO/F
Authorising officer sub-delegated on BUDGET

APPENDIX 2 TO THE ACTION FICHE FOR THE AFRICA-EU RENEWABLE ENERGY COOPERATION PROGRAMME (RECOOP) – START UP PHASE

REGARDING THE VERIFICATION OF THE CONDITIONS FOR INDIRECT CENTRALISED MANAGEMENT PROVIDED FOR IN ART. 56 OF THE EC REGULATION 1605/2002 (FINANCIAL REGULATION)

The Financial Regulation (FR) (Council Regulation No. 1605/2002) and its implementation rules (Commission Regulation No. 2342/2002) are applicable to the Budget Line 21 04 01 Environment and sustainable management of natural resources, including energy.

Indirect centralised management is selected for the action concerned with GTZ GmbH (GTZ), Germany, as GTZ hosts the Project Management Unit (PMU) of the EU Energy Initiative (larger EU programme) Partnership Dialogue Facility (EUEI PDF). In the first phase (2005-2009), EUEI PDF (through GTZ) was contracted by six EU Member State governments. During the second phase (2010-2012) the European Commission and five MS governments have so far contributed to EUEI PDF. The PMU manages a series of activities in support of the EUEI concerned with energy access and energy security in Africa. Moreover, the EUEI PDF acts as a secretariat to the Africa-EU Energy Partnership (AEEP), providing technical support to the Joint Expert Group as well as the European and the African Implementing Teams.

An assessment made by EuropeAid with title "Assessment concerning indirect centralised management - GTZ Deutsche Gesellschaft fuer Technische Zusammenarbeit GmbH, Eschborn, Germany" of 21 January 2008 confirmed that the criteria envisaged by Article 56.1 of the Financial regulation are fulfilled:

Summary table

Article [56.1] FR criterion	Comment
(a) Transparent procurement and grant-award procedures, which are non-discriminatory and exclude any conflict of interests and which are in accordance with the relevant FR provisions	<i>x</i>
(b) An effective and efficient internal control system for the management of operations, which includes effective segregation of the duties of authorising officer and accounting officer or of the equivalent functions	<i>x</i>

(c) An accounting system that enables the correct use of Community funds to be verified and the use of funds to be reflected in Community accounts.	x
(d) An independent external audit exercised by a national institution for independent external auditing	x
(e) Adequate annual ex post publication of beneficiaries of funds deriving from the EU budget.	x
Prevention of irregularities and fraud and recovery of funds if necessary	<i>Adequate clauses will be included in the Agreement with the delegatee</i>
The Commission will ensure supervision, evaluation and control of the implementation of the tasks entrusted	<i>Adequate clauses will be included in the Agreement with the delegatee</i>

Conclusion: In his note of 29 January 2008 (D/1522), the Authorising Officer confirmed that the conditions placed by Article 56 of the FR are currently being met.

On this basis, the Director-F proposes that the applicable implementation method for the action sheet entitled "Africa-EU Renewable Energy Cooperation Programme (RECoop) – Start Up Phase " in the Annual Action Programme 2010 Part II for countries eligible under the DCI- Regulation be **indirect centralised management** and submits it to the Commission for decision.

Date:

Signature: Director AIDCO/F
Authorising officer sub-delegated on BUDGET

Action Fiche Z – GCCA in Ethiopia

1. IDENTIFICATION

Title/Number	Ethiopia Global Climate Change Alliance (GCCA-E): Building the national capacity and knowledge on climate change resilient actions DCI-ENV/2010/022-456		
Total cost	EU contribution: EUR 13 700 000 Other contribution: n.a		
Aid method / Method of implementation	Project approach - Indirect Centralized Management to EU member State institutions for the specific results of the action: <ul style="list-style-type: none"> ▪ Delegation Agreement to the <i>Agence Française de Développement, (AFD)</i> under Results 1 and 2; ▪ Delegation Agreement to the <i>Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (GTZ)</i> under Result 3. 		
DAC-code	41000 41010	Sector	General Environment Protection Environmental policy and administrative management

2. RATIONALE

2.1. Sector context

Overall picture of the Climate Change Context

During the 15th Conference of the Parties of the United Nations Framework Convention on Climate Change (UNFCCC) held in Copenhagen last December 2009 (COP-15), the Prime Minister of Ethiopia took a strong leadership in his commitment to push forward the Climate Change agenda as chief negotiator for Africa. This gave Ethiopia considerable recognition regarding its international leadership in the process of moving forward the international agenda.

In Ethiopia, the change in temperature and precipitation patterns have already been observed at ground level; as a consequence, the alteration of the agro-ecological factors has been accelerated with high human pressures on natural resources. In short or medium terms, these changing conditions could seriously hamper the economic growth of the country as its main drivers for economic development, the agriculture sector, is highly climate sensitive⁴⁵. To deal with these negative impacts, the Environmental Protection Authority (EPA) was designated to coordinate and mainstream climate change related concerns into socio-economic development initiatives.

The Growth and Transformation Plan⁴⁶ (GTP), which is under design, is considered as the Ethiopia's guiding strategic framework for the coming five-years (2011-2015); in addition,

⁴⁵ The WB's Country study on the economic impacts of climate change revealed that sizeable impacts on the economics of Ethiopia are foreseen (a loss between 2% to 6% of annual GDP)

⁴⁶ GTP was not yet shared with donors at the time the project design was carried out (interim period between PASDEP and GTP. This is why no factual information is provided for GTP.

GTP provides the development vision for Ethiopia to graduate from the list of the Least Developed Countries (LDCs) while being a carbon neutral climate resilient economy by 2025. EPA and Government line ministries are in the process of developing their respective GTP for which EPA has also drafted its own. EPA has formally considered climate change issues as a priority focus with a need to enhance the national capacity development for climate change adaptation and mitigation activities. The proposed draft PASDEP II version has set up four strategic targets:

1. Mainstream Climate Change Adaptation (CCA) programme into the development programmes and strategies of line ministries and regional states;
2. Capacity building support (technology, finance and training) for 550 districts to prepare and implement CCA programme during the period 2011-2015;
3. Following the principles of the gender approach, support for children, youth and people with disabilities in the context of climate change adaptation;
4. Evaluation of climate change adaptation and mitigation capacity development support programme.

A total of EUR 3 000 000 have been earmarked in the forecasted spending by GoE for climate change adaptation and mitigation activities over the period 2011-2015.

This budgetary commitment is extremely low compared to the ambitious climate change agenda; therefore, the rationale of the project relies on immediate means that should be available to effectively deploy the necessary activities. Aid effectiveness principles i.e. ownership and alignment are the core principles of the present action.

Policy Framework

The Government of Ethiopia (GoE) has been launching the synthesis of existing strategic policies and programs through the Carbon Neutral Climate Resilient (CNCR-Ethiopia) strategy. The CNCR-E shaped its strategy to climate change issues through (i): the implementation of 75 projects that have been enlisted under the Nationally Appropriate Mitigation Actions (NAMA) and registered at the UNFCCC Secretariat in Bonn; (ii) the National Adaptation Programme of Action (NAPA) elaborated three years ago identified 11 priority project areas for immediate funding; furthermore, the GoE launched in July 2009 a comprehensive Climate Change Adaptation (CCA) programme across 20 major sectors; the CCA programme seeks to deliver adequate responses through a set of selected best practices in a climate change context to be replicated at the community level; the CCA programme is implemented through field pilot testing activities among which sustainable land management related activities have been prioritized.

Thus, the present action envisages bringing immediate supports for the achievement of the CNCR- E with the aim to create national capacity to transfer environmentally sound technologies and good practices. Recognized as the focal point for the UNFCCC and the designated national authority to the Kyoto Protocol, EPA will play a leading role within the present action

2.2. Lessons learnt

Since more than 5 years, the EU has been funding environment and biodiversity related projects in Ethiopia implemented by the Ministry of Agriculture and Rural Development (MoARD) and NGOs. Moreover, a Country Environmental Profile has been developed in 2007. The design of the present action has been influenced by lessons learned from EPA⁴⁷ and from other donors already engaged in climate change activities e.g. the UK Department for

⁴⁷ EPA edited guidelines incorporating best practices in climate change.

International Development (DfID), World Bank, *Agence Française de Développement* (AFD) and *Deutsche Gesellschaft für Technische Zusammenarbeit* (GTZ) GmbH.

The lessons learned are summarized as follows:

- The need for strategic and operational focus: the measures to deal with climate change issues are interlinked and of a generic nature. In order to achieve measurable progress, the action should be concentrated on specific responses rather than addressing a large frame of possible actions alleviating the impacts of current climate variability and future climate change. This is why the present action refrains from providing assistance to the climate change related sectors e.g. transport sector, urban issues, and other socio-economic development initiatives (health, education, etc).
- The need to integrate technical interventions: in light of the acute environmental problems currently unfolding in many parts of the country, the present action needs to address immediately and directly the preservation/restoration of ecosystems that are functioning but at risk of degradation, or already in need of urgent rehabilitation. Linkages with the Nile Basin Initiative are strategically relevant.
- The need to build national capacity: the climate change agenda is a recent area of concerns in Ethiopia. Knowing that it will be considered as a cross cutting issue within the next GTP, the need to enhance the capacities of the public institutions, private companies, Non State Actors (NSA), are of utmost importance for providing essential skills thus enabling the stakeholders to fulfil their institution's roles or mandates. Thereafter, they will be in a position to produce the expected results in an effective, constructive and sustainable manner.

2.3. Complementary actions

The Ethiopian Government along its 10th EDF National Indicative Programme (NIP) identified the Management of Natural Resources as a priority under its focal sector II, Rural Development and Food Security. Based on its Country Strategic Paper (CSP) addressing environment and biodiversity issues, the EU has been providing supports to 7 NGO and to the Ministry of Agriculture and Rural Development (MoARD) which is managing various projects related to Non Timber Forest Products (NTFP), Participatory Forest Management (PFM), renewable energy and biodiversity conservation. Moreover, the EU is a major contributor to the Productive Safety Net Programme (PSNP), along its various soil and water conservation practices, erosion control and land reclamation in highly degraded agro-ecosystems.

The Government and Development Partners (DP) have built the Ethiopian Sustainable Land Management Investment Framework (ESIF) which provides a strategic planning framework under which government, DP, and civil society stakeholders can scale up sustainable land management activities in a coordinated and integrated way. World Bank, GTZ and recently Finland, have supported the implementation of the Sustainable Land Management (SLM) project which has been designed to combine the benefits of land tenure security and sustainable land management in watersheds. Out of the 177 identified watersheds, World Bank and the Global Environment Facility (GEF) provided resources for 35 watersheds with a total amount of USD.29 million. GTZ and KfW are supporting 20 additional watersheds under the SLM project (total amount: €.17 million) through a parallel but closely coordinated mechanism under the auspices of the Technical Committee on Sustainable Land Management⁴⁸. The GTZ-SLM project uses watershed-based approaches to rehabilitate

⁴⁸ Refer to more details on paragraph 2.4 (Donor coordination)

degraded lands and improve farmer's livelihoods. Finland has recently allocated €23 million to support the land registration activities under the Responsible Land Administration for Ethiopia (RELAE) project as a sub-component of the SLM project. However, financing of the remaining 122 already identified watersheds is still a constraint.

The Nile Basin Initiative (NBI) represented in Addis Ababa by the Eastern Nile Technical Regional Office (ENTRO) comprising Ethiopia, Sudan and Egypt has been mandated for regional programs implemented within the Nile Basin. NBI conducted detailed studies and characterization of three watersheds as part of the Tana Beles growth corridor Integrated Water Resource Development project financed by World Bank. ENTRO is supported by AFD through the elaboration of a transboundary planning model of water investments to be used by the Eastern Nile countries (Egypt, Sudan, Ethiopia) for a total amount of €4 million. In addition, AFD has also contributed to the creation of the Abay Basin Authority (ABA).

The UN agencies have a vital role in the climate change agenda through various initiatives. UNDP has launched a Programme Framework on Climate Change and Vulnerabilities (CCV); UNDP, UNICEF and WFP are currently starting the implementation phase of the African Adaptation Program (AAP) which aims to strengthen existing leadership for climate change adaptation at national and local levels.

DfID has recruited a permanent Climate Change expert among its staff who is responsible for drawing up the UK strategy in the next future⁴⁹ and to support extensively the EPA towards the framework of climate change roadmap through the CNCR-E.

The readiness plan preparation process for Reducing Emissions from Deforestation in Developing Countries and Approaches to Stimulate Action (REDD) is also currently under design with the support of the WB and AFD.

2.4. Donor coordination

The proposed project strategy is fully aligned with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. The proposed action takes into consideration the regional strategies and national policies. To this regard, the Africa Union's New Partnership for Africa's Development (AU/NEPAD) through the Comprehensive Africa Agriculture Development Programme (CAADP) under its pillar 1, provides the framework for the development of prioritized actions in the fields of agriculture and sustainable land management, with some clear basic targets (at least 6% growth in agriculture productivity; 10% public expenditure budget into agriculture and sub sectors).

Referring to the best practices mentioned in the guidelines published by the Organization for Economic Co-operation and Development⁵⁰ (OECD), the present action has been designed within the operational framework provided by the Sector Working Group of the Donor Assistance Group (DAG) namely the Rural Economic Development and Food Security Sector Working Group (RED&FS-SWG).

Knowing that the EU Delegation is co-chairing the RED&FS-SWG with the Canadian International Development Agency (CIDA) on behalf of the donor community⁵¹, the present action has been developed with full cooperation and assistance of the members of the RED&FS-SWG including the GoE line ministries and cooperation agencies. Furthermore, the purpose of the present action further supports the current achievement made towards the objectives of the Technical Committee on SLM, chaired by GTZ and WB.

⁴⁹ DfID should produce its new cooperation strategy on climate change for Ethiopia as from August 2010.

⁵⁰ OECD. Integrating Climate Change Adaptation into Development Co-operation, Policy Guidance. 24.08.2009.

⁵¹ The former RED&FS co-chairs were GTZ and Dutch Embassy between 2007 and 2009.

3. DESCRIPTION

3.1. Objectives

Overall objective: to contribute towards the construction of a carbon neutral and climate resilient economy through its corresponding socio-economic development programme (CNCR-E).

Specific objective: to increase the awareness and capacity of targeted Government institutions both at federal and regional levels and of the rural population at large to deal with climate change.

3.2. Expected results and main activities

The project activities will directly engage the public stakeholders (EPA and MoARD) while the rural communities, who are the ultimate beneficiaries of the action, will be involved in the pilot testing areas whereas communities further downstream in the related watershed are expected to benefit from the wider impact of the successful interventions.

Three main results will be achieved through a series of activities, listed below.

Result 1: EPA has the institutional capacities to coordinate and mainstream climate change into policy, regulatory and strategic development planning.

Activities related to Result 1 will seek to deliver adequate supports to EPA for identified capacities aligned to GoE priorities and to existing funding mechanisms.

Activities

Preliminary activities: A capacity assessment of EPA will be carried out by AFD. Based on the findings of the assessment, some activities described below could be modified, cancelled or added in order to better support EPA

A.1.1 Needs addressed through hands-on training:

A.1.1.1 Provide on-the-job training for the development of good practices related to the existing NAMA, NAPA/CCA programme and Clean Development Mechanism (CDM) at federal and regional levels;

A.1.1.2. Familiarise stakeholders (public, private institutions, and local NSA) with state-of-the-art alternative technologies related to NAMA, NAPA/CCA and CDM in the aim of increasing EPA's and relevant stakeholders' awareness and knowledge on renewable and sustainable energy sources;

A.1.1.3. Provide knowledge and skills to mobilise and effectively use financial resources for NAMA, NAPA/CCA programme and CDM at federal and regional levels;

A.1.1.4. Organize training session to familiarize stakeholders with a tool used for defining the carbon foot print for any project; enabling to evaluate Green House Gas emissions at the level of a company, factory, locality or project;

A.1.1.5. Conduct training sessions on effective reporting, monitoring and evaluation process for climate change related activities at federal and regional levels;

A.1.1.6. Organize visits and seminars to promote exchange of experiences and networking in the implementation of existing climate change strategies and action plans.

A.1.2. Needs addressed through the development of guidelines:

A.1.2.1. Develop guidelines for the public, private institutions and local NSA at federal, regional and local levels on information generation for the preparation of projects under the NAMA, NAPA/CCA programme and CDM mechanisms;

A.1.2.2. Produce guidelines and develop skills enhancement practical tools to explore, define and negotiate with carbon credit buyers and associated financial institutions;

A.1.2.3. Elaborate recommendations on appropriate alternative technologies under the NAMA and NAPA/CCA programme.

A.1.3. Needs addressed through assistance for policy formulation and strategic guidance:

A.1.3.1. Provide advisory functions leading to strategic guidance to state and non-state actors on the division of labour within the CNCR-E development;

A.1.3.2. Support the already set up Ethiopia Environmental Council to launch and strengthen the inter-ministerial and national dialogue on climate change related issues including the promotion of structured dialogue forums on renewable energy with participation of relevant stakeholders/public institutions: the Ministry of Mines and Energy (MoME), etc, and civil society and private sector. .

A.1.3.3 Conduct assessment on Ethiopia’s renewable energy potential (wind power, geothermal, biogas, bio fuel, etc) to contribute to the formulation of appropriate strategies and policies, complement existing regulatory framework, and elaborate recommendations on future interventions in the sector under NAMA and NAPA;

A.1.3.4 Jointly with EPA and MoME, pilot appropriate and innovative community based renewable energy practices as identified and prioritized in the assessment study and scale up through the formulation of strategies and policy making processes;

A.1.3.5. Develop a policy framework through the “learning by doing” approach;

A.1.3.6. Develop a funding framework mechanism for climate change actions.

Result 2: A knowledge base is developed that allows stakeholders at all levels (national, regional and local) to build resilience to climate change impacts.

Activities related to Result 2 will seek to deliver the necessary skills and knowledge, systems and resources (material, financial and human) to enable EPA and other stakeholders (regional institutions, NSA and private companies) to effectively and efficiently fulfil their roles and mandates within a climate change resilience development approach.

Activities

A.2.1. Establish within EPA an easily accessible database and knowledge management system for climate change experience sharing and good practices;

A.2.2. Develop a climate change adaptation initiative through established national climate change forum and networks efficiently coordinated by EPA. NSA and private sector will produce and share knowledge that will inform the formulation of strategies and policies that are appropriate to the sector.

A.2.3. Develop a downscaling climate predictions model for Ethiopia. Projections at the global scale could be integrated into local dynamics in order to produce local predictions scenarios regarding temperature, rains, wind, solar radiations, humidity, etc through collaboration with other actors and reinforcing the capacities of national authorities in the field of meteorological predictions and developing early warning systems;

A.2.4. Conduct commissioned studies and research works⁵² with the aim to provide valuable knowledge of immediate relevance to the climate change activities.

⁵² Studies and research will be determined during the inception period through a need assessment exercise.

Result 3: Climate change activities in the context of CNCR-E have successfully been field tested in the areas of the SLM programme of the MoARD.

Activities related to Result 3 will identify and test climate change practices in selected watershed under the SLM project. The pilot testing will inform the "learning by doing" approach for the implementation of the climate change agenda including the policy formulation process initiated under result 1.

The following climate change activities have been proposed by MoARD for pilot testing in addition to those already carried out by the SLM project. They will complement the existing SLM project and will contribute to bring immediate relevance for lessons learned and best practice case studies. The activities will be implemented and evaluated in accordance with the EPA guideline on mainstreaming climate change into socio economic development projects and the guideline on integrating climate change at the local/woreda level. These activities will also contribute to the environmental target set under the GTP to build a carbon neutral and climate resilient economy.

Activities

A.3.1. Select climate change affected communities in pilot testing areas through pre definite criteria (e.g. type of ecosystem, level of degradation, livelihoods, existing SLM activities, etc) oriented towards the establishment of lessons learned and best practices adapted to each ecosystem covered by the SLM project during the inception phase.

A.3.2. Promote biomass production for enabling a more sustainable environment through rehabilitation of about 15 degraded micro watersheds alongside the Nile basin watersheds (Blue Nile, Takeze and Akobo-Baro basins or any other watersheds); natural regeneration, afforestation and reforestation, improved water harvesting techniques (including waste water management) piloted as innovative adaptation and mitigation techniques.

A.3.3. Develop the potential use of already rehabilitated 19 watersheds with a focus on women headed households and landless rural population through the introduction of community based climate change adaptation livelihoods initiatives (bee keeping, tree management for fuel woods, Non Timber Forestry Product (NTFP) activities, gully rehabilitation for irrigation purposes, small scale irrigation activities, micro agro forestry techniques, etc).

A.3.4. Pilot conservation agriculture practices in highly populated micro watersheds for carbon sequestration and sustainable improvement of productivity (zero tillage, biological techniques, retention of residues, manures, mulch farming and crop cover planting, composting, etc.).

A.3.5. Integration of grasslands and pastures management to the agricultural technology package for carbon sequestration and improvement of animal production (introduction of more productive species with deeper root systems, sowing strips of legumes, etc.).

A.3.6. Adapt at most 3 or 4 best practices listed in the CCA programme to the field conditions prevailing in the identified SLM project sites.

3.3. Risks and assumptions

The risks are:

Risks	Level	Mitigation Measures
that programme implementation could be hampered due to unavailability of staff in Government institutions or to turn over.	High	Commitments from Government will be sought to designate sufficient qualified and motivated staff for programme implementation

Risks	Level	Mitigation Measures
that the public sector will not be able to translate climate change policy guidance and capacity building into proactive response at the various levels of its internal hierarchy.	Medium	Close follow up by the Environmental Council will enable to rectify any unintended trends
that pilot tested and proposed climate change activities provide insufficient incentives to the potential beneficiaries to assure self-propagation and sustainability.	Medium	Technologies will be promoted as a package including support for an enabling legal and economic environment (ownership, access to markets,) to foster eco-entrepreneurship
that the Knowledge Base is not able to deliver appropriate outcomes given the limited manpower and financial resources made available	Low	Anchor the Knowledge Base in a national entity which has sufficient human and financial resources to sustain its activities

Assumptions are:

- that there is a strong commitment and political will from the Ethiopian Authorities, led by EPA and the designated line ministries, to integrate climate change considerations into policy frameworks, strategies and programmes and establish and maintain a freely accessible climate change knowledge base.
- that policy advice and capacity building provided to the public sector at federal and regional levels is followed up by constructive action including the provision of sufficiently motivated and dedicated staff.
- that the GoE is committed to engage with civil society and NSA in the establishment of the knowledge base and the implementation of climate change measures.
- that NSA proactively respond to the GoE led climate change resilience initiative not only at operational level but also shaping policies and decisions.

3.4. Crosscutting Issues

Climate change

The changing climate conditions, mainly observed as increasingly variable precipitation patterns, have led to an alteration of the agro-ecological systems. Frequent climate extremes i.e. drought and floods have caused significant adverse effects for the livelihoods of the most vulnerable strata of the rural population. This could seriously hamper the economic development of Ethiopia. Therefore, the CNCR-E has been promoted as the GoE' strategy to combat the adverse effects of climate change. The present action aims to provide to the GoE immediate complementary means for the achievement of the objectives of the CNCR-E which has been already formulated into concrete actions through PASDEP II.

Environmental sustainability

The proposed action relates to capacity building and knowledge base activities to Government institutions in areas which have been prioritized under the CNCR-E. Environmental issues have been already listed and an EIA has been undertaken under the World Bank's Safeguard Policy on Environment Assessment. Knowing that the proposed action is fully aligned and coherent with the existing SLM project, no threat on the environment is expected from the action.

Gender Equality

Ethiopia's population directly affected by climate change will be considered as final beneficiaries. Both men and women will benefit equitably from the present action. Specific attention will be given to women under the SLM activities carried out at the community level e.g. agro forestry mitigation activities which will specifically target women headed household. In addition, people with disabilities, children and youth will be closely followed up.

Good governance and human rights

Minority rights and transparent ways of conducting activities at field level will be made with local authorities and community leaders' endorsement. Good local governance principles will be applied and specific attention will be given to target the entire population in the selected locations without any regards to religion, political or social considerations.

3.5. Stakeholders

The following stakeholders are considered key players in the proposed action:

- Government institutions, mainly EPA and MoARD will directly benefit from the action (knowing that other ministries are involved in the NAMA such as the Ministry of Mines and Energy, Ministry of Transport and Communication, Ministry of Trade and Industry, etc).
 - EPA has been mandated by the GoE to coordinate and ensure proper execution of the process of building a carbon neutral and climate resilient economy with the federal and regional public ministries and agencies, private sector and community organizations. EPA has contributed to establish an Environmental Council chaired by the Prime Minister, and composed of representatives of each Regional state, the private sector, NSA and trade unions.
 - MoARD is coordinating the implementation of the SLM project since two years. The objective of the SLM project is to reduce land degradation and to improve the agricultural productivity of smallholder farmers through three components: (i) the watershed management which supports the scaling up of best practices in sustainable land management and production technologies for smallholder farmers; (ii) the rural land certification and administration and (iii) the provisions of financial and technical assistance to the ministry.

Those two Government institutions have shown strong ownership in the design of the action and have expressed their full engagement in the implementation of the activities. The expected results of the project have been shaped with regards to the existing institutional capacities and comparative advantages of the Government institutions. Technical assistance has been requested in the thematic areas subject to possible lack of national capacities.

- Non State Actors: although they represent the final beneficiaries of the action and they are part of various forums on climate change, their contribution to the development of an overall framework addressing climate change issues remains weak. Particular attention will be paid to the civil society in both ways: their ability to manage a climate change agenda and their pledge to serve the interest of the communities.
- A number of international NGO have shown interest in implementing CDM projects i.e. the Farm Africa/SOS Sahel' project in Bale Mountains and World Vision pioneering a

REDD project for a total value of €6 million. Save the Children launched a Carbon Finance Rangeland initiative which should be developed in the coming months in the pastoral areas.

- The private sector institutions have limited awareness on climate changes and the environment at large. It does not play its expected role in developing new sources of alternative energy. Legal and institutional constraints continue to limit the capacities and opportunities of the private sector to manage the natural resources in a more efficient way. The private sector is expected to play a prominent role in the development of a carbon neutral climate resilient economy through its involvement in the strategic analysis and the implementation process.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The action will be *conducted* through 2 methods of implementation:

(a): **Indirect centralized management**

The method of implementation for the present action is **indirect centralized management**. The implementation will be delivered according to the following principles:

- A Delegation Agreement with the *Agence Française de Développement (AFD)* is proposed for the implementation of Results 1 and 2 (capacity building and knowledge base).
- A Delegation Agreement with the *Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH* is envisaged for the Result 3 (SLM activities).

The objective criteria for choosing those two member state cooperation institutions have been the following:

- Effective contribution in the sector for each institution: both AFD and GTZ are respectively engaged in supporting the climate change agenda and SLM activities in Ethiopia;
- Significant comparative advantages: both institutions have demonstrated strengths in their past and present programmes (refer to the Standard Fiche for Assessing a Delegation Agreement);
- Explicit recommendations from EPA and MoARD: both AFD and GTZ have been namely recommended to carry out the action through delegated cooperation; official recommendation letters from the two Government institutions have been received and attached herewith;
- Ability to manage EU funds: the two proposed delegated institutions have been assessed by the EU as 6 pillars audited⁵³.

Hence, the tasks of administrating the GCCA-E project are delegated by the European Commission to *Agence Française de Développement (AFD)* for Results 1 and 2 and to *Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH* for Results 3.

⁵³ Refer to the EuropeAid webpage on Co-financing and Delegated Agreement: List of national bodies assessed under art. 56(1) of the Financial Regulation (updated 1.06.2010)
http://www.cc.cec/dgintranet/europeaid/contracts_finances/fin_and_cont_rules/co-financing_with_nb/index_en.htm

(b): Direct centralized management

In order to successfully ensure a good start up of the project, a kick start technical assistance recruited through a framework contract will be placed at EPA. The contractor will prepare all the administrative arrangements, detailed activities to be covered by the delegation agreement, work and monitoring plans and preparatory workshops needed during the inception phase for the whole project.

Audit, monitoring - evaluation, visibility and contingency costs will be mobilized by the EU.

- A Project Steering Committee (PSC) shall be set up to oversee and validate the overall direction and policy of the project. The PSC shall meet at least twice a year. In terms of organisation, the PSC can be composed of 1 representative from each of the following institutions: EPA, Environmental Council, Natural Resources Management Directorate of MoARD, SLM project management unit, RED&FS Technical Committee on SLM, AFD, GTZ, Project Technical Assistant, Ministry of Mines and Energy, and EU Delegation as external observer.

In order to fully comply with alignment and ownership principles, a Memorandum of Understanding (MoU) for each of the Delegation Agreement will be signed between the NAO and EPA/AFD in one hand and between NAO and MoARD/GTZ on the other hand.

4.2. Procurement and grant award procedures

All procurement contracts implementing the action by indirect decentralised management shall be awarded and implemented in accordance with the procedures and standard documents laid down and published by AFD and GTZ.

All contracts implementing the action by centralised management must be awarded and implemented in accordance with the procedures and standard documents laid-down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by DCI Regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in articles 31(7) and (8) DCI.

Audit, monitoring and evaluation, visibility, kick start technical assistance and contingency costs will be made according to the EC procedures prevailing for contract services, procurements and works.

4.3. Budget and calendar

The total project cost is estimated at EUR 13 700 000.

Table 1: Indicative budgetary contributions to project cost categories ('000 Euros).

Responsibility	Activities	Modality	EU Contribution ('000 Euros)	Other Contributions ('000 Euros)	Totals ('000 Euros)
AFD/EPA	Technical Assistance Capacity Building Knowledge Base	Indirect Centralized Management	4,000		4,000
GTZ/MoARD	Pilot testing climate change activities within the SLM project	Indirect Centralized Management	8,500		8,500
EC	Kick start Technical Assistance	Centralized Management	200		200
EC	Monitoring and Evaluation, Visibility	Centralized Management	350		350
EC	Audit	Centralized Management	150		150
EC	Contingencies*		500		500
	TOTAL		13,700		13,700

*: The European Union's contribution to the "Contingencies" heading may be used only with prior agreement of the European Commission

Regarding the activities falling under the Capacity Building component on renewable energies (activities referenced A.1.3.3 and A.1.3.4), a tentative share of 25% of the total budget line (EUR 4.M) can be estimated and will be confirmed during the starting phase of the action by the delegated body (AFD).

The operational implementation phase will have a foreseen duration of **48 months**.

4.4. Performance monitoring

There will be two levels of monitoring.

- Internal monitoring system:

- For Results 1 and 2, the technical assistant placed at EPA will establish a joint internal monitoring system on climate change in which stakeholders will participate.
- For Result 3, the Monitoring and Evaluation system already in place in the SLM Project and detailed in the Project Implementation Manual, will prevail for M&E activities of the present action.

The internal M&E system will aggregate all the project activities in one system; the technical assistance will be tasked for the preparation of an internal monitoring system. Key result indicators on climate benefits and development co-benefits will be developed and to be tracked by the project internal monitoring system.

- External monitoring system: the EU will mobilise independent consultant(s) to conduct external monitoring and evaluation missions. A mid term and a final M&E mission will be carried out.

No standard indicators are specifically applicable for the chosen DAC code 41 000 (General Environment Protection). However, the two following indicators could somehow fit with the present action:

- Total surface of the nationally protected area (Ha),
- Surface of areas to which project / programme contributes to protection.

No estimation of the potential total surface covered by the action has been made during the formulation phase. However, it has been estimated that 110,000 households could benefit directly or indirectly from the project outcomes.

4.5. Evaluation, audit and internal control

Independent consultant(s) recruited by the EU will undertake a mid-term and final M&E mission. The two delegatee bodies (AFD and GTZ) will ensure internal control of management operations and will be subject to its own control and audit measures. Each of the delegated body will carry out the necessary measures of control on the beneficiaries of the funds (including the contractors, as the case may be).

Costs related to audit/verification and evaluation shall be eligible up to the end of the closure phase. The provision for audit is included in the budget of this project in order to verify compliance with the relevant rules and procedures.

4.6. Communication and visibility

Effective communication is central to this project implementation. The project's communication activities will use the guidelines in the EU Communication and Visibility Manual for EU External Actions, April 2008, to raise the awareness of the project's purpose and expected impact. A wide range of channels will be used, *e.g.* briefings, written material, press conferences, presentations, invitations, signs, posters, awards, which will raise awareness and contribute to the longer term knowledge base.

Appendix 1 & 2 regarding the verification of the conditions for indirect centralised management set forth in the applicable Financial Regulation

APPENDIX 1 TO THE ACTION FICHE Z**REGARDING THE VERIFICATION OF THE CONDITIONS FOR INDIRECT CENTRALISED MANAGEMENT PROVIDED FOR IN ART. 56 OF THE EC REGULATION 1605/2002 (FINANCIAL REGULATION)****DELEGATED INSTITUTION:
*Agence Française de Développement (AFD)***

The Financial Regulation (FR) (Council Regulation No. 1605/2002) and its implementation rules (Commission Regulation No. 2342/2002) are applicable to the Budget Line (B2010-21.040).

Indirect centralized management has been selected for the present action for the following reasons:

- Efficiency and reduced transaction costs: the alternative of working through Programme Estimates would hinder the execution of the action due to the limited capacities of the Environmental Protection Authority (EPA), high risks in below standards preparatory works and inadequate programming, bureaucracies and lack of decision making powers, etc, all these above outlined weaknesses impacting on longer delays and high transaction costs. Using the well established existing structures made by AFD will help to accelerate the inception period of the project and will enable the funds to directly benefit to the population in the priority areas.

- Comparative advantages: AFD operational mode is well structured but can be adapted to fit to the needs of the local contracting authority. AFD procedures have been audited by the European Commission and they were labelled as compliant with the requirements of the financial regulations for general budget as well as EDF.

However, AFD is not an implementing agency and proceeds through the recruitment of dedicated professionals. Except in case duly authorized by the Ethiopian regulation on procurements, all the recruitments are made through a tender process. Depending of the type of service or work requested, international and/or local bidders are eligible.

AFD is already carrying out various project in the same area of work e.g. through grants from the French Fund for the World Environment (FFEM), the REDD+ Task Force/ Secretariat, to the Nile Basin Initiative (technical assistance has been deployed) and through NGOs.

An assessment made by the **EU Delegation to Ethiopia** confirmed that the criteria envisaged by Article 56.1 of the Financial Regulation are fulfilled:

Summary table

Article [56.1] [56.2] FR criterion	Comment
(a) Transparent procurement and grant-award procedures, which are non-discriminatory and exclude any conflict of interests and which are in accordance with the relevant FR provisions	Checked. Yes

(b) An effective and efficient internal control system for the management of operations, which includes effective segregation of the duties of authorising officer and accounting officer or of the equivalent functions	Yes
(c) An accounting system that enables the correct use of EU funds to be verified and the use of funds to be reflected in EU accounts.	Yes
(d) An independent external audit exercised by a national institution for independent external auditing	Yes
(e) Adequate annual ex post publication of beneficiaries of funds deriving from the EU budget.	Yes
Prevention of irregularities and fraud and recovery of funds if necessary	Adequate clauses will be included in the Agreement with the delegatee
The Commission will ensure supervision, evaluation and control of the implementation of the tasks entrusted	Adequate clauses will be included in the Agreement with the delegatee

Conclusion: In his note of ___ / __ / ____, the Director AIDCO/C confirmed that the conditions placed by Article 56 the FR are currently being met.
On this basis, the Director AIDCO/C proposes that the applicable implementation method to the action entitled Ethiopia Global Climate Change Alliance (GCCA) for Ethiopia be **indirect centralised management** and submits it to the Commission for decision.

Date:

Signature: Director AIDCO/C

Authorising officer subdelegated on BUDGET

APPENDIX 2 TO THE ACTION FICHE Z

**REGARDING THE VERIFICATION OF THE CONDITIONS FOR INDIRECT
CENTRALISED MANAGEMENT PROVIDED FOR IN ART. 56 OF THE EC REGULATION
1605/2002 (FINANCIAL REGULATION)**

DELEGATED INSTITUTION :

Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH

The Financial Regulation (FR) (Council Regulation No. 1605/2002) and its implementation rules (Commission Regulation No. 2342/2002) are applicable to the Budget Line (B2010-21.040).

Indirect centralized management has been selected for the present action for the following reasons:

- Efficiency and reduced transaction costs: the alternative of working through Programme Estimates would hinder the execution of the action due to the limited capacities of MoARD, high risks in below standards preparatory works and inadequate programming, bureaucracies and lack of decision making powers, etc, all these above outlined weaknesses impacting on longer delays and high transaction costs. Using the well established existing structures made by GTZ will help to accelerate the inception period of the project and will enable the funds to directly benefit to the population in the priority areas.

- Comparative advantages: The GTZ has been supporting the Ministry of Agriculture and the regional and local offices of agriculture for several years which created a very strong working relationship uninterrupted by changes in personnel. The GTZ system also very well understands the potentials and limitations of the government system at all levels and the communities.

The GTZ SLM Program Director is mandated from the German Government to represent the overall GDC contribution (GTZ, KfW, DED) to SLM and could therefore, on behalf of the German Government, took the co-chair position of the Technical Committee SLM (TC-SLM). The co-chair is represented in the Executive Committee of the higher SWG-RED-FS policy dialogue forum in which the EU Delegation took the chairmanship. Practical experience from the ground is used for strategic and policy levels. Also the integration of development partner contributions is secured.

The current low absorption capacities of the relevant implementing partner system (federal to local level) is well understood from the experience of GTZ in the past many years and the GTZ is under preparation to improve the capacity of partners in finance management. The GTZ as a capacity development agency is well placed to address these issues based on long cooperation within the sector.

An assessment made by the **EU Delegation to Ethiopia** confirmed that the criteria envisaged by Article 56.1 of the Financial Regulation are fulfilled:

Summary table

Article [56.1] [56.2] FR criterion	Comment
(a) Transparent procurement and grant-award procedures, which are non-discriminatory and exclude any conflict of interests and which are in accordance with the relevant FR provisions	Checked. Yes

(b) An effective and efficient internal control system for the management of operations, which includes effective segregation of the duties of authorising officer and accounting officer or of the equivalent functions	Yes
(c) An accounting system that enables the correct use of EU funds to be verified and the use of funds to be reflected in EU accounts.	Yes
(d) An independent external audit exercised by a national institution for independent external auditing	Yes
(e) Adequate annual ex post publication of beneficiaries of funds deriving from the EU budget.	Yes
Prevention of irregularities and fraud and recovery of funds if necessary	Adequate clauses will be included in the Agreement with the delegatee
The Commission will ensure supervision, evaluation and control of the implementation of the tasks entrusted	Adequate clauses will be included in the Agreement with the delegatee

Conclusion: In his note of ___ / __ / ____, the Director AIDCO/C confirmed that the conditions placed by Article 56 the FR are currently being met.
On this basis, the Director AIDCO/C proposes that the applicable implementation method to the action entitled Ethiopia Global Climate Change Alliance (GCCA) for Ethiopia be **indirect centralised management** and submits it to the Commission for decision.

Date:

Signature: Director AIDCO/C

Authorising officer subdelegated on BUDGET

Action Fiche AA – GCCA in NEPAL**1. IDENTIFICATION**

Title/Number	Building Climate Resilience in Nepal DCI-ENV/2010/22504		
Total cost	EU contribution: EUR 8 600 000 (of which EUR 600 000 from Cyprus) Other contributions (DFID): EUR 10 800 000 (joint co-financing) Total costs: EUR 19 400 000		
Aid method / Method of implementation	Project approach Indirect centralised management through a delegation agreement with DFID		
DAC-code	41000	Sector	General Environmental Protection

2. RATIONALE**2.1. Sector context**

Nepal faces significant development challenges to achieve sustainable poverty reduction in a highly diverse context, in a post-conflict situation, from a natural resources based economy, and where the scale of climate change challenges are beginning to become apparent (this despite Nepal being one of the lowest per capita greenhouse gas emitting countries).

The Government of Nepal has initiated processes whereby the climate challenges to development are being addressed. The National Adaptation Programme of Action is close to completion. Priority climate adaptation measures have been identified across a range of sectors through a highly consultative process is an exemplar for other developing countries. The Ministry of Environment has recognition across all government as the climate focal point and thereby the agency through which support for climate change response measures should be channeled. In preparation for the role of coordination of climate change response measures the Ministry of Environment has developed an implementation framework that will be used to coordinate national through to local adaptation initiatives.

Climate change support programmes including the Least Developed Countries Fund, the Pilot Programme for Climate Resilience and most recently the Scaling-up of Rural Energy Programme (SREP) have identified Nepal as a priority country. Under the GCCA support to Nepal released with a view to stepping up fast start climate funding as envisaged under the December 2009 Copenhagen Accord, both the EU and Cyprus (that has committed € 0.6 million under the GCCA), have the opportunity to contribute resources to a concerted effort by donor organisations and development banks to harmonise efforts, align behind Government of Nepal policies and provide to Nepal with the resources and the technical support to effectively address climate change challenges that threaten its development.

Investing in the development of climate resilience is wrought with high transactions costs due to the risks involved in developing new and so far untried climate change responses in precarious development deficits situations. It is incumbent upon high emitting countries, such as those in the European Union, to offset these disproportionate transaction costs of achieving climate resilience that have been imposed on Nepal largely by developed countries.

Nepal is taking the first steps towards the development of appropriate and self-governed policies and programmes for climate resilience. GCCA has the opportunity to foster and support this in combination with others of Nepal's development partners.

Local communities' observations of recent climatic trends include increases in temperature, an upward shift of agro-ecological zones, changes in precipitation patterns in terms of increased variability (timing, duration and intensity), and changes in snowfall (less snow and changes in timing). Communities also perceive a shift in wind, frost and dew patterns, as well as increases in extreme weather events - droughts and floods – and avalanches (results from transect appraisals undertaken as part of the Nepal NAPA process).

Overall, scientific climate change projections are in line with observations of climatic change in Nepal. All indicate that there is likely to be marked warming that will at higher elevations lead to reduced snow and ice coverage; increased climatic variability and more common extreme events (floods and droughts) coupled with an overall increase in rain in the wet season but decreased rainfall in the mid hills.

Climate change effects on water resources will result in both too much and/ or too little water. Climate induced water stress has impacts on agricultural productivity, malnutrition, health and sanitation. On the other hand, too much water is cited as impacting human settlements, infrastructure and agriculture land. In the context of the energy sector, climate induced changes are having a direct impact on renewable energy sources. For instance, changes in river flow have direct implications for micro-hydro projects in the hill and mountain ecological zone, an increase in the number of cloudy days and changes in the form of precipitation (from snowfall to hailstones) has resulted in adverse impacts on solar power potential in the mountain ecological zone, and increases in the incidence of forest fires has adversely impacted already scarce fuel-wood sources.

In terms of agriculture and food security, increased climatic variability has been related to adverse changes in crop and livestock productivity. Impacts on forestry and biodiversity include climate-induced changes related to increases in temperature and rainfall variability have resulted in shifts in agro-ecological zones, increases in dry spells and increases in the occurrence of pests and diseases. These changes (amongst other drivers) have been identified as leading to species and habitat loss.

Communities consulted during the NAPA process stated that they are experiencing seasonal changes that are resulting in early sprouting, flowering and fruiting. In some cases, these changes are bringing benefits to communities, increasing the ecological range of cultivation for certain crops. In other cases, climatic changes are having a negative impact, for example herbs important for livelihoods are declining and shifting to higher altitude ranges and green grass has declined sharply in the Himalayan region.

In the context of urban settlements and infrastructure, most impacts are cross-sectoral in nature and are largely related to climate induced disasters. The impacts are concentrated

around urban water and energy resources as well as impacts on infrastructure and health and the challenge of rapid urban planning due to an influx of climate induced rural-urban migration. In terms of public health & climate induced disasters, changes in climate are likely to exacerbate a number of existing health related problems and lead to an increase in climate related disasters.

2.2. Lessons learnt

With increasing attention to Climate Change, globally as well as nationally, the flow of development assistance to and investments in climate change related operations in Nepal is increasing. The process is already underway. This EU Global Climate Change Alliance initiative is one example. Nepal is also one of 9 countries in the World Bank Pilot Programme for Climate Resilience (PPCR). The low technical and absorptive capacity within the government makes it imperative that the future support to help Nepal address the Climate Change challenges facing the country be well coordinated and, as far as possible, use uniform multi-donor funding mechanisms. This has become somewhat of an industry standard in other Asian Countries and would suit also Nepal. Such multi-donor mechanisms are a step towards increased aid effectiveness but also they should be seen as transition mechanism eventually to be substituted by country systems. Given the low technical and institutional capacity, it is also important that adequate resources are provided to building long term technical capacity and institution strengthening. Even that needs to be provided in a coordinated manner to minimize duplications and increase efficiency ideally on multi-donor basis. The civil society community is vibrant in Nepal and has proven efficient in providing services to people and government. Any external support to Nepal needs to ensure that the civil society including academia, non-government organisations as well as the private sector are engaged and included, at least as an advisory partner, in the design of the delivery mechanisms.

DFID is currently assisting the MoE in designing an operational framework / mechanism that will enable the mainstreaming of climate change into the country's development process on the basis of the priorities defined in the NAPA. This includes the development of methodologies for local, bottom up, climate adaptation plans of action (LAPAs) an approach already endorsed as part of the NAPA and PPCR processes. These LAPAS are essential in Nepal, given the huge climatic and social variability which require location specific actions that take advantage of local capacity. This approach will also ensure that climate adaptation is integrated into local development processes through local government and community based organizations and are well linked to other development programmes such as the UN Local Governance Community Development Programme (LGCDP). Specific investments will be prioritised at the local level but are likely to include the development of the infrastructure necessary to reduce the impacts of floods and droughts; increasing climate change awareness and local responses through communications and early warning systems; diversification of agricultural production to reduce impacts on crop yields; management of forest resources for improving adaptive capacity; and maintaining livelihoods, protecting water sources, and small-scale energy programmes to allow greater economic diversification amongst others. These plans of actions are being designed as an integral part of the overall government programme on Climate change adaptation in Nepal overseen by the Climate Change Council chaired by the Prime Minister. Through partnering with DFID, the EU is willing to further build upon the results achieved under these initiatives.

2.3. Complementary actions

There are several major initiatives on climate change currently starting or ongoing in Nepal.

- i. The EU's main intervention in the fields of energy and environment in Nepal is the **Renewable Energy Project** implemented by the Alternative Energy Promotion Centre. The project aims to alleviate poverty in Nepal by creating a renewable energy infrastructure in rural areas in 21 districts and by facilitating income generation, sustainable growth and delivery of social services, while contributing to the reduction of Greenhouse Gases (GHGs) emissions in line with the global effort to mitigate climate change and protect the environment at local and global levels. The project is also meant to build the capacity of national institutions to address climate change. The EU's contribution is €15 M. The project will be completed by August 2011.
- ii. **DFID's support to design and piloting of Climate change programme in Nepal:** DFID's new programme on climate change to support the Government of Nepal is now in the design and piloting phase to formulate country framework and strategies on adaptation and climate resilience.
- iii. **NAPA+:** The Government of Nepal (GoN) is almost completing its National Adaptation Programme of Action (NAPA). The NAPA is a process under the United Nations Framework Convention on Climate Change (UNFCCC), funded by the Least Developed Countries Fund (LDCF), to enable all LDCs to identify their "urgent and immediate" climate change adaptation priorities. The GoN has taken the decision to embed the NAPA within a wider "NAPA+" process, which combines the NAPA with broader support and knowledge infrastructure to ensure the sustainability of the NAPA and related climate change activities.
- iv. **PPCR:** The GoN with the support from ADB and WB has been working in developing Nepal's strategic programme on climate resilience through the Pilot Programme on Climate Resilience (PPCR). The PPCR is a new initiative of the Multilateral Development Banks (MDBs) under the Climate Investment Fund (CIF), which aims to provide incentives for scaled-up actions and transformational change through pilot projects. Such pilot projects should demonstrate how to integrate climate risks and resilience into core development planning and financing. The underlying purpose is to enable the pilot countries to transform their plans and investment programs to address climate risks and vulnerabilities, building on NAPA and other relevant strategies. Nepal has now formally accepted the invitation to receive assistance from the PPCR, and a PPCR/NAPA joint mission will take place in July to detail the scope of work for both, and the wider climate change strategy.
- v. **Climate Change Policy.** A national climate change policy is being drafted by MoE with support from WWF. Two stakeholder consultations have been completed in Dhangadi and Pokhara, and two regional consultations will be organised after Constituent Assembly election. The climate change policy will be developed in coordination with NAPA, and draw on common planning inputs.
- vi. **Cool Earth Partnership:** a new financial mechanism by Japan to support developing countries' efforts to reduce emissions, and assist in vulnerability reduction. Details still not known.
- vii. **REDD.** "Reducing Emission from deforestation and land degradation". GoN through its MFSC submitted Readiness-Programme idea Note to WB through support of SNV, DfID-

LFP and SDC. The grant is sought mainly to develop a REDD-Strategy (e.g. type of methodology for baseline, national frameworks, and Capacity development systems). In addition, SNV is partnering with RECOFTC as regional partner for knowledge development and brokering on REDD related issues. Ministry of Forest and Soil conservation has submitted the REDD readiness plan to World Bank.

- viii. **Disaster Risk Reduction:** UNDP is supporting the GoN to mainstream DRR into development planning at national and local levels. Under the leadership of the MoHA, through an interministerial steering committee, a long-term disaster risk reduction strategy for Nepal has been finalised (2008) (still under approval). Currently at least 10 government line agencies are engaged in developing a DRR action plan for their sector to implement.
- ix. **ADB TA:** The Asian Development Bank (ADB) has provided technical assistance initiative with the GoN on climate change which will look at the institutional and capacity development aspects of climate change challenges to development planning, linked to the PPCR objectives. The ADB TA can be harmonised with the NAPA process, which will identify many institutional ‘gaps’ in climate change planning that can be addressed by the ADB TA.
- x. **SNC:** The Second National Communication. This is a report to the UNFCCC that communicates: a national inventory of anthropogenic emissions by sources and removals by sinks; general description of steps taken or envisaged to implement the Convention; any other relevant information, including vulnerability analysis according to sectors, mitigation measures and adaptation. The SNC is under preparation with support from UNEP. A stocktaking report has already been produced.
- xi. **FAO and MoAC, UNDP (Agriculture Vulnerability Study):** Will use scenarios work to consider the impacts of climate change on agriculture - will introduce and demonstrate through a guided learning by doing process at district and community levels, a set of locally adapted, innovative and gender-sensitive technologies for climate risk adaptation within the agriculture sector. (NB also a cap building project).
- xii. **GTZ, NORAD, ICIMOD:** UNDP/ICIMOD GLOF studies; ICIMOD is working on establishing baseline and monitoring Glacier lakes in Nepal. It is also piloting REDD strategies and mechanisms in Nepal. GTZ is supporting ICIMOD in regional knowledge management on climate change issues.

2.4. Donor coordination

Donor coordination and cooperation are guided in Nepal by a series of coordination forums. Basic Operating Guidelines were introduced in 2003 and revised in 2007 to protect operating space for development assistance from both the Maoist and government security forces. The 2007 guidelines are signed by the UN, the EC, Danida, SDC, CIDA, Norway, DFID, AusAID, JICA, GTZ, Finland, SNV and the Association of International NGOs in Nepal.

The government of Nepal and 14 donors, including both the EU and DFID, signed “Donor Compact on Climate Change in Nepal” at the Nepal Day Conference on September 2nd 2009. This compact lays out a set of principles to guide development partner support to the Government of Nepal, to implement a series of actions designed to (a) identify and assess

climate risks, particularly to the most vulnerable people and sectors, (b) elaborate, test and implement adaptive responses, and (c) establish the basis for a climate resilient economy.

Multi-stakeholder Climate Change Initiative Coordination Committee (MCCICC) was formed by the Ministry of Environment to coordinate governments and development partners efforts in supporting climate change initiatives in Nepal. This committee includes key National Planning Commission, Ministry of Environment, Key line ministries, representative from I/NGOs, civil society and development partners. The MCCICC is expected to be supported by an executive secretariat.

3. DESCRIPTION

3.1. Objectives

Ultimate objective: Enable the Government to adopt climate change policies and actions that increase the benefits and sustainability of public as well as public private development efforts.

Immediate objective: Build capacity of Government of Nepal to develop, cost, budget and implement evidence-based policy and measures aimed at mainstreaming climate change in key development sectors (agriculture, forestry, water and energy), including through public private partnerships.

3.2. Expected results and main activities

Result 1

Capacity of relevant institutions at national and local levels to support the design, implementation and monitoring of climate change mainstreaming interventions strengthened.

Main activities:

- 3.2.1.1 Develop an effective climate change relevant baselines that will support effective decision making and scaling out of climate resilient planning, especially for the Karnali and Rapti river basin. The baselines also include the mapping of local level institutions and their capacities in terms of verifying and monitoring the impacts of climate change and assessing the effectiveness of intervention measures.
- 3.2.1.2 Prepare and implement of policies, plans and strategies, including enhanced negotiation skills (e.g. Mountain Alliance Initiative for Climate Adaptation and Mitigation, COP16, etc.) of the government and non-government actors (e.g. to access, manage and disburse climate change financing in support of adaptation, mitigation and the promotion of low carbon development (piloting wind energy, concentrated solar energy system, biogas etc.) including the preparation of ordinances of semi-autonomous institutional body⁵⁴ at the River Basin level to plan and help DDCs, and VDCs within the River Basin to translate plan into actions .

⁵⁴ Semi-autonomous body similar to Alternative Energy Promotion Centre (AEPCC), which promotes the Renewable Energy Technologies in rural Nepal.

- 3.2.1.3 Strengthen technical and institutional capacity of VDCs and DDC in the Karnali and Rapti River Basins, to increase national capacity in mainstreaming climate change into key policies, government institutions and the budget process, including Public Finance Management-related systems.
- 3.2.1.4 Organise dialogue on CC at sectoral department and district level and carry out awareness campaigns among various stakeholders at sectoral departments and district level for the exchange of knowledge
- 3.2.1.5 Carry out detailed economic and social appraisal, governance and fiduciary risk assessment with a view to help the GoN identify and address existing public finance management-related weaknesses thereby allowing donors to support climate change interventions through sector budget support upon completion of the Project.

Result 2

Local and sub-regional level mechanisms to test and promote scalable initiatives for climate adaptation and resilience put in place.

Main activities:

- 3.2.2.1 Enable access to financing to civil society and local and national governments (such as the MoE's Climate Change Management Division, District Development Committees, Village Development Committees, line agencies, etc) to enable them to pilot innovative mechanisms of adaptation and to test convergence of mitigation and adaptation options in particularly vulnerable communities, and VDCs, which have the lowest human development index in the VDCs and are most vulnerable to climate change impacts compared to other areas of Nepal and have been identified as climate vulnerable hotspots in the NAPA.
- 3.2.2.2 Organise a call for proposals including the development of the guidelines for applicants, the selection and contracting of projects, monitoring and evaluation.
- 3.2.2.3 Pilot integration of local level adaptation plans in at least 50 VDCs of all districts within Karnali and Rapti River Basins.
- 3.2.2.4 Establish a mechanism of sharing and learning in adaptation interventions among different stakeholders at the District and National levels.
- 3.2.2.5 Establish a monitoring and evaluation mechanism ensuring effective adaptation targets.

Given that water is such an important sector for mediating climate change effects, the projects to be funded will have to be designed on the basis of a watershed approach thereby linking climate adaptation investments geographically and looking for synergies e.g. with hydro power, forestry and irrigation development. The mid and far western regions targeted under the Project cover 2 highly climate vulnerable watersheds, the Rapti and Karnali river basins with an approximate population of 3 million people.

Selected project will have to prioritise the poor and marginalized to ensure that the latter become the earliest beneficiaries of investments. Within watersheds, support will be provided to build resilience in vulnerable sectors identified during the NAPA process (this includes water and energy; agriculture and food security; forestry and biodiversity; urban settlements;

health and disaster risk reduction). Projects must also be tailored to local circumstances. The possibilities of integrating climate adaptation into existing sectoral and social protection interventions will be a priority - not the design of new initiatives.

The initiatives promoted will include:

- Well-targeted and timed social transfer and financial support programmes to enable adaptation in agricultural practices to help people to be less risk averse in trying out adaptive options
- Mechanisms to protect assets from loss or damage due to climate effects including water resources and local and low cost infra-structure
- Promotion of low carbon livelihoods diversification and private sector investment in clean development and green jobs especially through forest management, water resources management, alternative energy access etc.

3.3. Risks and assumptions

Assumptions are that:

- There is a strong commitment and political will to integrate Climate Change considerations into policy frameworks, strategies and programmes, and that capacity building is followed up by action.
- There is a commitment of the government to engage decentralised bodies, the civil society, the academia and the private sector in the implementation of CC policies, and a willingness of the societal organizations to get engaged and have real possibility to influence policies and decisions.
- Government staff is made available to strengthen relevant department(s) of the MoE.
- Higher standards of public finance management and accountability, in line with international standards are being installed to gradually move to country systems.

The potential risks to the programme are as follows:

Type of Risk Description	Risk Analysis		Mitigation Measures
	Probability (H/M/L)	Severity (H/M/L)	
1. Political risks Ongoing political uncertainties and fragility at the central level disrupt strategic activities and government coordination	M	M/L	To minimise the risks, staff/partners will be trained in basic and advance risk management. In addition, Safe and Effective Development and "Do No Harm" training will be delivered to ensure that staffs have skills to handle situations tactfully.
2. Economic risks Increasing cost of food and essential commodities and high inflation rates	M	M	There is no effective mitigation measure for a national economic phenomenon; however this initiative will invest in capturing how the poor are benefiting from the alternative livelihood and ecosystem services by building their resilience. It is expected that complementary investment from the Government of Nepal (GON) and private sector can help the poor take advantage of the opportunities to better their livelihoods.

Type of Risk Description	Risk Analysis		Mitigation Measures
	Probability (H/M/L)	Severity (H/M/L)	
3. Budget risks Policy making is insufficiently linked to budget processes jeopardising implementation	H/M	H/M	
4. Social risks Elite capture of project supported adaptation interventions and Limited reach to the vulnerable communities	L	H/M	Project will strengthen mechanism and approaches (M&E) for ensuring that the allocated resources reach to the most vulnerable and support in their adaptive capacity.
5. Gender risks Women target beneficiaries are unable to adequately participate in programme activities especially in the roles of decision makers	M	M	This project will have a rigorous monitoring and evaluation system to track the results of activities focused at women. Project activities will target women, children and disadvantaged groups among the vulnerable population.
6. Institutional risks Partner organisations (including Ministry of Environment) have limited capacity to deliver project activities effectively and efficiently	M	H/M	One of the major focus of this project is to strengthen the capacity of government particularly ministry of environment. The focus will be to build Ministries capacity to take lead in climate change.
7. Fiduciary risks	H/M	H/M	Strengthen financial management and internal control system of the Ministry, and implement social audit.

3.4. Crosscutting Issues

The project will have important cross-cutting impacts and aspects, such as a strong commitment to women's empowerment and inclusion of the poor and disadvantaged and improved governance. Cross-cutting aspects include:

- **Women's empowerment.** The project will ensure that at least 50% of participants in project are women. Studies show that Climate change impacts are mostly making women and children more vulnerable. Women have to face challenge of fetching water, maintaining their farm produce and overcome other stresses and burden. The project will also ensure that over 50% of the members of management committees are represented from women. The experiences of previous projects reflect that women's overburdening through these increased responsibilities were eased in many instances by male members taking care of household chores earlier carried out by women members. This project will have special adaptation programmes for women to increase their capacity so that they respond better to uncertain climate change impact.
- **Inclusion.** This programme will target the most vulnerable ethnic group and rainshadow and food and nutrition deficit areas of mid and far western region. The proposed programme will have 50% of participants from *Dalit* communities, disadvantaged *Janajati* and disadvantaged *Madhesi* communities. Similar to the gender inclusion aspect, the project administration system will include careful selection of target beneficiaries, and robust methods for monitoring their participation. *Dalit* communities in particular have

special needs and require more intensive training programmes, greater technical support, and access to finance.

- **Governance.** One of the strong focuses of this programme will be to enhance good governance for mainstreaming climate change in local, regional and national level planning. This project will assist in the development of the overall policy and enabling regulatory framework for devolution and local governance, community development, social empowerment and safety net. Policies for empowering socially and economically marginalised groups/families while also will be strengthened. The local level adaptation planning will be integrated at across scale and linked to National Adaptation programme of Action.
- **Ecosystem sustainability.** The design of the Programme is based on the premise that adaptation and development must be addressed in a broad development context recognizing climate change as additional challenge to poverty reduction. This project will look into opportunities of mainstreaming climate change in development. The focus of the intervention will also look into ecosystem and livelihood perspective working at a watershed scale.

3.5. Stakeholders

The final beneficiaries will be the climate vulnerable populations in 20 rainshadow districts in the mid and far western regions with a special focus on the poor and marginalised groups. They will benefit from the Project because the latter will build up their adaptive capacity to Climate Change. The project will directly benefit at least 700,000 households and will indirectly benefit at least 100,000 additional smallholders.

Other stakeholders include the MoE, the Climate Change Council, the Ministry of Finance, key government line ministries, the National Planning Commission, local governments, as well as local and international non-government organizations, the academic community and the private sector.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

Indirect centralised management through a Delegation Agreement with DFID and with a Financing Agreement signed between the EU and the GoN.

The EU overall contribution (€ 8.6 M) includes Cyprus' contribution (€ 0.6 M) channelled through a Transfer Agreement to the European Commission. Such an arrangement is in line with the EU's commitment to ensuring consistency and coordination with EU Member States in recognition of the importance of developing arrangements to improve efficiency and to put the principles of delegated co-operation into practice. This is already successfully underway in the Education Sector in Nepal where the UK has delegated its co-operation to the European Commission.

In this arrangement, EU support will be provided to a joint programme managed by DFID, building on DFID's comparative advantage in the sector (with two climate change advisers

based in country) and a team of consultants already supporting the design of the joint programme.

Decision making within the project is entrusted to a Project Steering Committee (PSC) chaired by GoN for approval of all actions/plans and for co-ordination of activities, under the guidance of the overall climate change policy and strategy formulated in agreement with co-financing partners (including EU Delegation and DFID) by the Climate Change Programme Steering Secretariat (CCPSS), which will be chaired by GoN. The CCPSS is specific to climate change sector and its members are mainly those in the Multi-stakeholder Climate Change Initiatives Coordination Committee (MCCICC), and will be responsible for the overall coordination for all donor support to the climate change activities in Nepal.

4.2. Procurement and grant award procedures

1) Contracts

All contracts implementing the action under the scope of the Delegation Agreement will be awarded and implemented in accordance with the procedures and standard documents laid down and published by DFID. These procedures will necessarily be in accordance with the provisions of the Delegation Agreement and the Financial Regulation applicable to the general budget of the EU.

All contracts implementing the action under direct centralised management must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the DCI Regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in articles 31(7) and (8) DCI.

2) Specific rules for grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget.

4.3. Budget and calendar

The project operational duration is of 36 months as from the signature of the Financing Agreement.

Category breakdown (in M €)	EC	DFID	Total	Contracting Authority	Paying Authority
1. Services	0.3	=	0.30	EC	EC
1.1 Monitoring	0.23	-	0.23	EC	EC
1.2 Evaluation and Audit	0.07	-	0.07	EC	EC

<u>2. Indirect Centralised Management</u>					
2.1 Delegation Agreement with DFID	7.6	10.8	18.4	<u>EC</u>	<u>EC</u>
<u>3. Contingencies</u>	<u>0.7</u>	=	<u>0.7</u>		
TOTAL	<u>8.6</u>	<u>10.8</u>	<u>19.4</u>		

The contribution from Cyprus amounts to EUR 600 000 through the Transfer Agreement signed with the EC and is included in the Delegation Agreement with DFID.

4.4. Performance monitoring

Verifiable indicators of achievements are included in the log frame. They will be applied for verifying progress. More specifically a draft monitoring matrix to track inputs, outputs, results and impact with intermediate and key performance indicators will be developed during the first six months by DFID. The final matrix will be agreed by the PSC. DFID will provide the EU with six-monthly narrative reports on the overall progress of the Project. Grant beneficiaries (see Result 2) including Government, decentralised agencies and civil society organizations will also submit six-monthly narrative and annual financial reports. The reporting shall include reporting on how vulnerable communities and households in general and women in particular have benefited from programme interventions. The above reporting will be complemented with consolidated DFID's annual financial reports on the utilization and operation of the EU's contribution. An annual meeting between the EU and DFID will take place to discuss progress as per 31 December of each year. A mid-term review will take place after the first 18 months of implementation.

4.5. Evaluation and audit

Annual Review Reports shall be prepared by DFID and shared with PSC, as a minimum requirement. Based on the above report, annual project review shall be conducted during the fourth quarter of the calendar year or soon after to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year.

A **mid-term evaluation and review** will be jointly organized by the EU, DFID and Implementing Partners at the end of month 18. The performance of the Programme will be assessed against the indicators presented in the log frame. Upon project completion, a **Final Evaluation** will be conducted.

Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out external monitoring ROM system, which in principle will start from the sixth month of project activities, and will be finalised at the latest 6 months before the end of the operational implementation phase.

Funds made available from the GCCA shall be subject to **internal and external auditing** procedures provided for in the financial regulations, rules and directives of the EU. Proper audit arrangements will be made that will satisfy the requirements of both contributing development partners.

4.6. Communication and visibility

A communication and information strategy, including a visibility plan, will be developed by DFID and endorsed by the Project Steering Committee during the inception period. Information shall recognize the contributions for the Development Partners and the programmes relationship to the EU Global Climate Change Alliance initiative. This strategy will comply with the Communication and Visibility Manual for EU External Actions. As a knowledge management initiative to capture the emerging lessons, promising practices and technology innovations, the project will produce case studies, policy briefs, technology briefs and best practices papers during the project. The project will produce and distribute quarterly newsletters to practitioners, key public and private market actors and other relevant stakeholders providing information on the progress of the project, highlighting some of its practices and outputs and catalysing discussions amongst market development practitioners. The project will build a web portal that will connect to the websites and portals of the members of the national, regional and district level stakeholders. The project will organize dairy and agriculture fairs, and seminars to share key lessons, insights and evidences of good practices and innovations.

All equipment and documentation connected with the Project shall carry the European Union flag, giving a maximum visibility to the EU Co-operation to Nepal.

Appendix regarding the verification of the conditions for indirect centralised management set forth in the applicable Financial Regulation

APPENDIX TO THE ACTION FICHE AA

**REGARDING THE VERIFICATION OF THE CONDITIONS FOR INDIRECT
CENTRALISED MANAGEMENT PROVIDED FOR IN ART. 56 OF THE EC
REGULATION 1605/2002 (FINANCIAL REGULATION)**

The Financial Regulation (FR) (Council Regulation No. 1605/2002) and its implementation rules (Commission Regulation No. 2342/2002) are applicable to the Budget Line B2010-2104, Environment and sustainable management of natural resources, including energy.

Indirect centralised management for a delegation agreement with UK Department for International Development (DFID) is proposed for the programme 'Building Climate Resilience in Nepal - Support to Government of Nepal to respond to climate change', under the Global Climate Change Alliance initiative.

The UK government has been providing development assistance to Nepal for the last 40 years and has a 'comparative advantage' in the area of natural resource management having been involved in the Forestry Sector for twenty years. Although, DFID support to the climate change area has only been provided for the last two years, it has been instrumental in supporting the Government of Nepal (GoN) and development partners to adopt a more coordinated and harmonized approach to mainstreaming climate change in development agenda of Nepal, including assisting the GoN develop its climate change compact, which 14 donors signed in 2009. In addition, DFID along with its key partners (UNDP, DANIDA and GEF) has supported the GoN to develop its National Adaptation Programme of Action (NAPA), which prioritises adaptation needs at the national and local levels and is now active in coordinating donor support to take forward its recommendations. To undertake this work DFID has increased its internal capacity on climate change with two in country advisers engaged in programme development, delivery and monitoring; giving it the capacity to deliver the joint DFID/EC programme.

The institutional assessment carried out by AIDCO during 2008 and 2009 of DFID confirmed that the criteria envisaged by Article 56.1 of the Financial regulation are fulfilled.

Conclusion: In his note of 10/12/2009, Mr. K. Richelle, (ARES (2009) 373322) the Authorising Officer responsible confirmed that the conditions placed by Article 56 the FR are currently being met.

On this basis, the Director AIDCO/D proposes that the applicable implementation method to the Annual Action Programme 2010 ('Building Climate Resilience in Nepal - Support to Government of Nepal to respond to climate change') be indirect centralised management and submits it to the Commission for decision.

Date:

Signature: Director AIDCO/D

Authorising officer subdelegated on BUDGET

Action Fiche BB – GCCA in the Pacific region

1. IDENTIFICATION

Title/Number	<i>Increasing climate resilience of Pacific Small Islands States through the Global Climate Change Alliance</i> DCI-ENV/2010/022-473		
Total cost	EU contribution: EUR 11 400 000		
Aid method / Method of implementation	Project approach - Centralised - Joint management with the Secretariat of the Pacific Community (SPC)		
DAC-code	41010	Sector	Environmental policy and administrative management

2. RATIONALE

2.1. Sector context

Pacific islands are among the countries most vulnerable to climate change globally, with considerable differences in the level of vulnerability between and within countries. Coastal communities, atoll islands, and the densely populated and low-lying deltaic regions on larger islands are particularly vulnerable to even small changes in climatic variables, especially sea level rise and climate variability, including drought conditions and tropical storms. Vulnerability is constituted by high population densities and growth rates, scarce natural resources particular land and water, high exposure to natural hazards because of small and low-lying land mass and geographical location in cyclone and typhoon zones, poorly developed infrastructure, limited human and economic resources because of poverty and small size of countries, high external dependency of economies.

The high pressure on land and marine based natural resources already leads to unsustainable use of these resources, reduces the natural resistance of ecosystems, weakens the functions of ecosystems as natural shields against natural disasters and threatens livelihoods of communities depending on them. Adaptive capacities in terms of human resources to analyse risks, identify adaptation options and steer implementation as well as institutional arrangements to effectively plan and coordinate implementation are very limited in these small countries. The information base on climate change adaptation and vulnerabilities is insufficient and, where it exists, awareness of and skills to use information is lacking in relevant departments.

Awareness about the risks climate change is posing to development is very high in the region as reflected in regional and national climate policies (draft status in most cases) and statements and requests for support on climate change related problems by communities. At national level however, all-encompassing strategic and operational frameworks to guide and implement adaptation priorities are largely absent. National development strategies and budgets are not yet Climate Change (CC) resilient. The likely effects of climate change in the different economic sectors have not been quantified, let alone included as separate items in

national budgets. Community approaches are common in the region, but have only reached a small number of communities to date.

Low adaptive capacity and climate impacts lead to increasing negative impacts of natural disasters, food and water shortages, economic losses, poor livelihoods, and further degradation of natural resources.

2.2. Lessons learnt

Currently, the implementation of adaptation and mitigation projects remains (in the Pacific and elsewhere) fragmented and project based, largely because of a lack of coordination among a very large number of donors having different priorities and different approaches, but also because of the lack of all-encompassing climate change adaptation strategies at national level that would provide a basis for a more coordinated approach. Furthermore, the project approach has shown its limits, especially when it comes to the disbursement of ever-increasing sums of money in this field. Result-oriented support to Climate Change challenges cannot continue to be provided exclusively through projects. Budget support is the most adapted aid modality, but most Pacific Island Countries (PICs) are not yet eligible for it at this stage. In the climate perspective, preparing eligibility for budget support across the region will be crucial in the coming 24 months.

As far as adaptation project is concerned one of the lessons learnt is that a system embracing both “top-down and bottom-up” approaches to the adaptation process has the best chance to improve the adaptive capacity of Pacific inhabitants.

The long history of cooperation between the EU and Pacific Island Countries has repeatedly highlighted that the PICs face structural capacity constraints to adopt a long term strategic approach to adaptation as well as to absorb, individually and collectively, funds from international partners.

Facilitating autonomous adaptation by focusing on the positive aspects of cultural and communal-based societies in the Pacific is often a decisive element, particularly if combined with an active engagement with all stakeholders, such as non-governmental organizations (NGOs) and Regional Pacific Organizations.

Adaptation to natural climate variability can reduce vulnerability in the near-term and provide insights and experience that could enhance resilience to long-term climate change.

2.3. Complementary actions

The current GCCA regional programme for the Pacific is part and parcel of the **Joint Pacific-EU Initiative on Climate Change** that aims at mobilising the EU and international partners around the Pacific and directing a fair share of international Climate Change funding towards Pacific countries through more effective and coordinated aid delivery methods. As part of the initiative:

- Countries' capacity to absorb efficiently international funding will be reinforced
- Countries' efforts towards eligibility to Budget Support will be supported
- Countries encouraged to shape "climate resilient strategies and budgets", using existing National Adaptation plans (where they exist) or similar planning documents as starting point

Beyond funding, the initiative also focuses on stronger political dialogue between the Pacific and the EU and also within the Pacific Region. This should lead to better coordination and preparation for the UN negotiations. A Memorandum of Understanding (PIFS-COM) will formalise the Initiative. Signature in itself should be given visibility to help raising the Pacific Profile and get international attention. The MoU is currently in Inter Service Consultation.

In the preparation of this Action Fiche it should be acknowledged the meaningful input and contribution provided by GTZ and resulting from their recent appraisal mission of April 2010 in the Pacific Island Region to formulate a €10million extension to the German cooperation project entitled “Adaptation to Climate Change in the Pacific Island Region (ACCPIR)” for strengthening capacities of Pacific Island Countries to better cope with the adverse effects of climate change. Thanks to this additional allocation of funds, the German project will be extended to cover up to 12 Pacific Island Countries and to widen its thematic scope including fisheries, tourism, and renewable energy. The project has a regional component of strengthening SPC’s capacities as service provider to national and local stakeholders. It is jointly implemented by the German Technical Cooperation Agency (GTZ) and SPC.

Because of similarities in the objectives being pursued by the GTZ and the GCCA projects, there is a clear potential for building synergies between the GTZ and the GCCA projects, at the outset and all along the implementation periods. This is being detailed under the section on activities.

This initiative will also be complementary to the 10th EDF All ACP GCCA project, which will be implemented by the University of the South Pacific (USP). This project will focus on capacity development through formal academic training and applied research to better understand the degree and nature of vulnerability to climate change in the Pacific and to develop appropriate adaptive solutions. It will also have an important component on community engagement, through awareness raising and training and through the development and implementation of pilot adaptation actions in selected sites representing different kinds of vulnerable environments. It will therefore be important for the two GCCA initiatives to coordinate their activities in order to avoid duplication, exchange lessons-learned and reap synergies.

2.4. Donor coordination

On an informal level, donors coordinate through the DPCC (Development Partners in Climate Change) meetings, convened every two months in Suva. This level of coordination is essential but insufficient considering the number of donors and projects being implemented in the various countries of the Pacific. At present, an up-to-date matrix on Climate Change projects does not exist.

On a formal level, donor coordination is held through the Pacific Climate Change Roundtables (PCCR), led by South Pacific Regional Environment Programme (SPREP). However, the two last roundtables have had limited outcomes which highlights the need for strengthening SPREP's capacity in the coordination of such regional processes. Insufficient coordination and division of labour among regional bodies involved in climate related activities are shortcomings being addressed in the Pacific Plan and in the subsequently initiated regional Institutional Framework review process.

The Cairns Compact, endorsed last year by the PIF leaders, is a "learning by doing" process that has the merit to federate all development partners and Pacific countries in an attempt to reflect on and implement the aid effectiveness principles in all development sectors. The

"fast-start" commitments made in Copenhagen have added some pressure on the Cairns Compact to quickly deliver on the aid effectiveness agenda. In this respect it is essential for the EU and its Member States to establish synergies among the various interventions planned to the benefit of the Pacific region

3. DESCRIPTION

3.1. Objectives

The overall objective of the project is to support the Governments of Cook Islands, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Tonga, Tuvalu and regional bodies' efforts in tackling the adverse effects of climate change in line with the Pacific Islands Framework for Action on Climate Change (PIFACC).

The purpose of the project is to contribute towards a more coherent, coordinated, efficient and mainstreamed way of delivering climate change adaptation support at national and regional level.

3.2. Expected results and main activities

At the national level:

- **Beneficiary countries are better equipped to mainstream CC in policies, planning processes and country budgets allowing for the increased use of the budget support aid cooperation modality.**

Activity: Shaping "adaptation roadmaps" (one per country) providing for the integration of climate change adaptation in the form of climate change resilient strategies in the governments' development policies and budgets which will facilitate eligibility to budget support and a more strategic approach to addressing climate change challenges. Such roadmaps would represent a concrete tool to be used by the Pacific Small Island States not only during the implementation phase of the programme but even beyond it (after its end) and would build on existing adaptation programmatic documents (National Adaptation Programme of Action (NAPAs) and others) .

Experiences such the ones of countries like Kiribati having produced comprehensive adaptation strategies embodying second generation NAPAs should be built upon and ideally encouraged and replicated as appropriate.

Output Indicator: 9 climate change adaptation roadmaps are completed and endorsed by the Governments

Activity: Implementation of initial activities foreseen in the roadmaps and of other adaptation strategic priorities identified by the countries. Countries will need short-term to medium-term technical assistance to help them reinforce their capacity and provide capacity building to relevant governmental departments (ministry of planning, of environment, of finance, etc...).

Output Indicator: At least 5 countries have a climate change resilient development strategy and budget by the end of the project.

For this activity it will be crucial to start by reviewing the work that has already been carried out at sectoral and national level (funded by other donor organisations) in order not to repeat what has already been done, and to collaborate closely with other donors currently implementing similar types of activities to ensure coherence and complementarity in the approaches. In particular, the implementing agency (Secretariat of the Pacific Community - SPC) will need to ensure complementarity with the activities included under component 2 of the on-going GTZ/SPC project. Ideally this would be achieved through sending out joint missions to the countries for the national policy components of both projects.

Outcome indicator: At least 5 countries receive increased CC funds through budget support by 2014

- **Concrete adaptation actions (i.e. projects on the ground) are developed and implemented tailored to countries' needs in selected relevant sectors (e.g. sustainable management of natural resources, food security, waste management, water, health, tourism, fisheries, coastal management and urban planning,...) as emerging from national priorities embedded in existing adaptation plans and adaptation programmatic documents (such as NAPAs or others).**

It should be noted that Countries have expressed general frustration with the proliferation of policy documents that do not materialise in concrete implementation and/or the accessing of funds. This component is therefore crucial to show to these countries that existing adaptation plans are taken into consideration and acted upon. Innovative pilot projects with a clear added value and a good potential for replicability will be encouraged.

An analysis of what is already being undertaken by other donors such as GTZ, under component 3 (pilot projects) of the GTZ/SPC project and SPREP, under the PACC (Pacific Islands Adapting to Climate Change) project, will need to be undertaken at the outset, to avoid duplications and identify potential synergies. Needs assessment carried out in this respect would need to be taken into account. The identification of projects will therefore have to be conducted with the relevant Ministries, the NAO, and a representative of GTZ, SPC and SPREP. Ideally other stakeholders such as UNDP, GEF and WB [AUSAID and NZAID] would be consulted.

Activity: Review of existing plans and on-going actions undertaken under these plans. Coordination meetings/workshops with relevant stakeholders. Preparation of a report by country with concrete suggestions on pilot projects. In-country consultation sessions to ensure endorsement by the countries of the selected projects and decision on the implementation process.

Output Indicator: At least one pilot project is identified in each country

Activity: Implementation of pilot projects. Pilot projects will wherever possible have a participatory and inclusive community-based approach and include awareness raising campaigns and training aiming at progressively eradicating unsustainable activities and practices. Children and women should be involved and specifically targeted when appropriate, as they are good vehicles for behavioural change within families and communities. Community ownership will have to be established in order to ensure the long-term sustainability of projects.

Output Indicator: At least nine pilot projects are successfully completed by the end of the project

At Regional level:

○ **Regional capacity to support national adaptation needs is strengthened:**

Activity: Punctual service contracts (short-term to medium-term TA) to assist SPREP and SPC with a number of tasks/projects, such as:

- Examining the full reach of the PACC project with a view to determining early opportunities for replication in other parts of the country/region;
- Developing, adapting, acquiring and/or disseminating user-friendly tools for a multiple range of tasks from awareness raising to assisting implementation of projects, with a key focus on adaptation related activities at community level;
- Contributing to the creation of a Pacific portal on CC that will allow Pacific countries to share good practices, experiences, projects outcomes and evaluations, and success stories in both adaptation and mitigation. This would also allow donors to maintain an overview of CC activities (via a CC Matrix) and to ensure coordination/synergies along sectoral and national lines.

NB: Other specific tasks aiming at reinforcing capacity of regional organisations to support national adaptation needs could be defined during the implementation phase of the project and financed depending of availability of budget.

Output indicator: A Pacific portal on CC is set up and countries are able to share experiences in adaptation. User-friendly tools focusing on adaptation are created and disseminated at appropriate level including community level.

○ **Regional capacity to better coordinate, promote and prepare for the establishment of an innovative regional coordinating mechanism is strengthened**

Activity: SPREP has the responsibility for reviewing the Pacific Island Framework for Action in Climate Change (PIFACC) and for re-organising the Climate Change Roundtable. It is also co-responsible (with PIFS and SPC) for promoting the case for a regional mechanism in the area of Climate Change (feasibility study under way). SPREP's role in the region is therefore crucial but its capacity needs to be reinforced. It is therefore envisaged that a long-term TA (two years contract) be recruited and located in SPREP in order to support the coordination efforts in the field of CC, including the re-organisation of the CC roundtable and the shaping of a new regional mechanism in CC.

Another long-term TA for SPREP will most likely be funded through the GTZ/SPC project, also to contribute towards strengthening SPREP's capacity as a regional organisation responsible for climate change issues. It will be important to ensure complementarity and coherence between the ToRs of both technical assistants.

SPREP has recently launched a feasibility study looking into the possibilities for establishing a Pacific Regional Climate Change funding modality (consultations are currently on-going and the report should be ready by September 2010). The outcomes of

this study will be taken into account and constitute the basis for the work to be carried out by the long-term TA.

Activity: Organisation and participation to workshops/conferences/seminars aiming at coordinating activities in CC in the Pacific and at setting a new regional mechanism to help countries access international funding.

Output indicator: The CC roundtable becomes a well-functioning tool for coordination on CC issues at regional level and a practical new regional mechanism on CC is created.

Outcome indicator: The regional mechanism is federating donors efforts and attracts CC international funding towards PICs

3.3. Risks and assumptions

The risk of overlapping between projects exists, as many projects for development, environmental management and climate change issues are underway in the region. It will be necessary to build on the existing organizations and projects/programmes to avoid duplication and favour synergies between existing activities. It will also be crucial for SPC and SPREP to play an active role in ensuring complementarity and coherence between actions financed by different donors. This is in particular true for the GTZ/SPC project and for the Intra-ACP GCCA project with USP.

Limited and strained institutional capacities in PICs posing a major threat with regard to project implementation and sustainability of outcomes achieved if those capacities are not supplemented by regional and donor resources. This is a constituent characteristic of most countries of the Pacific Community. Project and/or program resources can militate against those risks.

Competing interest and lack of cooperation has certainly reduced effectiveness and efficiency of regional technical services. The major underlying factors have been and are being addressed by the Pacific Plan and the subsequently initiated Regional Institutional Framework review process.

3.4. Crosscutting Issues

Environmental Sustainability will inherently benefit from the implementation of the present program.

Gender Equality: the programme will address gender issues through specific considerations to be integrated in proposing ad hoc measures, where relevant, in the definition of the implementation activities (e.g. training and research, awareness raising, etc.). Members of communities which are already in vulnerable socio-economic positions, including women, are likely to be further impacted and are of special interest. Women and women groups play a significant role at the community level in terms of food production and preparation and can contribute positively to improving resilience in the rural and coastal community context given the appropriate support.

Good Governance: GCCA implementation is an important part of good environmental governance. The capacity building efforts supported by the project aims to improve the process of policy planning, implementation, evaluation and reporting.

3.5. Stakeholders

- The Pacific Islands Forum Secretariat bears the overall political responsibilities among the Pacific organisations. SPREP has the lead policy role on climate change issues and is mandated to coordinate climate change initiatives, Pacific countries positions in the international negotiations and reform the PIFACC. SPC is the main regional entity in charge of coordinating initiatives in the energy sector and as the principal implementing agency when it comes to adaptation to climate change.⁵⁵
- The government agencies and national institutions (to be specified by each country) involved in climate change issues and development planning of the Cook Islands, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Tonga, Tuvalu.
- Local communities, already strongly impacted by climate change, especially rural and coastal communities. The particularly vulnerable parts of the population specifically in the low lying atoll states have to be considered as target groups. Rural and coastal communities affected by changing weather conditions (droughts, floods, etc.), sea-level rise and increase in ocean temperature will face salt-water inundation of water supplies and agricultural areas, impacts on crop yields and forest productivity, declining productivity of coastal fisheries all of which will impact their food security.
- Business communities are also vulnerable and will also need to adapt to climate change as it will affect almost all industrial sectors with potential negative effects to employment and livelihoods. Climate change may also change interregional and inter-seasonal marketing patterns, require relocation of agro-industries and fish processing plants, affect construction companies involved in climate proofing of buildings and infrastructure as well as utility and tourism companies (hotels, tour operators) and their service providers. Therefore, a wide range of government and private sector entities will also be benefitting from the proposed programme and thus, are target groups. As particularly prominent among them are those companies or entities operating in the rural and coastal communities as well as in the tourism sector.
- NGOs and other civil society organisations as they are well positioned to assist in the grass-root level work and support in the implementation of climate change policies and strategies.
- The donor community, in particular those development agencies already active in the Pacific region and/or involved in climate change issues at national, regional and international level.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

Joint management through the signature of a standard contribution agreement with SPC. SPC is the most important regional organisation with more than 500 staff, offices deconcentrated through the Pacific, with activities in most sectors relevant to this project: land and marine resource management, risk management, water, health, energy, security, etc... SPC is also the main partner of GTZ on the German adaptation project that will be implemented in synergy with the GCCA project.

⁵⁵ SOPAC is the CROP responsible for regional activities in DRR and in Water and sanitation. It is currently being absorbed by SPC under the RIF process

SPC is already the main partner of the EU in the Pacific, implementing most of its regional projects under the 9th and the 10th EDF RIP. Impact of regional projects on the ground, at national level, is a constant preoccupation of the organisation reflected in its reporting. It has the trust of the Pacific countries, some of which have not hesitated to delegate the implementation of their EDF national envelopes to the organisation (this is the case of the renewable energy/energy efficiency project under the 10th EDF NIP of Palau, Micronesia and Marshall Islands).

SPC, SPREP and PIFS have recently agreed to create a high-level sub-committee on Climate Change in order to better coordinate amongst regional organisations and in order to discuss new ideas for the creation of a regional mechanism that would facilitate Pacific countries' access international funding in Climate Change. Such ongoing work and efforts appear crucial and particularly in the perspective of the "Joint Initiative on Climate Change" being further framed by the EU, deserve close follow-up and consideration by the EU within the current programme.

A joint management with SPC will therefore guarantee ownership at national level, added value at regional level, synergy with existing or future projects similar to the GCCA project (in particular the GTZ project), complementarities with existing EDF projects at both national and regional level and coordination with other Councils of Regional Organisations of the Pacific (CROP) and in particular with SPREP.

4.2. Procurement and grant award procedures

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned.

4.3. Budget and calendar

The operational duration of the action shall be of 4 years.

- The indicative breakdown estimated draft budget suggested below is based on objectives and activities proposed in this document.

Item	Cost
Contribution agreement with SPC	11 400 000
Total	11 400 000

4.4. Performance monitoring

Project monitoring mechanisms will include annual reports prepared by SPC and submitted to the EU Delegation, annual steering committee meetings and annual ROM missions. SPC has its own internal monitoring standards that have been considered sufficient and appropriate in the last Institutional Assessment.

A subset of high-level performance indicators is summarised below.

Indicator	Baseline (2010)	Target 2014	without Project
Increased funding for climate change supplied at national level through budget support in targeted Pacific countries	Current status on climate change funding supplied through Budget Support: Vanuatu and SI	At least 5 SIS countries receive increased CC funds through Budget Support	Countries would continue to receive climate change funds uniquely through projects and absorption capacity would remain low
Increased coordination of climate change activities in the Pacific region	Current status of affairs including poorly performing mechanisms (such as the PCCR). A very large number of climate change initiatives being implemented in the region in a largely uncoordinated and piecemeal manner	A regional mechanism will exist, allowing donors to disburse funds in a more coherent and coordinated way and reap better synergies. A PCCR, a CC portal and other effective mechanisms will exist to support a coordinated approach in tackling CC in the region	Coordination would continue to be poor and inefficient. The proliferation of climate change projects would lead to increasing risks of duplication and inefficiency.
People of the Pacific are better equipped to adapt to the adverse effects of climate change	Current adaptation capacity of Pacific Island Countries is limited	A net improvement of Pacific Island Countries' resilience to climate change	The effects of climate change would become increasingly damaging to Pacific Island people, their environments and their economies.

4.5. Evaluation and audit

Evaluation costs are included in the CA budget. SPC will therefore organise mid-term and/or final evaluation as appropriate. Additionally, the EU is entitled to conduct additional external evaluations at the mid-term or at the end of the project, if deemed necessary.

Audits are conducted by SPC according to their own procedures, which have been considered sufficient and appropriate in the last Institutional Assessment. Additionally, the EU is entitled to conduct additional external audits at any point of the project, if deemed necessary.

4.6. Communication and visibility

The EU guidelines on visibility will be applied. EU financial support will be highlighted in all activities, reports and media releases. EU promotional material will also be produced and distributed during the project. Provisions have been made in the budget for this purpose.

ACTION FICHE CC - GCCA IN SOLOMON ISLANDS

1. IDENTIFICATION

Title/Number	Solomon Islands Climate Change Assistance Programme (SICAP) DCI-ENV/2010/22483		
Total cost	EU contribution: EUR 2 800 000		
Aid method / Management mode	General budget support – centralised management		
DAC-code	51010	Sector	General Budget Support

2. RATIONALE AND COUNTRY CONTEXT

The purpose of the present programme is to contribute building resilience to adapt to the effects of climate change and of disaster risk on the economy and the society at large. This "Solomon Islands Climate Change Assistance Programme" (SICAP) will use the same structure as the "Solomon Islands Economic Recovery Assistance" (SIERA) Programme in view not to overstretch the limited capacities of the national administration. It will be financed under the EU thematic budget line ENRTP, in the framework of the "Global Climate Change Alliance" (GCCA) initiative launched in 2010. It will contribute to climate change adaptation and the reduction of vulnerability of communities living on low-lying atolls, artificially built islands and other low lying coastal areas in Solomon Islands in a coordinated effort with other donors. The programme will cover the period 2011-2013. The € 2.8 million allocated to Solomon Islands under the GCCA will be committed by the end of 2010 in the form of General Budget Support, as the challenges presented by Climate Change and Disaster Risks in Solomon Islands require strategic planning and sound Government coordination.

A risk analysis was done in line with the Methodology for Budget Support in Fragile Situations, implying that General Budget Support is an appropriate modality for Solomon Islands which would lead to strengthen ownership, support national accountability and procedures, and to finance national development strategies of the Solomon Islands Government. Solomon Islands eligibility to EU General Budget Support was achieved in 2010 as a result of the high level of commitment to reform by the Solomon Islands Government. The SICAP builds on these achievements. The close coordination mechanisms set by the Government of Solomon Islands with its key development partners through the Core Economic Working Group (CEWG)⁵⁶ will provide a solid basis for a joint assessment of progress on these reforms on the basis of the Matrix of the Solomon Islands Economic & Financial Reform Priorities which was established to mitigate the consequences of the international crisis and promote economic recovery. For 2011 and onwards, this Matrix will include Climate Change and Disaster Risk Reduction indicators. Disbursements will take place following these assessments.

⁵⁶ The Core Economic Working Group (CEWG) was established early in 2009 by the Government of Solomon Islands in view to consult its key partners (Australia, New Zealand, RAMSI, ADB, World Bank and EU) on its response strategy to the Global Economic Crisis and to better coordinate their respective supports aimed at helping Solomon Islands cope with the Global Economic Crisis. The SIG-CEWG meetings are regular and co-chaired by the Minister of Finance & Treasury and the Minister of Planning & Aid Coordination. Using this already operational mechanism for performance assessment would in addition spare the limited resources available in the administration of Solomon Islands.

2.1. Country Context and National Policy and Strategy

2.1.1. Economic and social situation and poverty analysis

Until February 2011 Solomon Islands, per EU definition, is a fragile country, progressively coming out of several years of "ethnic tensions" (2000-2003). The presence of the Regional Assistance Mission to Solomon Islands (RAMSI) since 2003 has brought law and order and improved governance in the country. However, the country is still in a 'post-conflict' situation. Political instability, poor accountability and lack of transparency in government remain, fuelled by weaknesses in the institutional environment. If the outcome of the elections at the end of the summer in 2010 is smooth, the Solomon Islands is not likely to remain a fragile state, but yet to be highly donor-dependent until such shortcomings are addressed.

Despite a surge in economic growth in recent years (2003-2007), GDP per capita has changed little. Solomon Islands, with its population of over 500,000, has the second lowest average income in the region. The current slowdown is also occurring in the context of high levels of urban unemployment, high poverty rates and gender imbalances. About a third of the population is estimated to live below the poverty line. Social indicators, although improving, are amongst the worst in the region, falling short of the MDGs, particularly in rural areas (Solomon Islands ranks 135 out of 182 countries listed in the 2009 Human Development Index). The remoteness and the fragmented geography of the country represent a major obstacle to development.

The global economic downturn has weakened Solomon Islands' economic situation in 2009 which has translated into an important loss of domestic revenues (1.9% of GDP compared to 2008). In this context, fiscal policy could not maintain capital and poverty-reducing spending in 2009 while safeguarding macroeconomic stability. Revenue shortfall was accommodated through additional external financing, and reducing some non priority spending, and some limited arrear accumulation. In addition to putting in place a number of measures to strengthen fiscal consolidation, the Government of Solomon Islands has successfully requested in this context an exceptional support (€ 15.2 million) under the EC V-FLEX to help mitigate the impact of the crisis by compensating the revenue losses and reduce potential cuts in social welfare expenditures. In parallel, it has called upon the IMF for assistance in its recovery programme. This has led to the recent approval by the IMF Executive Board of an 18-month US\$18.3 million Standby Credit Facility Arrangement. This programme puts a great emphasis on measures to support fiscal consolidation and sustainable growth.

The outlook for 2010–11 is nevertheless challenging. Growth is expected to rebound to 3.5 % in 2010, but hinges on the global recovery and new mining and telecommunications investment. The 2010 budget foresees an overall deficit including grants of 1.3% of GDP. The current account deficit is projected to remain large in 2010–11 due in part to mining-related imports. Pressures may emerge on reserves as credit and import demand pick up and with logging exports expected to further decline. However, medium-term prospects look more favourable with new gold exports expected to start in 2012. Revenue raising measures agreed with the IMF aim to focus more vigorous efforts on taxing logging, settling tax arrears, and limiting tax exemptions. Expenditure measures, meanwhile, will aim to contain public wage bill growth, strengthen cash and budget management systems, and cut non-priority appropriations to ensure adequate resources for education and health-related outlays. Longer-term efforts remain needed to develop a tax regime for the resource sector and encode fiscal responsibility into budget laws.

2.1.2. National Development/ Cooperation Policy and Strategy

A Medium Term Development Strategy (MTDS 2008-2010) was published in June 2008 following consultation with development partners. Its overarching priority is post-conflict

reconciliation. The strategy also gives a priority to infrastructure development and private-sector-led growth. It recognizes that to achieve growth, Solomon Islands needs to create an environment that promotes private sector activity. The MTDS is not a detailed operational plan, but aims at guiding the setting of sector plans. However, the ability of the MTDS to form a guiding strategic framework is constrained by its limited duration of only 2.5 years. The main tool to operationalise the MTDS is the Economic and Financial Reforms Matrix, which is approved by Cabinet and updated on an annual basis.

In March 2009, the Government initiated a regular dialogue with development partners under the umbrella of the CEWG. With the assistance of the CEWG, ADB acting as lead partner, the Government of Solomon Islands performed in 2009 a review of the MTDS, update it to cover the period 2010-2012 and launched the establishment of a longer term National Development Strategy Framework. The 2009 MTDS review concluded that overall good progress has been made in the implementation of the strategy, in particular in infrastructure development, but also in health and education, both in terms of access and equity. Recommendations guide the preparation of the update of the MTDS strategy for the period 2010-2012 and the National Development Strategy Framework, both to be finalized and approved by the Government after the elections. This process will feed in the Solomon Islands Performance Assessment due to be jointly conducted in August 2010 by the CEWG on the basis of the Economic and Financial Reforms Matrix.

Indeed, a long term priority of the Government of Solomon Islands is to enhance the sustainability of its development and economic reform programme through appropriate climate change adaptation and mitigation, and disaster risk reduction policies and to build resilience across the country. Climate Change is therefore high on the political agenda of the Government of Solomon Islands and is mainstreamed in the MTDS 2008-2010 and the main sector policies, including Agriculture and Livestock Sector Policy (2010), National Organic Agriculture Systems Policy Document (2010), Solomon Islands National Environmental Capacity Development Action Plan (2008-2010).

The Government of Solomon Islands agreed with the CEWG to include some indicators on the Solomon Islands Climate Change and Disaster Risk Reduction strategies and policies in the next 2011 Solomon Islands Economic and Financial Reforms Matrix, which will be finalized during the Solomon Islands Performance Assessment in August 2010. Such a broader political dialogue will include also sustainability issues, since the overall economic growth strategy of Solomon Islands relies heavily on natural resources (mining, fishing, and logging).

The Government of Solomon Islands is also committed to improve the alignment of the budget formulation and implementation processes to the MTDS priorities. Climate Change and Disaster Risk Reduction priorities will be included in the 2011 appropriations onwards. This strong commitment towards the MTDS as an important driver of budgetary processes needs to be reinforced in order to ensure that budget allocations adequately reflect the stated expenditure priorities. Currently, data and information is not enough to make a positive evaluation, track public expenditure and determine to what extent public expenditures represent MTDS priorities.

2.2. Eligibility for budget support

2.2.1. National Development or Cooperation Policy and Strategy

Notwithstanding the limitations of the current MTDS, as outlined in 2.1.2, a credible economic and structural reform process is underway and has been agreed with the international community (IMF and CEWG). The Solomon Islands structural and public finance management reform strategy is in line with the IMF Standby Credit Facility

Arrangement for the Solomon Islands and will be supported by the EU financed SIERA programme. Reforms are detailed in the Matrix, as agreed with the CEWG, which aims at ensuring both fiscal responsibility and adequate spending on development priorities.

The Disaster and Climate Change Risk Sector is supported by the National Disaster Risk Management Plan for Disaster Management and Disaster Risk Reduction including for Climate Change (NDRMP), approved by cabinet in April 2010. The NDRMP is considered a medium-long term policy integrating Disaster Risk Reduction and Climate Change, while the NAPA presents urgent and immediate priorities to be addressed on the short term for climate change adaptation.

The eligibility criteria related to the existence of a national reform strategy is confirmed.

2.2.2. Macroeconomic situation

A stability-oriented macroeconomic policy is under implementation with the support of the IMF, and the CEWG. The 2010 Matrix of Solomon Islands Government Economic & Financial Reform Priorities was agreed with CEWG in October 2009 and approved by cabinet. An eligibility assessment of the macroeconomic situation was undertaken in March 2010, which was positive, and which is still valid. On 2nd June 2010, this assessment was reinforced with the IMF approving the Standby Credit Facility Arrangement for the Solomon Islands (USD 18.3 million). The Fund will make a first assessment of progress made under the programme by end of June. A more thorough review is planned in late August.

The CEWG acknowledged the strong commitment of the Government of Solomon Islands to reforms, as well as its leadership and ownership demonstrated all along the process. Several development partners already disbursed in the first Semester of 2010 their budget support to Solomon Islands, notably ADB (USD 5 million), Australia (SBD 21 million) and New Zealand (SBD 15 million).

With the IMF programme approved, the eligibility criteria related to a macro-economic stability oriented policy is confirmed.

2.2.3. Public Financial Management

A comprehensive Public Financial Management (PFM) reform process has been put in place since 2005, which has intensified in 2008 thanks to significant technical assistance and recognition that PFM reforms are critical in order to reach fiscal sustainability. The reform programme has already addressed a number of weaknesses as identified in the PEFA conducted in November 2008. These include significant improvements in the timeliness and auditing of the 2007 and 2008 financial statements; updated and audited State Owned Enterprises accounts; control points established for payment and procurement processes; updated Financial Instructions and new frameworks for upgrading the finance and payroll systems; and significant reduction in tax exemptions. The reform process can be characterised as pragmatic and incremental, with great importance being given to the ownership of the reforms at the political level. That process has benefited from the excellent partnership and dialogue between all stakeholders, including donors. PFM reforms have been driven by the principal objective to ensure a budget which limits debt to a manageable and sustainable level, in line with its medium-term fiscal strategy (2008-2013). According to the Government reform matrix, future reforms, which are supported by strong Technical Assistance, will centre on the budget processes (including a strategy to move to multi-year budgeting, now under preparation), revenue mobilisation and treasury system upgrades. The matrix outlines a broad, realistic and carefully sequenced agenda of reforms. Caution will be required in terms of the planned move towards a more output-based budget system and in terms of not over-focusing the reforms at the central level. A PER to be undertaken by the World Bank will provide a critical basis for continuing prioritisation within PFM reforms leading up to the next PEFA in 2011.

Taking into account that the "ultra-basic elements" in terms of treasury management, budget execution and reporting, as defined in the methodology on Budget Support in Fragile Situations, are in place, considering that the weaknesses identified are being addressed as part of a coherent PFM reform programme, and that good progress has been made in its implementation, it is assessed that the eligibility criteria related to the existence of a credible PFM reform process is confirmed.

The criterion related to the implementation of a PFM reform is confirmed.

2.3. Sector Policies

Costed but fiscally unconstrained sector strategies exist for most sectors, including the MTDS and the Education and National Transport plans. Assessment of sector policies and of the link between sector expenditures and policies is rendered challenging by the inadequacy of information on expenditure, which is poorly presented and not comprehensive. The on-going sector review of the MTDS and the upcoming PER will be critical in that respect.

The Solomon Islands Government finalised in 2008 its NAPA after extensive consultations with populations, civil society and development partners. The NAPA presents urgent and immediate priorities (seven) to be addressed on the short term for climate change adaptation. However, while the NAPA priorities represent the natural starting point for addressing adaptation priorities it is essential that a structural, longer term and resilience framework for the country is consistently developed. The Government of Solomon Islands approved in April 2010 the NDRMP. More recently the Government of Solomon Islands brought both the Climate Change Office and National Disaster Management Office (NDMO) under the Ministry of Environment, Conservation and Meteorology (MECM) in view to rationalise and strengthen coherence in the design and implementation of its policies in the sector.

2.4. Lessons learnt

The efficiency, harmonization and extent of coordination between the Government of Solomon Islands and development partners have reached unprecedented levels in Solomon Islands since the arrival in 2008 of the CNURA. The public support expressed across all sides of the political society, in particular in favour of policy dialogue and the visible progress made through the CEWG, could augur that CEWG will continue to operate at these levels after the national elections. The space opened by the SI-CEWG forum already caters for various sectoral dialogues, as on education, health and infrastructure as well as on PFM reforms⁵⁷. It should also offer a more appropriate performance assessment framework for the Disaster and Climate Change Risk sector than a sectoral mechanism which would only disperse the focus achieved by the Government of Solomon Islands in establishing the CEWG and consolidating the Matrix. This will allow the partners of CEWG to jointly monitor progress in this sector without overstressing the limited capacity available in the Government of Solomon Islands. This is what was achieved by ADB in adding some key indicators on education and health in the 2010 Matrix in view to demonstrate fiscal sustainability and responsibility. Furthermore, project intervention in priority Climate Change related sectors such as forestry would also be of lesser added value given the on-going projects funded under STABEX EU Sustainable Forestry Programme on conservation (ex. REDD readiness of the Tetepare Forests and Communities) and reforestation (support to KFPL and EAGON).

⁵⁷ The sectoral dialogues are led on donors side by New Zealand for Education, Australia for Health, ADB for Infrastructure and World Bank, ADB and EU jointly for Structural and PFM reforms. The former sectoral dialogues did not yet reach the formal levels of SWAPs. The EU lead the PEFA exercise while World Bank is the lead for the PER and ADB for the National Development Strategy Framework and the review of the MTDS.

2.5. Complementary actions

Most development partners contributing towards the Disaster and Climate Change Risk Sector are also in the CEWG. UNDP implements a USD 2.1 million programme on Environmental Management and Climate Change Reduction. UNDP, also, implements a USD 0.7 million project on Adaptation to Climate Change in the areas of food security and agriculture. The World Bank implements a program linking two funds from GEF (Climate Change, USD 5 million) and GFDRR (Disaster Risk, USD 2 million), addressing a number of NAPA priorities that are also reflected in the NDRMP⁵⁸. The SICAP will provide the Government of Solomon Islands with the necessary budgetary leverage to strengthen harmonization and coordination amongst all the actors in the Disaster and Climate Change Risk Sector and facilitate linkages with the regional Small Pacific Islands GCCA actions that are under formulation. In the main, the CEWG will offer a good base for performance assessment, specifically in relation to the climate change indicators.

2.6. Donor coordination

The IMF was closely associated to the preparation of the V-FLEX budget support programme and will continue to be so. With the CEWG in place the Government of Solomon Islands has significantly strengthened policy dialogue, harmonization among development partners and hence was able to define a coherent and comprehensive response strategy to the Global Economic Crisis. All parties agreed to the need for a common framework that would set out the Governments policy agenda and provide a foundation for budget support. Based on the MTDS, key fiscal measures and structural policy actions were identified, forming the basis of the Economic and Financial Reform Matrix. In parallel, a PFM working group was also set up, and a PER is being undertaken. Policy dialogue around the CEWG has been recognised by all parties as excellent and the policy dialogue framework is considered the best in the Pacific.

3. DESCRIPTION

3.1. Objectives

The overall objective of this program is to contribute to climate change adaptation and reduction of vulnerability of people and communities in Solomon Islands.

The specific objective is to support the Government of Solomon Islands capacity for policy enhancement, coordination and implementation of its national Climate Change strategy in line with its NAPA and NDRMP.

3.2. Expected results and main activities

The SICAP will contribute to strengthen the implementation of both the Solomon Islands Government Economic & Financial Reform Priorities and the Solomon Islands NAPA and NDRMP. The intervention will significantly enhance the absorptive capacity of the Solomon Islands Government in Climate Change, a crucial area in Solomon Islands.

There main expected results are:

- i) Effective mainstreaming of Climate Change and Disaster Risk Reduction priorities in national development policies and in key sector strategies.

⁵⁸ The program includes the following i) Governance of the Climate Change and Risk Reduction Sector, ii) Hazards and Hazards Information systems, and iii) River Management to improve flood management and early warning on Guadalcanal.

- ii) From 2011 onwards, budget allocated to key institutions carrying out Climate Change and Disaster Risk Reduction activities, notably those targeting people living on low-lying atolls, artificially build islands and other low lying coastal areas.
- iii) Institutional capacities within the Ministry of Environment and National Disaster Management Office are strengthened.
- iv) A National Climate Change Strategy, coherent with the NDRMP and NAPA, is established in consultation with all stakeholders.

Main activities will relate to policy dialogue, capacity development, ensuring alignment and harmonisation and predictability of flow of funds, and monitoring of conditions for disbursement of budget support, during joint CEWG missions as much as possible. These will be achieved with € 2.8 million General Budget Support from the ENRTP/GCCA budget line and the inclusion of Climate Change indicators in the Governments matrix of Financial and Economic Priorities. Technical assistance could be provided through the GCCA technical support facility and/or any other development partner in consultation with the CEWG.

3.3. Stakeholders

The Ministry of Finance & Treasury (MoF&T) leads the implementation of the Solomon Islands Government Economic & Financial Reform Priorities and will be the lead ministry for the SICAP programme. It will mobilise all other ministries responsible for the implementation of the economic reform programme and of the Disaster and Climate Change Risk sector, notably the Ministry of Development Planning and Aid Coordination (MDPAC) and the Ministry of Environment, Conservation and Meteorology (MECM) under which fall both the National Disaster Management Office and the Climate Change Office.

Other stakeholders include civil society (NGO, Media, etc.), playing an active role in the consultations leading to the implementation of Climate Change policy reforms and some of the NAPA priorities, such as resettlement of population from low-lying atolls. The final beneficiaries are the people and communities of Solomon Islands more prone to be affected by hardship and disaster related to Climate Change. The CEWG will be the forum for the coordination and monitoring of the SICAP.

3.4. Risks and assumptions

The risk analysis in the context of fragility and "grille" elaborated for SIERA are still valid and will be updated in late 2010 following the elections. Yet, the approval by the IMF Board of the Standby Credit Facility Arrangement for the Solomon Islands does reinforce the eligibility of the country to EU budget support. The main assumption made is the maintenance of political and social stability as well as continued commitment of the Government of Solomon Islands to reforms, following the forthcoming elections in 2010. However, the strong presence and preparedness of RAMSI constitutes a strong deterrent to previous post electoral violence.

Other risks identified are increased pressure on natural resources and land by resettling people as a consequence of increased population density. Risks associated with resettlement are mitigated through the elaboration of Guidelines for Human Resettlement projects, including safeguard standards.

3.5. Crosscutting issues

The implementation of the Solomon Islands Government Economic & Financial Reform Priorities aims at improving good governance in the management of public affairs through structural and PFM reforms.

Through SICAP, the political dialogue with the Government of Solomon Islands will include broader sustainability issues, as the economic growth strategy of the Government of Solomon Islands relies heavily on natural resources (mining, fishing, and logging). SICAP will further support the governance improvement in the country, which remains prone to disasters of many kinds (flooding, high tides, earthquakes, tsunamis) and highly vulnerable to the impacts of Climate Change. It will further ensure consideration of cross cutting issues in relation to the implementation of the NAPA and NDRMP, including land tenure (87 % of land is customary land), land management, gender, rights of indigenous people, religious issues, and environmental sustainability.

4. IMPLEMENTATION ISSUES

4.1. Budget and calendar

The programme will be financed to the tune of EUR 2 800 000 from the GCCA budget line. The disbursement will be done in 2011 and 2012 with one fixed and one variable tranche in each year. The operational implementation phase that starts from the entry into force of the Financing Agreement and will have a duration of 36 months. The disbursement plan will be as follows:

SICAP disbursement plan (EUR 2 800 000)

<i>Year</i>	<i>Fixed Tranche</i>	<i>Variable Tranche</i>	<i>Total</i>
2011	1 000 000	300 000	1 300 000
2012	1 000 000	500 000	1 500 000
Total	2 000 000	800 000	2 800 000

4.2. Budget support modalities

The Action consists of a direct and untargeted general budget support. In order to give maximum predictability to the Government of Solomon Islands to plan its expenditure over the 2011 and 2012 budget exercises, two fixed tranches of EUR 1 000 000 are proposed. In addition, two variable tranches (up to EUR 300 000 in 2011 and up to EUR 500 000 in 2012) are proposed, pending the level of satisfactory performance in regard to the fulfilment of climate change related indicators.

4.3. Procurement and grants award procedures

N/A.

4.4. Performance monitoring and criteria for disbursement

Disbursement of all tranches is based on an assessment of general conditions (i.e. eligibility). The general conditions for the disbursement of budget support foresee a review of the three EC's eligibility criteria to General Budget Support, namely public finance management, the Medium-Term Development Strategy, and the macro-economic situation.

In addition, the disbursement of the two variable tranches (EUR 300 000 in 2011 and EUR 500 000 in 2012) is also based on a satisfactory performance in regard to the fulfilment of key measures or special conditions linked to climate change.

In addition to the general conditions, the following special conditions will be assessed prior to the release of the variable tranches:

- 2011 variable tranche (up to EUR 300 000): following the sector review of the 2008-2010 MTDS, the Solomon Islands NAPA priority 1 activities, notably relocation, are

mainstreamed in the approved 2010-2012 MTDS, the National Development Strategy Framework, National Transport Plan and the Development Budget of 2011.

- 2012 variable tranche (up to EUR 500 000): NAPA priority 1 activities, notably relocation, are mainstreamed in the Development Budget of 2012; a National Strategy on Climate Change is approved by National Disaster Council and submitted to Cabinet; and Institutional Capacities within the Ministry of Environment and National Disaster Council⁵⁹ are strengthened.

Three elements will be tabled during the CEWG Joint Annual Review in August 2010: i) a review of the Solomon Islands matrix of Financial and Economic Priorities, ii) a general discussion on the three EC's eligibility criteria, and iii) a discussion on the next 2011 matrix and indicators. Under the co-leadership of the MoF&T, MDPAC and MECM, assessment prior to disbursement of the tranches and progress in the implementation of the SICAP will be assessed in the context of the Annual Review of the Economic and Financial Reform Priorities matrix, and its quarterly updates, submitted by the Government of Solomon Islands to CEWG. UK, the sole Member State present in Honiara, will also be associated to this review.

4.5. Evaluation and audit

Internal Audit is an integral aspect of the programme and reports on internal audits for relevant Ministries will be submitted to the EU. The Office of the Auditor General will make available to the EU the Audit Report within six months of the closing of the accounts. If necessary, any evaluations/audit, including the external assessment of the achievement of the specific conditions will be financed under the Technical Cooperation Facility under the 10th EDF or any other instrument available.

4.6. Communication and visibility

The SICAP will receive high profile specific press coverage.

⁵⁹ Committees of the National Disaster Council are as follows: Risk Reduction (chaired by Ministry of Lands), Hazards (chaired by Ministry of Environment, Conservation and Meteorology), Disaster Management (chaired by National Disaster Management Office), and Recovery & Rehabilitation (chaired by Ministry of Development Planning and Aid Coordination).

Action Fiche DD – GCCA in Belize

1. IDENTIFICATION

Title/Number	GCCA - Enhancing Belize's resilience to adapt to the effects of climate change DCI-ENV/2010/22636		
Total cost	EU contribution: EUR 2 900 000 GOB and UNDP Contributions: EUR 300 000		
Method of implementation	Project approach: joint management with UNDP		
DAC-code	14031 14010	Sector	Water resources policy and administrative management Basic drinking water supply

2. RATIONALE

2.1. Sector context

Belize is located in Central America, bordering the Caribbean Sea, between Guatemala and Mexico. North to South, Belize is 274 km long and 109 km wide East to West. The country is divided into six administrative districts: Belize, Corozal, Orange Walk, Cayo, Stann Creek and Toledo. The total area of Belize is 2 296 560 ha that includes 154 000 ha of lagoons and 69 000 ha of approximately 450 small islands. Belize's economy, like all Caribbean low-lying coastal countries, is based on agriculture, fishing, timber, and tourism industries. These sectors depend heavily on its unique tropical climatic conditions with little seasonal variation in temperature. One key common resource to the driving forces of this type of economy is the water sector. In addition, rural communities living from cash crops, subsistence farming or landless agricultural workers are equally highly depending on natural resources availability, including to access to clean water.

According to a National Poverty Assessment in 2002, more than a third of the population was living in poverty, and the proportion of poor households was almost twice as high in rural areas as in urban areas. Almost 13 per cent of rural households were extremely poor, compared to 3.3 per cent of urban households. A high percentage of poor rural people, including young people and adults, are active in agriculture, either farming on their own account or working for wages.

A regional study by the Community Caribbean Climate Change Centre (CCCCC) summarized a number of inherent circumstances that makes the Caribbean particularly vulnerable to climate change. The most relevant for Belize are:

- Protection costs for human settlements and critical infrastructure are too burdensome for individual states.
- High susceptibility to natural hazards including tropical cyclones (hurricanes) and associated storm surge, droughts, tsunamis, and volcanic eruptions. This is especially important given that most key infrastructure (tourism, transport, and communications)

and major economic activities are concentrated within the coastal zone and, in some cases, low-lying floodplains. Lack of planning policies and/or failure to enact such policies can lead to large expanses of unplanned developments.

- Low economic resilience due to the extreme openness of small economies and high sensitivity to external market shocks over which they exert little or no control.
- Frequently poorly developed infrastructure: the exception is major foreign exchange-earning sectors, such as tourism.
- Deficit of insurance coverage: organisations and individuals alike often experience difficulty in securing requisite levels of insurance or re-insurance due to the perceived proneness to natural disasters.
- Large population settlements are located in coastal areas where they are very susceptible to flooding and storm surge. The prospect of sea level rise thus poses a serious threat for these coastal populations and the supporting infrastructure.

Sea level rise bears other potential consequences such as coastal erosion and land loss, flooding, soil salinisation, and intrusion of saltwater into groundwater aquifers. The quantity and quality of available water supplies can affect agricultural production and human health. Similarly, changes in sea surface temperature, ocean circulation, and upwelling could affect marine organisms such as corals, sea grasses, and fish stocks.

Mean annual temperatures of 23-27°C have already increased by 0.45°C since 1960, at an average rate of 0.10°C per decade. According to IPCC (Inter-governmental Panel on Climate Change) scenarios, the mean annual temperature is projected to increase by 0.8 to 2.9°C by the 2060s, and 1.3 to 4.6 degrees by the 2090s. The range of projections by the 2090s under any one emissions scenario is 1.5-2°C. The projected rate of warming is a little more rapid in the wet seasons, May-June-July and August-September-October than the dry seasons November-December-January and February-March-April. All projections indicate substantial increases in the frequency of days and nights that are considered ‘hot’ in current climate.

During the ‘wet’ season (May to October), mean monthly rainfall can be 150 to 400mm, with highest rainfall totals in the south. In the dry season (November to April), most of the country receives less than 100mm of rainfall per month and 2060s projections from different models indicate decreases in total mean rainfall.

Finally, in recent years, Belize has been prone to cyclical hurricane damage, tidal wave, floods and wind damage to agriculture, property and infrastructure which have caused devastating effects to the economy. During the last 75 years, 21 tropical storms have been recorded in Belize. One out of every three storms has been hurricane of category 3 severity and the incidence of those extreme events has increased in recent years. Statistics gathered have shown that the coastal towns and areas of Belize are extremely exposed to high winds and storm surges. Belizean agricultural and economic infrastructure are also especially vulnerable to flash floods due to the low sea levels in large areas of the country and heavy rainfalls accompanying these storms that are contributing a significant fraction towards the high wet-season rainfall totals.

National Climate Change Policy

As a Party signatory to the UN Framework Convention on Climate Change (UNFCCC) Belize is committed to:

- Gather/share information on GHG emissions, national policies and best practices;

- Launch national strategies for addressing GHG emissions and adapting to expected impacts;
- Cooperate in preparing for adaptation to the impacts of climate change.

In this context, Belize is required to periodically prepare National Communications (NC) detailing which measures it is taking to address climate change matters. Belize submitted its First National Communication to the UNFCCC Conference of Parties (COP) in 2002. Its Second National Communication (SNC) is now close to completion and will be submitted to the FCCC Secretariat for the upcoming UNFCCC Conference of the Parties (COP16) at the end of the year.

The Country Strategy Paper 2008–2013 signed between Belize and the EU acknowledges that Belize faces challenges concerning Government capacity and commitment to deal with consequences of climate change. It further states that an assessment of the Ministry of Natural Resources and Environment pointed to weaknesses in coordination at the highest levels of government on natural resources and environmental policies and their implementation. To date, Belize has no dedicated Department in charge of the overall coordination of climate change issues. The National Meteorological Service (NMS) under the Ministry of Natural Resources and Environment is currently the focal point for all matters related to climate change. This service, as integral part of the Ministry, is primarily in charge of on-going meteorological related work (including as a priority, emergencies in case of climate extreme events). On top of this, NMS is required to facilitate GOB participation in political, scientific and technical gatherings at international and regional levels (e.g. UNFCCC, IPCC, Central American and CARICOM expert meetings).

A National Climate Change Committee (NCCC) has been appointed in the context of the formulation of the Initial National Communication to the UNFCCC secretariat. This multi-stakeholder group was established to provide professional and independent support to the National Meteorological Service on matters relevant to Climate Change. Since the completion and submission of the NC, the Committee met infrequently. In 2009 the NCCC mandate was revisited with the view to strengthen its role but this topic currently remained a pending issue. Nevertheless, it remains a large group of national organisations that is too broad and not really operational to address specific national policies and respond to the heavy climate change political agenda as well as the numerous field of work generated under the UNFCCC, the Kyoto Protocol and the post-Kyoto agenda. In the field of building resilience to address climate related disasters for example, even with the existence of a regionally recognized role model agency, the National Emergency Management Organization (NEMO), people are of the opinion that the country is not prepared to properly handle extreme weather conditions in the short term but also in the longer term.

As a result, the Stocktaking and Thematic Assessment for the UNFCCC report stated that the NMS alone does not have the capacity to fully implement all the dimension of the UNFCCC while carrying out its normal routine. Several specialized experts should be working full time, closely involving several other agencies (such as those working for on forestry, energy and water issues) who are also solicited on the climate change topic but without a solid national coherent approach. Partnerships between institutions must be fostered to collaborate in the implementation of programmes and activities designed to achieve the objectives of the Convention and its Protocol.

Meanwhile, the Government of Belize (GOB) has approved and is implementing the GEF funded project “*Strengthening Institutional Capacities for Coordinating Multi-Sectoral Environmental Policies and Programmes*”. The project was launched in April 2009, as a follow-up to a ‘National Self-Capacity Needs Assessment’ (NCSA) process that led to this comprehensive new capacity building initiative. The Minister of Natural Resources and the Environment, in his keynote address, pointed out that the initiative commemorates the start of a new wave of collaboration amongst Governmental counterparts, non-governmental organizations, community-based organizations, and other stake holders who have long been working with little or no coordination towards the same goal: towards better management of Belize's natural resources and environment. The Ministry of Natural Resources and Environment, in collaboration with the Ministry of Economic Development, launched the Natural Resource and Environmental Policy Sub Committee (NREPS), which is focusing on design, implementation and adjusting policies that will facilitate the management and sustainable development of Belize’s natural resources in a manner that will benefit all stakeholders”. The new entity, the NREPS does facilitate since April 2009 the establishment of national policies in major sectors that will assist in the negotiation of country positions to ensure that multi lateral agreements are negotiated in a manner that assures Belize benefits from the decisions and policies adapted regionally and internationally. NREPS will also serve to monitor and analyze the effectiveness of policy interventions (programmes, plans and projects) that have a direct bearing on the implementation of the multi lateral environmental agreements, ensuring global responsibility is met, while guaranteeing that local needs and goals are addressed’.

Climate Change Policy in the Water Sector

Currently, the water sector is the only sector with a comprehensive policy that addresses climate change issues. The UNFCCC vulnerability assessments confirmed that the water sector was the most vulnerable one. However, until recently, the legal framework of the water sector has been dispersed and segmented and numerous governmental are agencies involved in its management. The following institutions are dealing the following responsibilities:

- The *Ministry of Natural Resources and Environment* with *The National Meteorological Service* in charge for the monitoring of climatic and hydrologic conditions.
- The *Belize Water Service Limited*, a subsidiary of the Government of Belize, responsible for maintaining and developing waterworks, increasing and improving the water supply and promoting the conservation and proper use of water resources in the country. It also supervises the *Rural Water Supply and Sanitation Department* in charge for providing drinking water and sanitation in the rural areas.
- The *Land Utilization Authority* responsible for the evaluation of the effects of land use on water and natural resources.
- *The Ministry of Works* implementing infrastructure projects such as drainage, bridges, fluvial transport and maintenance of canals; and
- *The General Direction of Electricity Supply* provides licenses and controls for the hydroelectric power.

As a result, certain aspects of water management were not addressed at all: groundwater use and management (including irrigation) for example were not covered by any of those institutions and therefore not considered under governmental authorities.

In order to address these problems, a thorough technical, social and political analysis (including an extensive participatory consultative phase) was initiated in the early 90ties. This

process led to the formulation of a *National Integrated Water Management Policy* in 2008. A related *National Adaptation Strategy to Address Climate Change in the Water Sector* (Strategy and Action Plan) was prepared in parallel and finalized in 2009. The Adaptation Strategy foresees the following 5 actions:

- Establishment an agency to execute integrated water resources management;
- Strengthening the existing institutional and human resources capacities in the water sector for improved management practice, (incl. establishment of a water inventory)
- Formalizing the legal mandate and operations of the National Climate Change Committee,
- Strengthening the trans-boundary relationships to cover the impacts of climate change on the water sector
- Increasing public awareness and education in water culture and climate change.

The policy and strategy were adopted by Cabinet's decision on 16th April 2009; the Deputy Prime Minister signed both documents on 22nd March 2010 as Belize's official water policy and strategy. In June 2010, the House of Representatives passed in First reading an amended version as requested by stakeholders. The Final Approval of the document as legally binding Act will pass after a Second reading which scheduled in August 2010. Among other things, this Act proposes to create a National Water Resources Authority (NIWRA) to take on responsibility for leading critical issues on water resource management such as licensing of rights to abstract water and the protection of water from contamination. The implementation of the National Integrated Water Management Policy will be supported by this project.

As shown in various studies, Belize is both, prone to recurrent flooding and prolonged periods of drought. Periods of prolonged droughts and heat waves have already negatively affected the availability of potable water. The need to increase national water resources management and control was especially highlighted in the National Integrated Water Management Policy with regard to strategic response and related adaptation mechanisms. Floodings have regularly affected livelihoods and infrastructure in low-lying areas and adaptation measures are required to minimize future negative impacts.

2.2. Lessons learnt

The large number of climate change related initiatives and/or projects currently carried out in Belize are often implemented in isolation. The Government has illustrated its desire to address this problem, in particular showing political support and financial contribution to the new GEF funded institutional capacity building project with the creation NREPS. This entity is operating jointly between the Ministry of Natural Resources and the Ministry of Economic Development. A specific climate change mandate and work programme will complement this on-going initiative.

The Belize Climate Change Survey found that 46% of the government ministries/departments claim that the current policies/strategies to address climate change are not adequate. In fact, most of them indicated that their ministry/department is not giving climate change the required importance.

The execution by the Government of the GEF funded project and implemented by UNDP demonstrates the government willingness to address the issue of mainstreaming environment matters into their national development. It will constitute a logical entry point to solidify the mainstreaming of sound environmental policies and reinforce capacity to deal with climate change issues.

In addition, consultations made during the formulation of the National Water Policy showed that there is a need for a comprehensive public awareness to ensure that the public and decision makers better understand the issues, challenges and opportunities that could arise from a changing climate. It was decided that public information will be systematically done during the implementation of the water projects and its cooperation with the CCCCC and other relevant regional institutions. Public consultation will be undertaken before submitting the second national communication to the Government Cabinet for final approval. Lessons from a cross-section of water research projects provide evidence for the need for critically engaged science and management to lead to robust solutions.⁶⁰

2.3. Complementary actions

The Belize Rural Development Project - BRDP (Phase I 2006-2010: €9 M, Phase II 2010-2014: €11 M): The overall objective of BRDP was to support sustainable economic growth as the primary means of alleviating poverty in the rural areas of the country. The expected results of BRDP were:

- Development of efficient small, medium and micro enterprises at community/village level;
- Development of rural infrastructure for basic services;
- Strengthened policies, institutions and communities;

As the focus of the current GCCA intervention will be on the water sector, the link to the EU-funded BRDP long-term action can be made through the infrastructural components projects that were implemented such as: the Cayo Farmers Market, the Crooked Tree Village Water System, the Hurricane Dean Project, and the rehabilitation of the Middlesex Bridge. For example: the water supply system for Crooked Tree Village was designed to address the sustainability of potable water for some of the oldest villages in Belize with the involvement of Belize Social Investment Fund in the project administration. It complements the Agriculture Enterprise Development for Rural Belize-project (an initiative of the UNDP and Ministry of Agriculture and Fisheries) which aims to provide for: drainage & irrigation, processing and protected covered structures. Additionally, the rehabilitated Middlesex-bridge will provide access for traffic under all but the most extreme weather conditions.

The Accompanying Measures for Sugar (2006–2010: €48 M): In the framework of the 'Belize Country Strategy for the Adaptation of the Sugar Industry', the EU is assisting GoB in reducing poverty through promoting sustainable development in the sugar belt in northern Belize (Corozal and Orange Walk districts). This EU assistance aims to achieve the following objectives:

1. A competitive and diversified sugar cane industry that contributes to a stable and sound physical environment in sugar-dependent areas.
2. Improved physical access and communications in northern Belize that create a stronger enabling environment for social and economic development.

⁶⁰ Gyawali, D., J.A. Allan et al. 2006. EU-INCO water research from FP4 to FP6 (1994-2006) – a critical review. Luxembourg, Office for Official Publications of the European Communities, 86 p.

3. Diversified sources of income and employment in sugar-dependent areas and an improved level of income.
4. A stronger macroeconomic framework which supports the Government of Belize in pursuing its development agenda.

The Special Framework of Assistance (bananas) Programme (2000-2012: €27 M)

The aim of the SFA Programme is to promote sustainable development and to alleviate poverty in banana producing areas (South of Belize). This has been pursued through:

- (i) Efficiency improvements within the banana industry to better enable producers to compete in a more liberalized world market on a sustainable basis;
- (ii) Through the delivery of rural development measures improvements to the living conditions of banana farmers, workers and associated communities in the traditional banana growing areas and the extended communities of the Stann Creek and Toledo districts

The GCCA programme will also complement activities financed under the GCCA 10th EDF Intra-ACP regional programme which has allocated €8 M for the Caribbean region. This grant will support priority areas of action identified in the Caribbean Regional Climate Support Strategy by way of institutional support, regional cooperation and creating an enabling environment for natural resources management and agriculture diversification. The Caribbean Community Climate Change Centre (CCCCC), based in Belize, is responsible for implementation of the regional GCCA component and will closely interact with at least the public awareness component of the project

‘Capacity Building for the Clean Development Mechanism’, another key flexible mechanism to implement the Kyoto Protocol, is a project implemented through the National Meteorological Service (with EU & UNEP) which will be directly linked to the institutional building component of the GCCA initiative. This project is for participating countries to develop a national CDM portfolio of projects through which emission reduction buyers may be interested to procure CERs.

The **UNDP** GEF project *“Strengthening Institutional Capacities for Coordinating Multi-Sectoral Environmental Policies and Programmes”*. The project, launched in April 2009 aims at collaboration amongst Governmental counterparts, non-governmental organizations, community-based organizations, and other stake holders to obtain better management of natural resources and environment.

In addition to the GEF funded **UNDP** programme on Institution building for MEAs, the UNDP country Programme for Belize (2007-2011) together with BCPR aims to reduce natural disasters and to incorporate sustainable management of the environment and natural resources into poverty reduction strategies as well as key national and sectoral development strategies that could offer both opportunities for synergies and practical tools and methods. The Government of Belize has also agreed to use the UNDP Country programme (TRAC) to support the formulation of a National Climate Change Strategy and Action Plan (SAP) for Belize. Along with the SAP implementation, it is also foreseen that the Belize UNDP office will be contracted by the GoB to also carry out the management of the country GCCA allocation with the understanding that both initiatives will require the mobilization of similar sources of national, bilateral and international resources.

The Organization of American States through its Department of Sustainable Development (OAS/DSD) and the financial support of the German Government is implementing a project *promoting the establishment of community-based Flood Early Warning Systems (FEWS)* for selected, small watersheds in the eight member countries of SICA, namely: Belize,

Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and the Dominican Republic. The project is entitled: “*The Central America Small Valleys Flood and Vulnerability Reduction Programme (SVP): Regional Platform Development*” and began officially in November 2008. In connection with this initiative, the Government of Belize through the National Emergency Management Organization (NEMO) and the National Meteorological Service (NMS) is joining effort with the Organization of American States (OAS) through its Department for Sustainable Development (DSD) is establishing a community-base Flood Early Warning System (FEWS) for four villages in Belize within the trans-boundary Rio Hondo watershed. The greater Rio Hondo basin is shared by Belize, Mexico and Guatemala, and the Rio Hondo forms the natural border between northern Belize and the state of Quintana Roo, in Southern Mexico.

The **Preparedness for Climate Change - the Caribbean** project (PfCCC), to be rolled out from March 2010 to December 2010 is executed by the National Red Cross Societies with funding from the European Commission. The funds are primarily capacity building in nature and aim to give the Federation and Red Cross National Societies the tools and technical advice to mainstream climate change into their planning and activities. The PfCCC project provides support for Red Cross National Societies to orient themselves on the changing risks for their country, and assess implications for plans and programmes and communicate the findings. The Belize Red Cross Society is collaborating with the UNFCCC Focal Point in this project.

The Ministry of Natural Resources and the Environment, with the Forest Department under the auspices of the German Cooperation Program (GTZ) and the Central American Commission on the Environment and Development (CCAD) will be hosting an inauguration workshop for the project entitled “Reduced Emissions from Deforestation and Forest Degradation (REDD) for Central America and the Dominican Republic”. REDD has been identified as an important tool to mitigate the impacts of climate change. A workshop will be held on the 22nd and 23rd July, 2010. The purpose of the workshop is to introduce relevant stakeholders to the objectives of the REDD project, the projects’ financing mechanism and the technical support staff (regional and national) as well as the potential challenges to be faced.

Belize is also part of a regional programme for the Caribbean called ‘*Carbon neutral tourism*’ funded by the IADB. The general objective of the program is to assist the Caribbean region, including Belize, in responding to climate change by enhancing its climate resilience. The specific objectives are to devise ways of attracting new sources of financing for the scaling-up of low carbon investments in the tourism sector and reducing the sector’s vulnerability to climate change.

The *Disaster Risk Reduction Plan of Action for Agriculture and Fisheries* (FAO and UNDP) started in 2010; it is still at the implementation stage; methodologies could be relevant for pilot actions in the agriculture sector. These activities could make greater use of public domain fish biodiversity assessment instruments, such as FishBase, which was developed as of the 1990s through EDF funding. Recent additions from international research cooperation are Aquamaps that allow estimating changing species distributions under different climate change scenarios and costly species invasions⁶¹.

⁶¹ www.fishbase.org – www.aquamaps.org

The *Belize River Valley Project* was undertaken under the Caribbean Disaster Management Project and was funded by the Japan International Cooperation Agency. Belize was one of the five pilot countries selected to build capacity for managing flood hazard.

A community-based adaptation project under Ya'axche' Conservation Trust "Livelihood Centred Application to Climate Change" is funded by the Inter-American Foundation to increase the adaptive capacity of communities in Southern Toledo.

The proposed project will build upon the results achieved by the above-mentioned initiatives. Furthermore, the EU funded programmes in agriculture and rural development will continue over the upcoming years. The scientific expertise as well as the strengthened institutional capacity that will be developed under the project will be a source of information and support to climate proof the ongoing EU programmes. Climate change impact assessments and further adaptation measures to climate vulnerability will be available at the national level to support various economic sectors, such as the agriculture.

2.4. Donor coordination

The proposed activities are consistent with the European Consensus of 2005 which states that *the Community will focus its efforts on the implementation of the EU Action Plan on Climate Change in the context of development cooperation, in close collaboration with the Member State* (Part 2, Art. 76). Assisting third countries in addressing climate change is not only part of the larger goal of striving for environmental sustainability but also to ensure poverty alleviation through adaptation so that the implications of climate change do not undermine progress towards the Millennium Development Goals.

Actions proposed in this programme are complementary to existing international climate change initiatives, in particular those established under the United Nations Framework Convention on Climate Change and the Kyoto Protocol (e.g. Special Climate Change Fund, Least Developed Countries Fund, Adaptation Fund, Climate Change window of GEF trust fund, CDM).

3. DESCRIPTION

3.1. Objectives

The overall objective of this project is to enhance adaptive capacity and resilience to climate change in national policies, including the water sector in Belize.

The GCCA Project will aim for two specific objectives:

- a) To improve the resilience to climate change by means of interventions in the water sector which are consistent with other on-going initiatives.
- b) To enhance GOB institutional capacities related to climate change. The aim is to provide support for the establishment of a permanent climate change desk within the Ministry of Natural Resources that will provide economic, social and environmental expertise to meet the Government's objectives as required for the implementation the UNFCCC, its Protocol and the Post Kyoto measures. This expert group could also be in charge of designing and coordinating awareness raising initiatives in Belize, in cooperation with specialized institutions such as the CCCCC.

3.2. Expected results and main activities

Result 1: Increased resilience in the water sector against potential climate change impacts

This component will support the implementation of the National Adaptation Strategy to Address Climate Change in the Water Sector. Physical interventions are foreseen (in the form of pilot projects to be detailed at a further stage) which should result in better adaptation to and/or better mitigation of the negative effects of: droughts, floodings, soil erosion (also in coastal areas) and salinization (adopting a ridge to reef approach).

Adaptation to droughts will address the perennial water scarcity that occurs during the dry season due to the reduced availability of stream water in combination with the lowered water table. Mitigation will look at ways to guarantee a sustainable supply of water dealing with the poor water quality during the rainy season (turbidity), salinization and other contamination problems of the aquifers during the dry season. Adaptation to floods will be improved by the introduction of appropriate watershed management measures (from white water to blue water approach). This may also include small scale infrastructural works. The issue of salinization will be guided by an integrated planning of the water resources (to be drafted) and may result in the strategic creation and use of wells, depending on the available water in the aquifer; the possible contamination (population, land use). Lastly, for the mitigation of the negative effects of soil erosion, land use management and replanting at strategic locations will be considered. Soil erosion has many similarities with coastal protection, for which mangrove restoration projects are foreseen. Improved watershed management will reduce the occurrence of landslides, downstream flooding and sedimentation of important aquatic systems such as the sea and rivers; and reduce the physical and social vulnerability of associated communities. The pilot projects will not necessarily include all of the abovementioned aspects. However, aspects which are relevant to the pilot will be addressed in the described way.

Indicative activities include:

- Setting-up a water management system in order to monitor the quality and quantity of national water resources based on the GOB newly adopted *National Adaptation Strategy to Address Climate Change in the Water Sector* (Strategy and Action Plan)
- Replanting of trees, crops and mangroves at strategic locations to prevent or limit soil erosion and coastal degradation;
- Community based watershed management and flood prevention activities such as river training, construction of small scale check-dams, drainage, etc.
- Measures to guarantee a sustainable water supply, such as: facilities for rain water collection; creation of wells at strategic locations, etc. using appropriate innovative technologies

The final selection of pilot projects and corresponding communities will be determined before the project commencement between the EU, the GoB and its designated implementing agencies.

Result 2: To enhance the institutional capacity of the Government of Belize to deal with matters related to climate change (through the strengthening of the climate change desk)

The project will strengthen institutional capacities for adaptation and mitigation to climate change in the country on individual, institutional and national systemic levels. This strengthening should allow addressing climate change policy matters in a coordinated way.

GoB will endorse the establishment of a dedicated climate change desk before commencement of the project.

Indicative activities include:

- Provide support in order to strengthen the climate change desk in the Ministry of Natural Resources and Environment (MNRE).
- Identify and agree on a standard Community Risk & Vulnerability Analysis (CRVA) tool & methodology, train field staffs on facilitation and carry out consistent CRVA with special focus on sectors such as water management as well as disaster risk reduction, in particular in most exposed districts/villages of Belize.
- Cooperation with and advice to the National Emergency Management Organization (NEMO) and other relevant institutions in carrying out an in-depth socio-technical study on current and future climate risks and impacts on agricultural sectors and use the study outcomes for the agricultural development strategies and planning.
- Improve staff expertise and service quality through knowledge building & practice in order to enhance outreach the local level and promote farmer's action by effectively transmitting information about climate risk management and the sustainable use of natural resources for agricultural production.
- Providing advice on formulation and implementation of policies, strategies and action plans for CC adaptation for sectors such as Water, Forestry, Energy, Agriculture, Coastal Zone Management, Tourism, etc.
- Support participation in UNFCCC Negotiations and other gatherings for initiatives such as IPCC, CARICOM, CDM, REDD, etc.
- Design and coordinate national awareness campaigns to climate change adaptation and mitigation among key stakeholders (e.g. technical experts, local authorities, grassroots, rural communities and general public, educational institutions, etc.)

Activities will be further refined in the Financing Agreement, in close consultation with the GoB and UNDP.

3.3. Risks and assumptions

Risks:

Extreme events, quite frequent in this part of the world would jeopardize national capacity to implement the project (national disasters etc...). Having the climate change desk operational (as suggested in Result 2) could be a means to ensuring continuity of the GCCA project in case of occurrence of such extreme events.

Assumptions:

Prior to project start, GOB will endorse the creation of a dedicated and permanent *climate change desk* within its administration. The climate change desk will coordinate and mainstream national Government policies. This will help reduce the capacity gaps and needs of existing institutions such as NMS, NEMO, or institutions planned to be established soon (e.g. NIWRA). The Belize GCCA result 2 as stated above is meant to directly address this issue of strengthening GoB institutional and technical weaknesses to not only assist in implementing effectively this initiative but also reinforce the medium and long term abilities of the country to absorb similar types of projects.

3.4. Crosscutting Issues

Climate Change: implementation of the project is precisely tailored to allow for better implementation of Belize's national, regional and international commitments in the field of

climate change and will contribute towards supporting these countries in adopting measures towards climate change adaptation.

Environmental Sustainability will inherently benefit from the implementation of the present programme. The activities aiming at tackling climate change under the headings of adaptation will improve environmental sustainability. They will also contribute to maintaining progress on poverty eradication. None of the envisaged activities are damaging to the local environment.

Gender Equality: the programme will address gender issues through specific considerations to be integrated in proposing ad hoc measures, where relevant, in the definition of the implementation activities (e.g. rural development selection criteria for women involvement).

Good Governance: GCCA implementation is an important part of good environmental governance. The capacity building supported by the project aims to improve the process of policy planning, implementation, evaluation and reporting.

Human rights are a substantive element directly included under the new Integrated Water Management Bill. By supporting water management projects, the initiative will also support human rights to water, one of the Guiding principles of the Adaptation Strategy and Action Plan.

3.5. Stakeholders

<p>Ministry of Natural Resources and Environment (MNRE)</p>	<p>The ministry is mandated to work in two broad areas at the national level.</p> <ul style="list-style-type: none"> • NATURAL RESOURCES covering with Forestry, Geological Surveys, Hydrology, Lands and Land Settlements, Land Reclamation and Drainage, Land Surveyors, Minerals, Petroleum, Security of Tenure, Surveys, Water Resources Management and Meteorology (see below). • ENVIRONMENT covering Environmental Protection, Pollution Control and Solid Waste Management. <p>However the capacity of the Ministry in managing programmes of the size of the proposed one is limited, therefore it is proposed that the implementing agency be UNDP.</p>
<p>The National Meteorological Service (NMS)</p>	<p>The NMS was designated by Government of Belize as the national agency responsible to provide technical advice on climate change. The NMS representative is simultaneously chief technical negotiator on matters related to climate change and in charge of daily weather related events at the national level. This Service is 80 km distant from the capital where all the other ministries and national administrations are located.</p>

<p>Ministry of Economic Development, Commerce and Industry, and Consumer Protection</p>	<p>This ministry is in charge among others of: Annual Economic Reports, Basic Needs Trust Fund, Commonwealth Debt Initiative, Economic Planning, National Economic Council, Social Investment Fund, Public Sector Investment Programme (PSIP), Statistics, Trade, BELTRAIDE, Export Promotion, Investments , Development and Fiscal Incentives, Industrial Development Office, Small and Medium Enterprises, Domestic Commerce and Industry, Bureau of Standards and Consumer Protection</p> <p>It also covers poverty alleviation and includes the NAO Office, which is in charge of the coordination of the National Poverty Elimination Action Plan (NPEAP 2007-2011) as well as of donor's assistance.</p>
<p>The Ministry of Labour, Local Government and Rural Development.</p>	<p>The ministry is in charge of District Administration, Municipalities, Trade Licensing, Town and Village Boundaries, Towns Property Tax, Village Councils and Rural Development.</p>
<p>UNDP in Belize</p>	<p>A Sub Office (attached to the UNDP Country Office of El Salvador) is operating in Belize. The UNDP Country Programme for Belize (2007-2011), among other components, aims to reduce natural disasters and to incorporate sustainable management of the environment and natural resources into poverty reduction strategies as well as key national and sectoral development strategies that could offer both opportunities for synergies and practical tools and methods. UNDP also recently published a survey called: <i>'Belize and Climate change, The costs of Inaction'</i>. Finally UNDP Country programme has agreed to support the formulation of a National Climate Change Strategy and Action Plan for Belize that will be carried out in conjunction with the implementation of the GCCA project. UNDP was involved in the First and Second Communication on Climate Change and is managing two GEF projects in the sector. In addition UNDP had managed also a risk reduction project: Strengthening of Disaster Preparedness and Emergency Response Capacity in Belize. UNDP has also managed an EU funded programme entitled Agriculture Enterprise Development for Rural Belize contracted under the 9th EDF. The project had a budget of EUR 1 200 000 and it was completed successfully in May 2010.</p>

<p>The Caribbean Community Climate Change Centre (CCCCC)</p>	<p>The CCCCC was established by the Caribbean Community (CARICOM) heads of government in July 2002 to coordinate the Caribbean region's response to climate change. The centre is located in Belmopan where it works to help establish greater of climate resilience within the Caribbean region. The Centre is a key partner for all stakeholders in Belize, from the ministry to the UNDP Office and all other entities working at national level in the country on climate change.</p>
<p>The Belize National Emergency Management Organization (NEMO)</p>	<p>NEMO in cooperation with the respective Emergency Management Committees, and all Public and Private agencies, is established to preserve life and property throughout the country of Belize in the event of an emergency, threatened or real, and to mitigate the impact on the country and its people.</p> <p>The NEMO comprises the Cabinet, with the Prime Minister as the Chairperson, the Cabinet Secretary, as Secretary, the NEMO Secretariat and the 10 Operational Committees (chaired by Permanent Secretaries). The ten Operational Committees are as follows:</p> <p>Education, Communication and Warning; Medical and Relief Measures; Housing and Shelter; Search, Rescue and Initial Clearance; Collection Control and Distribution of Food and Material; Assessment and Evaluation of Damage; Foreign Assistance; Transport; Environment and Utilities.</p> <p>The other permanent members are the Belize Red Cross, the Belize Teachers Union, the Chief Meteorological Officer, the Commandant BDF and the Commissioner of Police. Integral to NEMO are its 9 District Emergency Committees (chaired by the senior Minister in each District) representing Belize, Corozal, Orange Walk, Cayo, Stann Creek, Toledo, Belmopan, San Pedro and Caye Caulker.</p>

Belize Red Cross National Society	Evidence of Red Cross activity in the country has been recorded since 1914. After Belize became an independent nation in 1981, the Belize Red Cross Society Act established the Society on 18th August 1983. It was recognised by the International Committee of the Red Cross, and admitted to the International Federation of Red Cross and Red Crescent Societies as a National Society in 1984, with all the rights and responsibilities therein accorded. 112 skilled trained volunteers and a data base of 600 entries are currently available. Guided by the 7 Fundamental Principles of the Movement, the Belize Red Cross serves the people of Belize, especially those most vulnerable, regardless of political affiliation, religious beliefs, race, colour, creed, gender or nationality. Experiences so far have demonstrated that the Red Cross plays a neutral constructive role in bringing governmental actors together on the issue of climate change.
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4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The programme will be implemented through Joint management via the signature of a contribution agreement with UNDP, in the context of the Financial and Administrative Framework Agreement between the European Commission and the UN. In order to ensure ownership, a Financing Agreement will be signed between the EC and the GoB, prior to signature of the contribution agreement with UNDP.

The UNDP will work closely with the Ministry of Natural Resources. The exact modalities for project execution and monitoring (including the involvement of GoB and EU) will be detailed (in consultation with the UNDP and GoB) in the Financing Agreement.

UNDP has been identified as implementing agency because of its large experience in Belize and in the Region in managing climate change related projects. In addition the Country Office has a good track record in working with the Ministry of Environment and Natural Resources and in managing EU projects in the country.

4.2. Procurement and grant award procedures

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents as laid down and published by the International Organisation concerned.

4.3. Budget and calendar

The total project cost is estimated at EUR 3 200 000 of which EUR 2 900 000 shall be financed from the ENRTP budget line. UNDP has indicated that the sum presented

may be available for the project through co-financing through on-going or planned projects. This aspect will be detailed in the Contribution Agreement. The indicative overall budget is presented below:

	EUR EU Contribution (including 7% of overheads for UNDP)	EUR GOB Contribution/ UNDP Contribution
Improve the resilience to climate change by means of interventions in the water sector	2 350 000	200 000
Enhance the institutional capacity of the GOB to deal with matters related to climate change	500 000	100 000
Evaluation of the project	50 000	
Total	2 900 000	300 000

The breakdown per component is still indicative and will be further defined at the stage of the contribution agreement to be signed with UNDP.

The project will be operational for sixty (60) months starting on the signing date of the Financing Agreement. Within this period, the contribution agreement is foreseen to have an operational duration of thirty-six (36) months.

For the execution of the GCCA programme in Belize, it is suggested that the selected implementing agency (the Belize UNDP office) will work closely with the GoB climate change desk (as planned in Result 2 above) supported by the NCCC in order to maximise its effective use.

4.4. Performance monitoring

A Project Steering Committee (composed by stakeholders as described in section 4.3 above in addition to EU presence) will be set-up with the aim of providing general oversight, policy guidance and monitoring of programme implementation. The day-to-day technical and financial monitoring will be a continuous process as part of the implementing agency (UNDP) responsibility, at the local, regional and HQ level.

For monitoring and reporting purposes, detailed indicators have been identified in the logical framework. As lead contractor, the UNDP will be responsible for reporting to the project steering committee.

4.5. Evaluation and audit

The project will undergo a final evaluation, to be carried out by the EU.

Audits will be carried out by UNDP according to its/their Financial Regulations, Rules and directives. In addition, expenditure verifications may be carried out by the EU.

4.6. Communication and visibility

In accordance with the visibility provisions under the EC-UN Financial and Administrative Framework Agreement (FAFA) and with the EU-UN Joint Action Guidelines for EC-UN Actions in the Field (April 2008), the EU and the implementing organisations will work together to ensure appropriate visibility actions for the programme as a whole, as well as for specific interventions and activities under the programme.

Standards regarding visibility will be established in accordance with the "Communication and Visibility Manual for EU External Actions".

Action Fiche EE – GCCA in MOZAMBIQUE

1. IDENTIFICATION

Title/Number	GCCA - Support Project to the Government of Mozambique for the mainstreaming of Climate Change into policies and strategies and to adapt to Climate Change impact DCI-ENV/2010/22341		
Total cost	EU contribution: EUR 10 200 000 DANIDA contribution: EUR 31 500 000 (235M DKK) Government of Mozambique : EUR 300 000		
Aid method / Method of implementation	Project approach – indirect centralised management with DANIDA		
DAC-code	41010 41081	Sector	Environmental policy and administrative management

2. RATIONALE

2.1. Sector context

Mozambique's environmental policy is reflected in the *Five-year Government Plan (PQG)*, which sets the general policy objectives and areas of priority action, and in the *Poverty Reduction Strategy (PARPA)*, which complements the PQG with a focus on poverty reduction. These two policy documents are operationalized by the annual *Social and Economic Plan (PES)* and the annual State Budget. PARPA II (2006-2010) introduces some elements of environmental mainstreaming, while monitoring indicators and corresponding targets can also be found in the most recent annual PES 2010.

The PQG 2010-2014 calls for a) strengthening the institutional and legal environmental framework for climate change, b) fostering environmental education and awareness for conservation amongst local communities, c) promoting land use planning, d) improving the management of municipal solid waste and sanitation, e) adopting and implementing strategies and measures to combat critical environmental problems. It also considers priorities related to natural disasters risks, mitigation and adaptation to climate change, with a focus on the need to reduce vulnerability and improve multi-sector coordination at all levels.

The new PARPA, which is currently being formulated, is expected to have more concrete actions related to environmental issues in light of the increased importance that the government is attributing to environmental issues, lessons learned from the 2006-2009 implementation period and also in light of the recent report from National Institute for Disaster Management (INGC) on the impact of climate change for the country⁶².

⁶² Study on the Impact of Climate Change on Disaster Risk in Mozambique. INGC June 2009

The overall sector strategy is currently defined in the Environment Strategy for Sustainable Development 2007-2017 (EADS). The EADS is further supported by a range of strategies and plans such as the Strategic Plan for the Environment Sector 2005-2015, which identifies priorities to be addressed across various sectors, and the National Adaptation Programme of Action (NAPA), the Action Plan for the Prevention and Control of Uncontrolled Bushfires, the Master Plan for Prevention and Mitigation of Natural Disasters 2006-2016.

The Ministry for the Coordination of the Environmental Action (MICOA) is the government agency responsible for the overall coordination of government activities in the environment domain. Other national bodies are also involved; including the Ministry of Planning and Development (MDP), Ministry of State Administration (MAE), the National Institute for Natural Disaster Management (INGC), Ministry of Agriculture (MINAG), Ministry of Mineral Resources (MIREM), Ministry of Fisheries (MP), Ministry of Energy (ME), Ministry of Health (MISAU), Ministry of Tourism (MITUR), Ministry of Public Works and Housing (MOPH) and Ministry of Labour (MT) and the National Council for Sustainable Development (CONDES).

The government low capacity to induce an efficient use of resources, to monitor and enforce the existing environmental regulations has economic implications, as the country may be abdicating significant revenues in the medium-long term, with unclear short term benefits⁶³.

MICOA is already involved in many ongoing initiatives – often as focal point – both donor and government driven. It is therefore important that any new intervention would not overstretch the existing delivery capacity and that adequate institutional building is provided, without increasing the transaction costs to the government.

2.2. Lessons learnt

The government is increasingly aware that, in order to reduce Mozambique's vulnerability to climate changes, adaptation measures should be further mainstreamed into the economic planning. This is consistently reflected in the various government policy instruments described above, which are generally perceived to be of reasonable quality. However, policy and strategy implementation continue to be the main challenge to sound environmental management. Environment and climate change are not adequately treated as cross-cutting issues and sufficiently prioritised at policy level⁶⁴. The environmental dimension of sectoral policies is generally underestimated and the system that monitors the implementation of the various environmental strategies and the compliance to the regulatory framework is also weak. This is particularly relevant to the legislation on Environment Impact Assessments (EIA), where the conflict of interests between economic promotion and environment protection is often evident.

Environmental management is still widely perceived by other sector ministries as an obstacle to economic development. As a result, investment decisions are often made with very little consideration to environment regulation and sustainable development (e.g. construction of dams, land and mineral resource concessions). Because of little political leverage over other sectoral ministries and insufficient technical capacity and financial resources, MICOA

⁶³ *Mozambique: Economic Analysis of Natural Resources Sustainability*. WB, 2005.

⁶⁴ *Environment Institutions, Public Expenditure and the Role of Development Partners, Mozambique*, Lidia Cabral and Dulcideo Fransisco, ODI Study, February 2008

appears unable to adequately perform his cross-sectoral and inter-ministerial coordination role. MICOA is also constrained by the current allocations of functions amongst public institutions, which gives the responsibility for the design and monitoring of sectoral environmental issues to the respective line ministries, while MPD remains responsible for establishing investment priorities⁶⁵.

Capacity building support to MICOA and support to other environmental management activities in Mozambique is being implemented mainly via a multiplication of projects, which involved a large number of implementing agencies. This created difficulties in coordination, implementation and limitations for institutional alignment and MICOA ownership. Reviews of previous support to MICOA recommend a transition to a better coordinated approach for future programmes.

2.3. Complementary actions

Development partners' support to environmental management⁶⁶ is mainly done through projects, off-budget, implemented in collaboration with government and non-governmental organisations. Ten donors are registered in ODAMOZ data base⁶⁷ under the category of General Environment Protection. Being a cross-cutting sector, the ODAMOZ list is not updated and does not include all donors active in the sector, such as Sweden, Norway, Japan Ireland, Spain, FAO, AfDB, UNEP, UNIDO, GTZ etc.

The most important initiative, also for its relevance to the proposed EU project, is the *Environmental Sector Programme Support (ESPS)*, a well established initiative to improve environmental managements and address the challenges related to environmental degradation and climate change. The programme is sponsored by the Danish Ministry of Foreign Affairs and implemented since 2006, in partnership with MICOA. The new phase of the programme (ESPS II) will run for five years, from 2011 to 2015 and will receive a total estimated amount of 235M DKK (€31.5M) from the Danish government. ESPS II confirms the long term Danish engagement in the environmental sector in Mozambique; but it also represents a profound shift from the project mechanism of the first phase, as it promotes a more programmatic approach, based on alignment to national strategies and progressive integration into public planning and financial management mechanisms.

Other significant initiatives include:

- the Danida-funded INGC support programme, Phase II that focus on the identification and implementation of adaptation measures and the strengthening of national capacity to deal with climate change
- the Africa Adaptation Programme (AAP), that seeks to mainstream Climate Change Adaptation mechanisms in Mozambique's policy, development and investments frameworks
- The DFID/WB sponsored Pilot Program for Climate Resilience (PPCR I + II) to pilot and demonstrate ways to mainstream climate risk and resilience into developing countries' core development policies and planning.

⁶⁵ *Environmental Policy Dialogue, Progress Report; Isilda Nhantumbo*. WB and FAO, 2009.

⁶⁶ Including Denmark, The Netherlands, WB, several UN agencies (UNEP, UNDP, UNIDO, UN-Habitat, FAO), Finland, Portugal, Spain, Japan, France, Germany, EC, AfDB

⁶⁷ www.odamoz.org.mz

Total GoM resources invested directly into the environmental sector (MICOA, Environment Fund-FUNAB, Centres for Sustainable Development-CDSs, Marine and Coastal Research Centre) during 2004-2008 varied between 0.30-0.48 % of the total state budget. By adding forestry and wildlife, conservation and sanitation to the budgets of MICOA and its subordinate institutions, total budgetary allocations to environmental management activities increased in 2007 to USD 71 million, which corresponds to 2.58% of the total state budget and 0.9% of GDP. Moreover, over the last 10 years, Mozambican research institutes benefited from several EU supported research collaborations on coastal and land-based challenges to sustainable resource use⁶⁸.

2.4. Donor coordination

The Environment Working Group (EWG) represents the main platform for policy dialogue and coordination between the Government and the development partners active in the sector. MICOA participates as co-chair in the EWG and meetings between MICOA and donors⁶⁹ are expected to take place every two months. Denmark, which is MICOA's main source of institutional support, is currently co-chairing the group from the donors' side. Preparatory and discussion meetings amongst donors take place monthly.

All the partners have expressed their support to reinforce the dialogue platform and there is a concrete perspective for closer coordination in the framework of the MICOA priorities and the new phase of the DANIDA's programme where the EU will participate through a delegation agreement.

3. DESCRIPTION

3.1. Objectives

The overall objective of the project is to support the Government's efforts in tackling the adverse effects of climate change, with a special focus on the most vulnerable communities in the rural areas of the country. The purpose of the project will be to increase the capacity of the GoM to adequately mainstream climate change and climate-proofing initiatives into the Government poverty alleviation and development strategies.

3.2. Expected results and main activities

The project will be structured into the following components:

3.2.1 Capacity Building - Institutional capacity and technical expertise of key government institutions, MICOA in particular, is strengthened. The following results will be expected:

⁶⁸ European Commission, 2005. International Scientific Cooperation with Developing Countries. EU-funded research projects. Framework Programme 5 (FP5 - 1998-2002). Luxembourg, Office for Official Publications of the European Communities, 642 p. European Commission, 2009. International Cooperation with Africa in FP6 (2002-2006). Luxembourg, Office for Official Publications of the European Communities, 345 p.

⁶⁹ Currently 10 main donors are members of the group, including the EU

- Relevant sectoral development strategies are reviewed in order to better mainstream environmental and climate change themes against the most recent legal and policy framework
- MICOA leadership and mandatory role as focal point in environmental affairs is reinforced and the coordination and monitoring of both government and donors relevant interventions are improved.
- The environment monitoring system will be strengthened in order to adequately measure sector performance, promote good governance practices and improve the compliance with relevant legal and regulatory framework. The monitoring system is also expected to provide a clear reference for enhanced coordination and linkages between all government and non-state, at central, provincial and district level.

3.2.2 Awareness and training - Information sharing and awareness campaigns are carried out, together with dedicated formation courses. The following results are expected:

- the understating of climate change issues amongst key stakeholders, including civil society and learning institutions at secondary and university level, is increased;
- the responsiveness to climate change amongst key development agents is improved at all levels from central to local level.

On-the-job training to relevant staff at local level may also be included, as a complementary activity linked to the implementation of pilot field projects (see result n° 3). Information networks may be identified in order to promote climate change awareness through the cross dissemination of local knowledge.

3.2.3 Field operations - The implementation of the national response to climate change (EADS, NAPA) is supported by putting into practice a number of pilot projects, mainly in the agrarian and agro forestry sectors. The following results are expected:

- Environment-related institutions are promoting applied research and studies for innovative solutions to climate change
- Appropriate adjustment and coping strategies on land use in the rural environment are identified (including suitable technologies, crop and variety diversification, complementary non-farming activities, etc.) in order to adapt the traditional farming and livelihood systems to the changing climatic conditions in vulnerable areas
- Concrete adaptation measures in selected vulnerable areas will be supported, in order to reduce the vulnerability of the local productive systems and improve the resilience to climate change amongst target rural communities.

Projects are to be implemented under the management and coordination of key government institutions, MICOA and INGC in particular. Partnerships and complementarities with other environmental programmes, such as the PPCR, will be sought.

3.2.4 Approach and methodology - At the time of preparing the Identification Fiche, a Financing Agreement between the EU and the Government of Mozambique was foreseen, to be implemented through a Programme Estimate. However, since then Denmark and the GoM have agreed to a new phase of the Danish Environment Programme for the period 2011 – 2015 to be implemented by DANIDA. As many of the elements in the new DANIDA programme are very similar – in particular the Component for “Support Implementation of National Responses for Reduction of Vulnerability to Climate Change Impact” – to the interventions identified in the Identification Fiche, possible complementarity of the GCCA funding was investigated and is now pursued as the most efficient manner of deploying the EU financial

support. It has also to be mentioned that Denmark/DANIDA has the comparative advantage of being supporting the environment sector in Mozambique since 1996 and has explicitly expressed its intention to continue its support over the next five years, until 2015 with the new phase of their programme. Consequently the programme management will be entrusted to DANIDA through a Delegation Agreement (see chapter 4). Monitoring and supervision will make use of the ESPS arrangements, which are fully integrated into MICOA structures. They include:

- Programme Steering Committee (PSC), jointly headed by MICOA and DANIDA.
- Consultative Council PLUS (CC+), which undertakes monitoring of programme implementation based on existing planning, and budget instruments, as well as analyse and follow-up on review and audit reports.

3.3. Risks and assumptions

Because of the poverty situation and the pressure to bring about rapid and tangible benefits to the population, policy decisions are often oriented by short term economic interests, with the risks of grossly underestimating the medium-long term impact that the possible depletion of natural resources may cause. This risk is also very present at grass-root level, where local communities' first priority is not with climate change (even though phenomena such as droughts and floods are exacerbated by climate change) or environmental issues, but with basic necessities such as food, shelter and clothing.

While policy dialogue for climate change mainstreaming could help to moderate the risk at national level, awareness campaign and intense stakeholder involvement is of paramount importance at grass-root level. The risk will be moderate by promoting a major engagement of civil society, including community based organisations, in environmental oversight and monitoring of public and private sector performance.

Because of weak institutional leadership and coordination within public institutions, climate change initiatives sponsored by the donor community may overlap, duplicate or even compete with each other. While the introduction of the Environment Working Group (EWG) has significantly reduced such a risk on the donors' side, more efforts should be done on the government side, both in terms of increasing the institutional and technical capacity of the leading institutions, but also by streamlining functions and decision making processes that are relevant to environment and climate change activities.

3.4. Crosscutting Issues

3.4.1. Good governance

Environmental sustainability and good governance are some of the key cross-cutting issues that are relevant to this project proposal. Environmental concerns are stated in many policy documents (PARPA II, etc.). However, the political commitment to implement some of the basic principles of environmental sustainability is not always adequate. This is particularly evident in the forestry sector, where large areas of the country are unsustainably exploited for agriculture, logging and energy production (wood and charcoal). The governance of the sector, which also involves the application and enforcement of existing legal and regulatory framework, remains a core issue that will have to be taken into full account in the various components of the project.

3.4.2. Environmental sustainability

Environmental and social sustainability will be taken into account in the design of pilot projects, in particular when local communities will be involved in infrastructure development (e.g. defences against flooding, dams to retain water for dry period, etc.) Examples can be drawn from more than 100 different practices that have already been identified for Africa in areas including: farm management and technology.⁷⁰

3.4.3. Gender equality

PARPA II specifically recognises gender equality and empowerment of women as a decisive factor in the eradication of poverty. However, the dynamics of gender-based power relation in terms of access to natural resources are still discriminatory, particularly in regard to family relations and inheritance for widowed or single women.⁷¹ MICOA is currently leading the development of a National Strategy and Action Plan (2010-2014) for Gender, Environment and Climate Change. The strategy aims at assuring effective participation of women in natural resources management, environmental conservation and in climate change mitigation and adaptation measures. The EU programme will give particular attention to the government efforts in relation to gender and climate change, by taking this strategy into consideration when supporting the various prioritized activities. Specific attention will be used to assure that gender specific indicators are defined and that sex-disaggregated data is available.

3.5. Stakeholders

The environmental sector is characterised by multiple stakeholders, including:

- The government agencies, ministries and institutions are directly or indirectly affected and need to be closely coordinated (see chapter 2.1).
- The rural population, in particular local communities living in areas prone to floods and droughts and/or living near to the coastal areas.
- NGOs and other civil society organisations, as they are well positioned to work at the grass-root level and assist in the implementation of climate change policies and strategies. The project components n° 2 and 3 will specifically engage civil society organisations for enhancing environmental accountability and demand for improved public services. The private sector will also be directly involved in programme implementation as economic operators, as service providers in the areas of studies (EIA, etc.), construction and maintenance of environmental infrastructure.
- Donor community, in particular those development agencies already involved or anyhow interested in climate change issues at national, regional and international level

There is a potential for enhancing engagement of civil society in environmental issues, in terms of implementation of projects, as well as in terms of demand for improved government services and law enforcement on environmental issues.

⁷⁰ Source: Micro-level Practices to Adapt to Climate change for African Small-scale Farmers: A Review of Selected Literature (IFPRI, February 2010).

⁷¹ www.genderindex.org/country/mozambique

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

A Financing Agreement will be signed with the Government. The method of implementation will be through indirect centralised management by delegated cooperation to the Denmark Development Cooperation Agency DANIDA. Denmark/DANIDA is currently supporting MICOA, has expertise in the sector and has explicitly expressed its intention to continue its support over the next five years, until 2015. A 6 pillar audit (Appendix I with reference to art. 56) was successfully carried out.

4.2. Procurement and grant award procedures

For the procurement procedures related to activities implemented through a delegation agreement with DANIDA, falling under indirect centralised management, DANIDA's rules and procedures within the meaning of Article 54 paragraph 2(c) of Financial Regulation (EC) No 1605/2002 of 16 June 2002, applicable to the General Budget of the European Communities amended for the last time by Regulation (EC) No 1995/2006 of 13 December 2006 ("the Financial Regulation") and according to Article 38 of Implementing Regulation No 2342/2002 of 23 December 2002 as amended for the last time by Commission Regulation No 478/2007 of 23 April 2007 ("the Implementing Rules").

For the grant award procedures, the EC's rules and procedures within the meaning of Article 114 of Financial Regulation (EC) No 1605/2002 of 16 June 2002, applicable to the General Budget of the European Communities amended for the last time by Regulation (EC) No 1995/2006 of 13 December 2006 ("the Financial Regulation") and according to Article 133 of Implementing Regulation No 2342/2002 of 23 December 2002 as amended for the last time by Commission Regulation No 478/2007 of 23 April 2007 ("the Implementing Rules") are applicable. The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget.

4.3. Budget and calendar

The execution period of the Agreement will be 72 months with 48 months of the implementation period of the programme from the signature of the Financing Agreement. The Financing Agreement shall be signed at the latest by 31 December of the year following the year in which the global financial commitment was adopted.

The EU contribution to the action will be EUR10 200 000, out of a total estimated cost of EUR 42 000 000. DANIDA will contribute with DKK 235 000 000 (Estimation: EUR 31 500 000) and Government of Mozambique EUR 300 000.

The EU contribution will be broken down as follows:

Total Amount – EU contribution	
Line item	EURO
Delegated support to DANIDA including : Visibility	9 950 000
Contingencies	150 000
Evaluation, Audit	100 000
Total of EU Contribution	10 200 000

4.4. Performance monitoring

The overall performance of the sector is monitored against the overall Performance Assessment Framework, which is being revised by MPD together with MICOA. The PAF will serve as a reference for the monitoring of the ESPS II and for the various activities that will be financed by the EU under the proposed action. The capacity building component of the action will support the qualitative improvement of sector performance monitoring systems. Under this component, a PAF will be refined and agreed upon with MICOA during the inception phase of the project. To the extent possible the use of sex -disaggregated data will be promoted.

4.5. Evaluation and audit

The Delegatee will commission an external final evaluation towards the end of the programme as part of the delegation agreement. Annual financial audits will be carried out under the responsibility of the Delegatee as part of the delegation agreement. In addition, the EU reserves the possibility to conduct evaluations and financial audits under its own initiative.

4.6. Communication and visibility

Communication and visibility actions will be tailored to the nature of the sector and the type of financing mechanism involved. A communication strategy will be jointly prepared by MICOA and DANIDA, based on the Communication and Visibility Manual for EU External Actions. The strategy will take in due account the EU visibility requirements and will be presented to the EU during the first semester of the project.

Appendix regarding the verification of the conditions for indirect centralised management set forth in the applicable Financial Regulation

APPENDIX TO THE ACTION FICHE

REGARDING THE VERIFICATION OF THE CONDITIONS FOR INDIRECT CENTRALISED MANAGEMENT PROVIDED FOR IN ART. 56 OF THE EC REGULATION 1605/2002 (FINANCIAL REGULATION)

The Financial Regulation (FR) (Council Regulation No. 1605/2002) and its implementation rules (Commission Regulation No. 2342/2002) are applicable to the Budget Line B2010-21 04 Environment and sustainable management of natural resources, including energy.

Indirect centralised management for a delegation agreement with DANIDA is proposed for the programme "Support Project to the Government of Mozambique for the mainstreaming of Climate Change into policies and strategies and to adapt to Climate Change impact", under the Global Climate Change Alliance initiative.

Of the EU MS, DANIDA has the comparative advantage of being supporting the environment sector in Mozambique since 1996. As part of its long term engagement in the environmental sector in Mozambique Denmark/DANIDA is finalizing the design of an Environment Sector Programme Support for the period 2011-2015 with a clear focus on Climate Change.

An assessment made by AIDCO G2 (Framework Contract N° EUROPEAID/audit 2006 S1-000094) and order for services n° 2009/199902, institutional assessment carried out between 27 March to 17 April 2009) of The Ministry of Foreign Affairs of Denmark in Copenhagen confirmed that the criteria envisaged by Article 56.1 of the Financial regulation are fulfilled:

Summary table

Article [56.1] [56.2] FR criterion	Comment
(a) Transparent procurement and grant-award procedures, which are non-discriminatory and exclude any conflict of interests and which are in accordance with the relevant FR provisions	Established according to the opinion expressed by the Auditing firm on the 4, 5 pillars assessment.
(b) An effective and efficient internal control system for the management of operations, which includes effective segregation of the duties of authorising officer and accounting officer or of the equivalent functions	Overall internal control system positively assessed by the Auditing firm (Pillar1).
(c) An accounting system that enables the correct use of EU funds to be verified and the use of funds to be reflected in EU accounts.	Established according to the opinion expressed by the Auditing firm on the assessment of the pillar 2.
(d) An independent external audit exercised by a national institution	Established according to the opinion expressed by the Auditing firm on the assessment of the

for independent external auditing	pillar 3.
(e) Adequate annual ex post publication of beneficiaries of funds deriving from the EU budget.	Established according to the opinion expressed by the Auditing firm on the assessment of the pillar 6.
Prevention of irregularities and fraud and recovery of funds if necessary	<i>Adequate clauses will be included in the Agreement with the delegatee</i>
The Commission will ensure supervision, evaluation and control of the implementation of the tasks entrusted	<i>Adequate clauses will be included in the Agreement with the delegatee</i>

Conclusion: In his note of 21/01/2010, Mr. K. Richelle, (ARES (2010) s 23287) the Authorising Officer responsible confirmed that the conditions placed by Article 56 the FR are currently being met. On this basis, the Director AIDCO C proposes that the applicable implementation method to the Annual Action Programme 2010 ("Support Project to the Government of Mozambique for the mainstreaming of Climate Change into policies and strategies and to adapt to Climate Change impact" amounting €10,2 million for Mozambique be indirect centralised management and submits it to the Commission for decision..

Date: [06/08/2010]

Signature: Director AIDCO/C [Signed]

Authorising officer subdelegated on BUDGET

ACTION FICHE FF FOR SAICM

1. IDENTIFICATION

Title	Implementation of the Strategic Approach to International Chemicals Management (SAICM) Phase II DCI-ENV/2010/246-236		
Total cost	EU contribution: EUR 3 000 000 Other donors: Average of EUR 3 500 000 per annum during 2006 – 2009 and expected to be maintained at the same or higher level.		
Aid method / Management mode	Project approach – <i>joint management with UNEP</i>		
DAC-code	32164 41010	Sector	Chemicals Environmental policy and administrative management

2. RATIONALE

2.1. Sector context

The Strategic Approach to International Chemicals Management (SAICM) is a policy framework which supports the achievement of the goal agreed at the 2002 Johannesburg World Summit on Sustainable Development of ensuring that, by 2020, chemicals are produced and used in ways that minimize significant adverse impacts on the environment and human health. SAICM was adopted by the first International Conference on Chemicals Management (ICCM 1) on 6 February 2006 in Dubai, United Arab Emirates.

ICCM 1 recognised that sound chemicals management usually receives little political attention and hence finance in developing countries and countries with economies in transition largely because the costs of inaction are not understood and the links with implementation of the MDGs (particularly MDG 1, 4, 5 and 7) are ignored. Thus, in its resolution I/4, ICCM 1 decided to establish a “Quick Start Programme” (QSP) to support SAICM by assisting initial enabling capacity building and implementation activities in developing countries and countries with economies in transition in the hope of pushing sound chemicals management higher up the list of development priorities and ensuring that in the medium to long term it was mainstreamed into traditional aid programmes.

The QSP includes a trust fund and multilateral, bilateral and other forms of cooperation and has three work areas:

- Development and updating of national chemical profiles and the identification of capacity needs for sound chemicals management;
- Development and strengthening of national chemicals management institutions plans, programmes and activities to implement SAICM;
- Undertaking analysis, interagency coordination and public participation activities directed at integrating SAICM in national development strategies.

The QSP Trust Fund was established as a time-limited programme since, given the overall aim of mainstreaming, donors were not keen on creating a permanent new funding

mechanism. Originally the Trust Fund was to close for contributions in November 2011 and for disbursement 2 years later. At ICCM 2 in May 2010 the importance of the QSP was confirmed and demand for QSP resources from developing countries was such that it was agreed that the fund would stay open for contributions until ICCM 3 in 2012 (precise date not yet fixed). ICCM 3 would consider recommendations from the Executive Board based on a Mid Term Review of the Trust Fund and would decide whether or not to extend its operations.

The SAICM secretariat was established by ICCM 1 and its functions are defined in paragraph 28 of SAICM's Overarching Policy Strategy and in ICCM resolution I/4. Among other functions, the secretariat has a mandate to facilitate meetings and intersessional work of the ICCM, as well as regional meetings, with maximum multi-stakeholder participation, to promote the establishment and maintenance of a network of SAICM stakeholders, as well as to service the operation of the QSP and its Trust Fund.

2.2. Lessons learnt

ICCM 2 adopted a Decision on financial and technical resources for implementation. This stressed the need for mainstreaming and unlike ICCM 1 where developing countries refused such a reference, drew attention to the need for research on the costs of inaction to increase the priority given to implementing SAICM. Both the wider Quick Start Programme and the Trust Fund were seen as important facilitating mechanisms in implementation.

The QSP Executive Board, on which the European Commission is represented, held its 5th Meeting in June 2010 and examined progress. This showed that by the end of 2009 some USD 23 600 000 had been contributed to the QSP Trust Fund of which 76% came from the EU with the Sweden being the biggest contributor and the Commission second. Four new EU Member States have contributed to the Trust Fund. A small but growing number of developing countries including India, Madagascar, Nigeria, Pakistan, and South Africa are also donors and although their contributions represent only 2% of the total they do suggest ownership of the approach by developing countries.

The Trust Fund Implementation Committee has approved projects worth USD 20.3 million during eight application rounds, which with the UNEP 5% overhead fee represents earmarking of USD 21 300 000. Total resources available for the next round of applications in late 2010 are only USD 2 600 000 including USD 1 200 000 that remains uncommitted from the USD 2 500 000 (EUR 1 950 000) EDF allocation for projects in ACP countries.

In all the Secretariat had received 234 project proposals by June 2010 of which 193 were found to be eligible and appraised by the QSP Trust Fund Implementation Committee (TFIC) made up of representatives of the international agencies most involved in chemicals management. While SAICM is intended to be a multi-stakeholder programme involving the health, agriculture, industrial and environmental sectors as well as governments, civil society and organised labour, the majority of project proposals have come from the environment sector. In an attempt to broaden awareness of the QSP the Secretariat has made presentations at 35 international conferences and published an information bulletin. One hundred of the projects had been selected and another 63 were recommended for further development and resubmission. The approved projects will be implemented by 91 Governments and 10 civil society organisations and involve activities in 89 countries including 42 LDCs or SIDS which are priority targets for the TF. At ICCM 1 developing countries were reluctant to allow civil society access to the QSP so the approval of 10 projects under the exception clause must be considered good. Eighty project agreements have been signed and a further 11 are nearing signature. Three approved projects (in Laos, Eritrea and Palestine) had to be suspended due to difficulties in reaching agreement on the project documents although the problems with

Palestine have since been resolved. This overall picture suggests that attempts are being made to promote awareness of the TF, that priority has been given to LDCs and SIDS, that project preparation involves real scrutiny and improvement as a result of the work of the TFIC and that administrative formalities are carried out efficiently.

The support for the Secretariat from Phase 1 of the project has been instrumental in assisting developing countries to prepare QSP projects and in monitoring their implementation. Of 56 progress reports that should have been received in the last 6 months 50 (89%) had been received. However, the record on monitoring and evaluation reports was less good with 23 (59%) of 39 reports being submitted. Nevertheless the Secretariat provided the Executive Board with summary and full implementation reports on all 100 of the approved projects. The Secretariat had to employ an additional staff member to assist the staff member responsible for the QSP supported under Phase 1 of the EC's ENRTP support. This suggests that the Secretariat is fulfilling its monitoring role satisfactorily. However, the Executive Board asked for more overview information to be provided for example showing how many projects. The EB adopted Terms of Reference for the Mid Term Review of the QSP and these provide for an evaluation of the overall relevance and impact of the QSP Trust Fund and the performance of a limited number of individual projects. The Review will inevitably have to consider improving indicators to measure the impact of what is a very diverse group of small but policy-focused and strategic projects.

- For the first time the 5th meeting of the Executive Board had information on completed projects although so far only 12 of the 100 approved projects have been completed and submitted final reports while a further 3 are finalising their reports. Since the projects were initially approved for no more than 24 months in accordance with TF rules this points to a high rate of delay in completing formalities and getting work underway which is perhaps not surprising with a new programme. There was also a particular problem due to the need to change project agreement templates following legal advice from UNEP which required substantial discussion with some of the other UN implementing agencies but this has now been resolved.
- Most of the completed projects concerned the first QSP Objective – the updating of national chemical profiles and identification of capacity building needs – and many of them went on to identify priorities for SAICM implementation. These projects were both regional and national and usually involved UNITAR which has long experience in capacity building in the chemicals field. Virtually all of these projects fully met their objectives which were not particularly complicated. In almost all cases the participants identified the ability to take a cross agency approach and to involve stakeholders apart from governments as one of the major benefits since this raised awareness, ensured a coherent approach and in several cases led to decisions to set up a permanent multi-stakeholder forum thereby improving the chances of sustainability. Nevertheless sustainability and the need for further resources to implement the priorities identified and keep up to date data-bases where these had been developed were seen as challenges in some cases. This concern was addressed by the Executive Board at its 5th Meeting. Until now, except for a few cases where countries received small initial grants, states have only been eligible to receive one TF national project to a total value of USD 250 000. These countries are often still eligible to participate in a regional or NGO project but these are not very appropriate for starting to address the priority issues identified by Objective 1 projects and many recipients have sought repeat funding to move into Objectives 2 or 3. The one project rule was designed to ensure that the TF benefited as many countries as possible thereby promoting the overall goal of increasing the priority given to sound chemicals management. However, the

Secretariat pointed out that relatively few applications were now being received from the states that had not already benefited from the TF and the EB agreed that, providing priority was given to new countries, recipients who had submitted satisfactory reports on previous projects could reapply.

- The 3 completed projects addressing Objective 2 – development of sound chemicals management institutions, plans, programmes and activities were all undertaken by civil society. Using a TF grant of USD 200 000 a hospital in Egypt trained 1000 trainers on the safe use and management of pesticides who undertook workshops based on the relevant International Code of Conduct for farmers, pesticide users, women's' groups and NGOs which reached 10 000 people. Awareness was also raised through radio, television and the press. As a result of the training the absence of protective clothing and equipment was identified as a major problem and the project facilitated the design, distribution and use of appropriate material. A NGO for doctors in Argentina used USD 240 000 for an integrated regional campaign in Latin America to minimise women and children's exposure to mercury in 6 Latin American countries inter alia by drawing up an inventory of mercury-containing products, identifying suitable methods of collection and storage and using radio and television campaigns. Over time the project was able to increase the involvement of industry but keeping the inventory up-dated will be a challenge. The international Society of Environmental Toxicology and Chemistry used USD 250 000 to build scientific capacity on toxicology in Africa through the development of e-learning tools with African experts and to make some of the material available for the curricula of African schools.
- Progress to date has shown that some projects, especially those dealing with Objectives 2 and 3, would benefit from more hands-on assistance from experienced experts than is possible within the limit of a USD 250 000 project budget. The Executive Board therefore agreed to establish, based on a similar scheme in UNITAR and as a limited pilot, a Senior Experts scheme which would provide a framework for sending volunteers to provide advice. The volunteers are expected to be retirees from industry and regulatory agencies and apparently donors including the International Council of Chemical Associations have been found for the first year.

As these examples show, the involvement of civil society and developing countries in the implementation phase of SAICM is essential in meeting the SAICM objectives. The support given to the International POPs Elimination Network (IPEN), the umbrella NGO organisation for SAICM in the first phase of the project allowed a successful campaign of aware-raising including;

- agreement on a Common Statement of support for SAICM that has been endorsed by more than 1000 organisations from more than 100 countries and translated into 13 languages, published as a substantial brochure;
- the provision of mini-grants to 51 activities in 316 countries to implement projects related to SAICM objectives;
- the production of 4 educational booklets to build NGO capacity; and
- the production of a 40 page Global Citizens report analysing progress on SAICM from a civil society perspective.

2.3. Complementary actions

The present proposed project aims to complement and supplement two past and two current EU funding commitments.

In September 2005, the Environment Directorate of the European Commission contributed EUR 150 000 towards participation costs of representatives of Governments of developing countries and non-governmental organizations to the third session of the Preparatory Committee for the Development of SAICM (PrepCom 3).

In December 2006, the Environment Directorate granted EUR 150 000 to fund one SAICM secretariat professional position (programme officer P2/P3 level) for the operation of the QSP and to cover the travel costs of regional representatives from developing countries to the QSP Executive Board meeting.

A current EDF financed project with UNEP on capacity-building related to Multilateral Environmental Agreements (MEAs) in the African, Caribbean and Pacific States is providing EUR 1 950 000 for SAICM QSP trust fund projects. This allocation is the only geographically earmarked contribution to the QSP and after a slow start commitments from it are now increasing with half the funding having been allocated. The decision to allow more than one national project from the TF should help as the bulk of ACP countries are LDCs or SIDS and were given priority for Objective 1 projects at a time when the EDF grant had not yet been approved.

The on-going Phase 1 of the ENRTP SAICM project was signed through 2 grant agreements in October 2008 which run for a period of 2 years. One joint management agreement covers the contribution to the QSP Trust fund of EUR 2 400 000, while the other, for EUR 600 000, provides support for the Secretariat and financed the NGO activity described above, as well as participants' travel to ICCM 2.

2.4. Donor coordination

The Commission and Member States prepare the EU position on SAICM for meetings of ICCM and its Open Ended Working Group in the Council Working Party on International Environmental Issues (Chemicals). The EU donors and their JUSCANZ counterparts hold periodic meetings on financing SAICM in the margins of the OECD. The Commission along with interested MS, other donors and some developing countries is also participating in a UNEP Initiative on Chemicals Financing which is tasked with seeking ways to overcome the current perceived lack of adequate financing for sound chemicals management and which will report to the 26th Governing Council of UNEP in February 2011.

For component 1a), the QSP Trust Fund contribution, the EU would continue to have a representative on the QSP Executive Board. The Board meets once a year to review progress under the programme and provides operational guidance and advises on other relevant matters as required. For component 1 b), the contribution to the SAICM Secretariat QSP staffing would follow the EU's Grant reporting mechanisms, including for the submission of substantive and financial reporting on agreed activities. The 2010 – 2012 budget for the Secretariat which includes the staff positions and functions was agreed by all SAICM participants at ICCM 2.

For component 2, the contribution to the civil society network would be made to the SAICM secretariat and implemented by the existing umbrella network of non-governmental organizations, the International POPs Elimination Network (IPEN). The SAICM secretariat would comply with the EC's grant reporting mechanisms to be outlined in the grant. In addition, the Secretariat would apply reporting requirements to IPEN for the implementation of the project.

3. DESCRIPTION

3.1. Objectives

The overall objective remains to increase the priority given to sound chemicals management in developing countries by continuing to build the enabling conditions which will allow mainstreaming in traditional development programmes. The EU aims to continue supporting activities during the second implementation phase of SAICM until the third session of the ICCM in 2012. It would contribute to the financial stability of the QSP by continuing support for the Secretariat staffing and QSP Trust Fund projects in 2011 and 2012, as well as strengthening the capacity of the Secretariat to develop and maintain its important network of active civil society stakeholders.

The QSP trust fund contribution (component 1) will support projects in developing countries, helping them gain a stronger position for the full implementation of SAICM to achieve the 2020 sound chemicals management goal. As with all QSP contributions, the Phase II EU funding would support the crucial "enabling" aspects of SAICM implementation which are still needed to raise political awareness of the health and environmental impacts of poor chemicals management. Without greater political awareness the clear links between responsible chemicals management and attainment of the MDGs will not be adequately addressed, and mainstreaming of chemicals issues in development strategies will be considerably less likely.

The QSP Secretariat contribution (component 2 a) will allow the SAICM Secretariat to service and support the QSP, in line with its mandate and with needs expressed by recipient countries and donors. This component will also help to ensure that partners' views are fully understood by the Executive Board by financing the attendance of the developing country regional representatives.

Component 2b will enable the SAICM Secretariat to perform its function of developing and maintaining of a network of SAICM stakeholders, as well as to promote and support meaningful and active participation in SAICM implementation by all sectors of civil society in regulatory and other decision-making processes that relate to chemicals management.

3.2. Expected results and main activities

For component 1, the EU contribution to the QSP Trust Fund would facilitate the granting by the QSP Trust Fund Implementation Committee of funding for project proposals submitted by developing countries and civil society organizations over three rounds of applications to be held between 2011 and 2012. Given that project applications in this period will mainly be for Objectives 2 and 3, they are likely to be for the maximum amount allowed i.e. USD 250 000. Thus a Phase 2 grant of EUR 2 460 000 (USD 3 – 3.2 million depending on the exchange rate) would allow for the funding of 12 - 13 projects and it is realistic to expect full

commitment by the middle of 2012 when there will still be time for projects to be completed before the cut-off date of en November 2013. Long-term results of the EU support would be improved capacities for and knowledge of sound management of chemicals and stronger links with national development priorities.

For component 2a), the EU funding would allow the SAICM Secretariat to have adequate staffing to service the QSP until the end of 2012 by covering the salary of a programme officer, responsible within the SAICM Secretariat for the QSP, under the direction of the Secretariat Coordinator. The officer, who will have an assistant paid for by other resources, will service four applications rounds, organize four meetings of the QSP Trust Fund Implementation Committee and two meetings of the QSP Executive Board, provide administrative support to the QSP trust fund and facilitate reporting and monitoring for projects. Most importantly the officer will need to ensure the completion of the Mid Term Review of the QSP and its presentation to the Executive Board. The EU funding would also allow for the participation of regional representatives to the QSP Executive Board, thus ensuring that views of developing countries influence the recommendations of the Board. This will be particularly important for the Review.

For component 2b) the EU financial support aims to support civil society participation in SAICM and will be channelled through the second phase of the previously supported “Global SAICM Outreach Campaign” implemented by IPEN which is recognised by the ICCM as the umbrella organisation for NGOs in SAICM.. The current project will concentrate on civil society implementation activities for SAICM. The expected long term outcomes of the project will be the numerical and geographical expansion of civil society organisations that actively support SAICM implementation.

3.3. Stakeholders

The main stakeholders in SAICM are Governments, regional economic integration organizations, intergovernmental organizations, non-governmental organizations and individuals involved in the management of chemicals throughout their life cycles from all relevant sectors, including, but not limited to, agriculture, environment, health, industry, relevant economic activity, development cooperation, labour and science. Individual stakeholders include consumers, employers, farmers, producers, regulators, researchers, suppliers disposers of waste chemicals, transporters and workers.

More particularly, the main beneficiaries of the QSP Trust Fund are Governments from developing countries, with a special focus on least developed countries and Small Island developing States. Civil society target beneficiaries include non-governmental public health and environmental organizations, trade unions and other civil society organizations.

3.4. Risks and assumptions

The overall Phase 2 SAICM project is based on the assumptions that the implementation phase continues without any major change and that there is continued stakeholder and donor support to the Secretariat, participation of other intergovernmental organizations and ongoing stakeholder engagement in SAICM.

For component 1, the operation of the QSP and its Trust Fund is based on the assumptions that the programme provides sufficient satisfaction to donors and recipient countries and the demand for financial assistance will be ongoing over the lifetime of the TF. The extension of

the final date for contributions at ICCM 2 and the progress report given to the 5th meeting of the Executive Board suggests that these are reasonably safe assumptions.

Risks	Mitigating measures
Geographical and sectoral imbalance of applications. Performance on this is one of the issues for the Mid Term Review	<ul style="list-style-type: none"> - Secretariat efforts to seek active involvement of under-represented regions, in particular SIDS and LDCs - Secretariat efforts to seek active involvement of under-represented regions, including by encouraging assistance from relevant intergovernmental organizations. <p>This is unlikely to be a major risk as 89 countries have so far been covered by approved projects.</p>
Implementing delays	<ul style="list-style-type: none"> - Ensuring adequate and timely reporting, in line with project work plan - Assistance from the secretariat or intergovernmental organizations

For component 2b it is assumed that civil society interest and involvement in SAICM will continue to grow in line with experience to date.

Risks	Mitigating measures
Geographical and sectoral lack of participation and interest in the network	<ul style="list-style-type: none"> - Secretariat efforts to seek active involvement of under-represented regions and sectors, including through relevant intergovernmental organizations - IPEN efforts to seek active involvement of under-represented regions, including by encouraging assistance from existing partners. This is a minor risk as IPEN has involved CSOs in 100 countries.
Implementing delays	<ul style="list-style-type: none"> - Ensuring adequate and timely reporting, in line with project work plan - Assistance from the secretariat or IPEN

3.5. Cross-cutting Issues

SAICM has a strong focus and component of environmental sustainability by promoting the sound management of chemicals as a cross-cutting issue interlinked to sustainable development, in particular in developing countries. SAICM also provides for the effective and efficient governance of chemicals management by means of transparency, public participation and accountability involving all sectors of society, in particular striving for the equal participation of women in chemicals management. It also includes the commitment to respecting human rights and fundamental freedoms, understanding and respecting ecosystem integrity. Good governance objectives of SAICM include to promote and support meaningful and active participation by all sectors of civil society, particularly women, in regulatory and other decision making processes that relate to chemical safety, and to ensure equal participation of women in decision-making on chemicals policy and management.

4. IMPLEMENTATION ISSUES

4.1. Implementation method

Joint management: through the signature of an agreement with UNEP, which administers the SAICM Secretariat and the QSP Trust Fund. Joint management with UNEP is justified as UNEP is administering the SAICM secretariat and the QSP trust Fund.

4.2. Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned.

4.3. Budget and calendar

The EU contribution of EUR 3 000 000 would be divided into three portions:

Component 1: QSP Trust Fund

EUR 2 460 000 for the QSP Trust Fund. It is thus expected that the full grant would be used in no more than three rounds of applications between spring 2011 and spring 2012.

Component 2: Secretariat and civil society network development

- a) EUR 370 000 for the secretariat professional staff position including travel and the travel of QSP Executive Board regional representatives of developing countries. This would allow monthly salary disbursements for the professional to be continued from as soon as possible after the end of this component of Phase I project November 2010, i.e., from to October 2012. Support for the travel of Board members would be required in March 2011 and 2012 for the annual meetings of the Board, at a cost each year of EUR 22 500.
- b) EUR 170 000 for Phase 2 of the IPEN “SAICM Global outreach campaign” for which activities would be initiated in early 2011 and would be expected to last 18 months.

Summary budget breakdown.

Year	Component 1	Component 2		
	QSP trust fund	QSP staff position and travel	QSP Executive Board travel	Civil society network development
2011	EUR 1960 000	EUR 165 000	EUR 20 000	EUR 110 000
2012	EUR 500 000	EUR 165 000	EUR 20 000	EUR 60 000

4.4. Performance monitoring

Component 1 of the present proposal will be reviewed under the QSP framework, in particular by the QSP Executive Board, which reviews progress of the QSP. Performance of the QSP will also be assessed in the light of the objectives defined by the QSP business plan. Performance of the programme officer (component 2ab) will be monitored and assessed by the SAICM Secretariat Coordinator on the basis of terms of reference and the United Nations’ Personal Appraisal System, as well as indicators of the QSP business plan. The functioning of the Secretariat in relation to the QSP Trust Fund will also be examined by Mid Term Review and hence the Executive Board For component 2b, performance will be based on the number of civil society organisations that become involved in the outreach campaign.

4.5. Evaluation and audit

Project implementation arrangements for approved QSP Trust Fund projects provide that substantive and financial reporting are made available every six months and are kept under review by the QSP Trust Fund Implementation Committee and the QSP Executive Board. In addition, projects will be monitored and evaluated independently after 12 months of activities and/or upon completion of the projects. There will also be the Mid term review as described above which will look at the overall performance of the QSP TF and will examine a limited number of individual projects inter alia with respect to their attainment of objectives and planned results as well as their sustainability and their level of country ownership. Based on such reporting and evaluations, the SAICM Secretariat could provide consolidated mid-term and final reports for projects approved using EU funding. An evaluation of the work undertaken by the professional staff will be provided by the Coordinator of the SAICM Secretariat upon completion of the project. The civil society project will be evaluated according to similar requirements to those of QSP Trust Fund projects, with substantive and financial reporting every six months and a final evaluation of the project. The SAICM secretariat will also report to the EC according to the conditions set in the grant agreement.

4.6. Communication and visibility

The support of the EU will be publicised through the SAICM web site, newsletters and other relevant means such as SAICM and QSP promotional materials and public presentations. Funded projects, including the NGO network project, will be required to promote, as appropriate, the support of the QSP and its donors, including the EU. The contribution will also be publicised among other donors and stakeholders in relevant fora, including during interventions and meeting documents. The ENRTP contribution to the QSP Trust Fund was recognised at ICCM 2 when the Commission received a Gold Award certificate.

ACTION FICHE GG - CALL FOR PROPOSALS FOR ALL DEVELOPING COUNTRIES**1. IDENTIFICATION**

Title	Under Priorities 1, 2 and 5 of the ENRTP: General Call for Proposals for different thematic actions in all developing countries DCI-ENV/2009/20-656		
Total cost	EU Contribution: EUR 9 270 337		
Aid method/ Management mode	Centralised management		
DAC codes	14050 Waste management 31200 Forestry 32164 Chemicals 41000 Environment	Sector	Environment, sustainable management of natural resources, including energy

2. DESCRIPTION

The 2010 budget for this theme will be used to increase the total amount available for call for proposals EuropeAid/128320/C/ACT/Multi "*General Call for Proposals for different thematic actions in all developing countries*" to **EUR 131 170 037**, i.e. an initial allocation from the 2009 budget of EUR 62 650 000 (AAP 2009, Action Fiche J). In December 2009, an extra EUR 7 100 000 was added to the call for proposals through a transfer of funds between Action Fiches, bringing the total budget for 2009 to EUR 69 750 000. In Action Fiche L of the 2010 AAP Part 1 EUR 52 150 000 was allocated to call for proposals EuropeAid/128320/C/ACT/Multi.

The objectives of the call for proposals EuropeAid/128320/C/ACT/Multi are laid down in three of the five priorities of the ENRTP:

Priority 1: Working upstream in assisting developing countries to achieve the MDG7 on environmental sustainability

Priority 2: Promoting implementation of EU initiatives and internationally agreed commitments

Priority 5: Support for sustainable energy options in partner countries and regions

For further information, see the description in Action Fiche J for the call for proposals included in the AAP 2009 and the Guidelines for the call published on 31 July 2009.