

Sender:

Frank Fass-Metz
GEF Council Member
Head Division
Climate Policy and Climate Financing
BMZ (Federal Ministry for Economic Cooperation and Development)
Dahlmannstraße 4
53113 Bonn, Germany

Email: Frank.Fass-Metz@bmz.bund.de
Advisor: Matthias Seiche
Email: Matthias.Seiche@bmz.bund.de

Ref.No.: 312 K8185-0014/004

Date: 6 July, 2012

No. of pages incl. this page: 5

To: Monique Barbut
Chief Executive Officer and Chairperson
Global Environment Facility
Email: gcoordination@TheGef.org

Subject: Comments by Germany on SCCF Work Program June 2012

Dear Ms. Barbut,

Attached, please find our comments on several of the PIFs of the SCCF Work Program June 2012 with the request to take these into account during the drafting of final project documents.

With regard to project *Zimbabwe: Scaling up adaptation in Zimbabwe, with the Focus on Rural Livelihoods, by Strengthening Integrated Planning Systems*, GEF ID 4960 Germany notes, after thorough consideration, that the high governance and fiduciary risks that are associated with this project have not been properly addressed in the PIF. Germany sees the need to address the questions raised on page 4/5. Germany is not ready to approve this project unless these concerns are appropriately addressed. In the meantime we request the Secretariat and UNDP not to proceed with further project development.

With kind regards,

Frank Fass-Metz

Philippines: Scaling up Risk Transfer Mechanisms for Climate Vulnerable Farming Communities in Southern Philippines, GEF Project ID 4967

Suggestions for improvements to be made during the drafting of the final proposal

1. The scope and focus of the PIF are not clear and consistent enough. Please specify in further project development regarding the following two observations:
 - a. Project Title: "...Risk Transfer Mechanisms..." brands the project as insurance and microinsurance related project. However the proposal is more focused on microfinance (credits and savings) than on insurance.
The Philippines are - globally compared - relatively advanced in microfinancing. What is needed now is linking microfinance with microinsurance. Component 1 e.g. is particularly microfinance driven. We recommend addressing sufficiently the field of insurance. If this project wants to incentivise private sector, it is e.g. also worth analysing the taxes in the insurance sector which are quite high and hamper private sector engagement.
 - b. The project title implies Southern Philippines (Mindanao Island) as the focus, succeeding discussions however seem to narrow down the scope to Caraga. It becomes not clear which will be the intervention zones of the project (provinces, regions and municipalities).
2. Last year in the meeting of the Philippine Climate Change Commission with the donor community it was agreed that a thematic approach will be used in the implementation of the National Climate Change Action Plan. The proposal under review may need to strategically position its measures on enabling policies for the "food security" theme (thematical approach) rather than for "farming/production" sector (sectoral approach) only.
3. There is a long list of stakeholders that will be involved in the project. The final project document should provide details on how the complexity of coordination will be managed. We also want to stress the important role of three other relevant stakeholders which have not been mentioned yet in the proposal. We encourage a close exchange and eventually collaboration with these stakeholders.
 - (1) the Philippines Climate Change Commission (CCC) – it plays a critical role in policy-formulation relating to climate change, also risk transfer mechanism are high on its agenda
 - (2) the Association of non-life insurers (PIRA) - it would have an important role particularly for component 1 of the proposed project
 - (3) the GIZ Philippines projects on Climate Change Adaptation and Microinsurance (Micro-Insurance Innovations Program for Social Security - MIPSS) - the MIPSS project developed micro-insurance and social protection products that offer protection, e.g. for loan portfolio of cooperatives against extreme weather events; the instruments developed under the MIPSS Project are now under review for the development of an integrated financing package for local government units through the new BMU-GIZ "Support to the Climate Change Commission on the Implementation of the National CC Strategy and Action Plan."
4. The \$1,050,000 grant amount being requested seems too high if we compare it to the narrow focus of the proposed interventions, in principle in 4 municipalities and for 500 farmers. Co-financing amount of \$9.3Million might be too high expectation that needs to be verified. The \$1.5M co-financing from Peoples bank of CARAGA and \$3.3M from LGUs, for example, are very ambitious. Experiences from implementing programs and projects in the Philippines would show that partner counterparts, especially in kind, are hardly demandable unless clearly indicated in the agency's work and financial program.

5. Risk transfer models are generally mentioned but no specific description on what are the index-based solutions already in the market such as (1) the GIZ-Munich Re PPP (Credit Portfolio Insurance) on natcat insurance against extreme rainfall and wind speed and (2) the remote sensing Area Based Yield (ARBY) rice crop insurance developed and marketed with the support GIZ-MIPSS (GIZ Microinsurance Innovation Programme for Social Security) are mentioned. We recommend to specify on this relevant background information in further project development.
6. The proposal needs to elaborate more on the mechanism for local capacity development (i.e., of farmers associations, relevant local government units). Specifically answering the question of how national and local expertise will be tapped for technical assistance and the complementation needed from international experts. For example, the Agricultural Training Institute – Regional Training Center (ATI-RTC) of the Department of Agriculture can be tapped to provide capacity development measures to the farmers' association that will be organized/ strengthened under the proposed project. The ATI-RTC conducted facilitators' training on climate field school (CFS) under the Philippine Climate Change Adaptation Project (PhilCCAP). Similarly, availability of climate and other related information necessary for vulnerability and risk assessment poses a challenge especially at municipal level. Existing climate information can be packaged by the Philippine Atmospheric, Geophysical and Astronomical Services Administration and the Department of Agriculture (e.g. for crop-specific data and information). Remote sensing may be needed to augment locally available data and information.
7. Component 2 mentions the Integrated Financing Package which is training of microinsurance advocates (financial literacy), disaster risk management and early warning devices. We recommend making clear that Early Warning Systems will be used to save the people's lives not their tangible assets.

India: Sustainable Livelihoods and Adaptation to Climate Change (SLACC), GEF Project ID 4901

Suggestions for improvements to be made during the drafting of the final proposal

1. Germany highly appreciates convergence with and linkages to MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) and other programmes. Here the project can build on a number of current initiatives and pilots for convergence in India. The SCCF project should build on the experience and guidelines which evolved in the recent past (e.g. the Convergence Guidelines between NREGA and IWPM).
2. The project suggests using MGNREGA as a vehicle for financing adaptation measures, as long as they fall into the works permitted under the scheme. A study jointly conducted by GIZ, Ministry of Rural Development and the Indian Institute of Sciences, Bangalore, demonstrates that MGNREGA has the potential and already contributes to climate change adaptation through strengthening the natural resource base of rural communities; results and recommendations of this and a more comprehensive study currently being conducted should be taken into consideration during further project development and implementation.
3. Index-insurance for crops (e.g. page 14): The (high) basic risk which is inherent in index-based insurance for farmers should be taken into account and kept at a minimum; further it should be ensured that subsidized premiums do not support inadequate farming techniques, crops which are not resistant to a changing climate, or slow down the adaptation process – risk mitigation should have priority over risk management.

4. The livelihood support detailed in component 2 very much follows a Self Help Group Bank Linkage Programme, common in India. Here, there have been many problems with implementation in the past. Such experiences should be taken into account before repeating a similar scheme. In particular, the need for intensive support in terms of capacity development, monitoring, coupled with institutional governance and full time professionals at grass root levels has been proven in past experiences (including GIZ and DFID projects, and the ongoing National Skill Development Corporation initiative of the Ministry of Rural Development).
5. Germany kindly asks for clarification on the "scaling-up strategy" to "establish a solid base for scaling up measures that have proven their value". More details should be provided in further project development as the project as such is only being implemented in 6 states.
6. It is questionable if and how the project can contribute to reducing the "exposure" of human and natural systems to climate variability and change. To our understanding only sensitivity and adaptive capacity can be influenced on the local level. We therefore kindly ask to revise wording and provide clarification (see page 12 of PIF).

Zimbabwe: Scaling up adaptation in Zimbabwe, with the Focus on Rural Livelihoods, by Strengthening Integrated Planning Systems, GEF ID 4960

Germany notes, after thorough consideration, that the high governance and fiduciary risks that are associated with this project have not been properly addressed in the PIF. Germany sees the need to address the following questions. Germany is not ready to approve this project unless these concerns are appropriately addressed. In the meantime we request the Secretariat and UNDP not to proceed with further project development:

Germany agrees that Zimbabwe is highly vulnerable to the consequences of climate change and that a SCCF project with a focus on rural livelihoods would be highly relevant and could be beneficial to the rural population that is affected by climate change.

However, the project implementation structure, which currently is envisaged in the PIF entails high governance and fiduciary risks, which are not properly addressed:

1. The PIF lacks an analysis of how the current deficits in the governance situation of Zimbabwe influence the planned activities of the project. This is surprising, given that UNDP participated in designing the Zimbabwe United Nations Development Assistance Framework 2012 – 2015 (ZUNDAF), which states as the first development priority "Good governance and respect for fundamental human rights and basic freedoms are prerequisites for sustainable human development." This holds also true for the adaptation benefits which are planned to be achieved by the SCCF project. The risks for the project that go along with the current governance situation need to be taken account in the project design and appropriate measures to mitigate these risks need to be developed.
2. The Ministry of Environment and Natural Resources Management (Environmental Management Agency) is foreseen as the main Implementing Partner. However there is evidence that fundamental principles of good governance and rule of law have not been adhered to by this institution (e. g. expropriation without proper rule of law). We regard it as necessary that the project does not lead to any financial flows from the SCCF project budget to the Ministry of Environment and Natural Resources Management (Environmental Management Agency). The role of the Implementing Partner needs to be assigned to an institution that is independent from the Government of Zimbabwe.

3. The alignment with the District Development Fund (DDF) is not appropriate as the DDF is largely dysfunctional and suffers from the same governance problems as the ministerial level.
4. The financial management at the district level in Zimbabwe does not fulfil basic standards. Financial transfers from the central government to the district level have been inoperative for several years. In this regard it is not appropriate to undertake a climate adaptation expenditure analysis.
5. The indicative cofinancing of US\$ 30 million to be provided by the different levels of the Government of Zimbabwe is unrealistic if the current fiscal situation in Zimbabwe is taken into account.

In addition to these fundamental governance and fiduciary questions we have further comments on the project design:

1. One of the main activities of the project would be development of climate resilient agriculture in natural region V. The PIF does not take into account that there is already an international donor initiative existent in this natural region (as well as in the other natural regions, coordinated by FAO). Germany provides assistance in the regions Chiredzi, Beitbridge and Gwanda, which are mentioned in the PIF as regions to be covered by SCCF/UNDP activities. We request that the activities planned by UNDP are fully coordinated with those of other donors in order to avoid duplication of efforts.
2. The project design should incorporate a conflict sensitive approach and should consider involving groups of farmers with a Lead Farmer in the planned activities in order to reduce the conflict potential in rural areas.
3. Germany appreciates the consideration of the gender dimension of climate change. Germany recommends clarifying how concrete measures addressing the gender dimension of climate change are being implemented, how results will be measured and how good experiences will be shared with relevant stakeholders.

Global: West Africa, South Asia and SIDS (Small Island Development States): Enhancing capacity, knowledge and technology support to build climate resilience of vulnerable developing countries, GEF ID 4934

Suggestions for improvements to be made during the drafting of the final proposal

1. Regarding the steering structure, Germany kindly asks to specify and detail this aspect in further project development. It is of particular relevance for the success of the project as it follows a global approach. After discussing this with potential partners the specification should include the nomination of focal points for each country and a detailed description of their role and contributions to the global project. The coordination mechanism and the group of "project coordinators" the PIF proposes on page 22 seem to be a good approach which we encourage to pursue.
2. Germany appreciates the consideration of a gender-sensitive approach. To foster the mainstreaming of gender aspects in the project, Germany recommends to clarify concrete measures and to detail how results will be measured and how good experiences will be shared with relevant stakeholders.