

Case Study 2



Clockwise: A rooibos farmer from Suid-Bokkeveld region standing next to installed water storage tanks aimed at addressing water scarcity challenges in the Suid Bokkeveld region, Namakwa District (Photo: SANBI). Heat and drought tolerant climate-resilient livestock that were introduced in the Leliefontein and Kamiesberg communities, Namakwa District (Photo: SANBI); An established climate-smart communal garden in the Mamanyoha Village has introduced drip irrigation techniques to irrigate agricultural produce, Mopani District (Photo: SANBI).

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Above left: Tomatoes planted using Climate-Smart Agriculture techniques in the Mamanyoha Village, Mopani District (Photo: SANBI); Above right: Livestock farmers near a livestock shelter that have been built to protect and livestock from extreme weather events in the Namakwa District (Photo: SANBI).



Key Messages

A key objective of the Community Adaptation Small Grants Facility (CA SGF) project was to pilot a small granting mechanism through an Enhanced Direct Access modality. The application and review process established for the CA SGF project sought to increase local access to implement climate change adaptation interventions. Effectively achieving this required implementing adaptive management practices, including the following, to increase the accessibility of climate finance to communities in need and to bridge the gap between international expectations and local conditions:

- Clear roles, responsibilities and decision-making protocols, as well as placing decision-making and project management roles closer to the ground, would support responsive and effective adaptation practices.
- A two-tier process, in which small grant applicants access experts to strengthen the technical robustness of their project proposals prior to allocation and approval of the grant for project implementation, could help to enhance the project design and improve efficiency within the grant application review process. A fully resourced phase of administrative and technical capacity building, prior to project implementation, could strengthen this approach.
- Provision for various forms of partnerships, institutional arrangements and contracting options allow for greater accessibility to small grants for communities while limiting risks.
- Eligibility criteria and the decision-making process for awarding grants should articulate areas in which flexibility can be applied to enable the development of innovations that work within specific contexts.
- Determining specific grant recipient capacity is critical to ensure that there is a clear understanding of the training and support required to achieve the technical, administrative and monitoring requirements prior to contracting. Support and technical assistance must be provided to adequately serve the specific needs of each grant recipient.

Project Overview

The “Taking Adaptation to the Ground: A Small Grants Facility for enabling local level responses to climate change” project (known as the Community Adaptation Small Grants Facility project) was funded by the Adaptation Fund in 2014. The project sought to pilot a new mechanism of Enhanced Direct Access for local level climate change adaptation in South Africa, with a broad goal of understanding how such a mechanism could be scaled and replicated in the future.

The objective of the project was to increase resilience and reduce the vulnerability of local communities who are most vulnerable to climate change through building capacity and empowering these communities to identify and implement adaptation measures. It aimed to facilitate the inclusion of climate change adaptation responses into local practices so that assets and livelihoods would be protected from local climate-induced risks associated with expected dry spells and droughts, seasonal shifts and storm-related disaster events. The emphasis was to support projects that harnessed local knowledge and creativity, integrated climate science, addressed gender disparities and ultimately generated tangible adaptation responses.

The Community Adaptation Small Grants Facility project targeted vulnerable, rural communities in the Namakwa District in the Northern Cape and the Mopani District in Limpopo, South Africa. The project offered grant sizes of approximately US\$ 100 000 to communities for the implementation of tangible climate change adaptation responses that were identified locally. The project was approved as a four-year pilot project but was extended to over five years to accommodate unforeseen delays.



Facilitating Access To Climate Finance

This case study explores the application and review process established for the provision of Enhanced Direct Access climate finance through small grants and provides an overview of the measures adopted, or later identified, to increase its accessibility to communities in need. Highlighting the adaptive management practices employed, it acknowledges that, as pointed out in the Mid-Term Evaluation, the institutional capacities that the CA SGF project sought to develop were the same capacities required to submit a successful proposal.

Context and background

The CA SGF project application and review process was established in the Adaptation Fund proposal. It was guided by the requirement to demonstrate tangible climate change adaptation benefits while ensuring that “no significant risks” were incurred with regard to the Adaptation Fund’s Environmental and Social Policy. Small grants that required a Basic Assessment or full Environmental Impact Assessment were not eligible due to administrative costs and risk of delay. A participatory and inclusive process to promote community ownership and facilitate sustainability was also outlined in the proposal.

Grant applicants were required to present a project within at least one of the project’s three investment windows (Climate Resilient Livelihoods, Climate Smart Agriculture and Climate Proof Settlements) and needed to directly benefit a minimum of 50 people in rural areas. Organisations were encouraged to collaborate to meet eligibility requirements, which included grant management minimums and ownership requirements.

The application process

The CA SGF Project Management Team disseminated a Call for Project Concepts through institutional networks and public media platforms (radio and newspaper) within each targeted area. The Call for Project Concepts was followed by an invitation to attend a briefing session on the application process, including an option to receive additional technical assistance to complete the proposal.

Applications were checked for completeness. Those determined as complete were rated by members of the respective District Technical Advisory Group and reviewed by at least three technical experts. The Executing Entity presented a shortlist of applicants for endorsement by the Project Advisory Group and approval by a Committee/Advisory Board at the national level.

“

This process was too complicated, costly and caused vulnerable communities to wait longer for assistance.”

Small Grant Recipient, June 2020

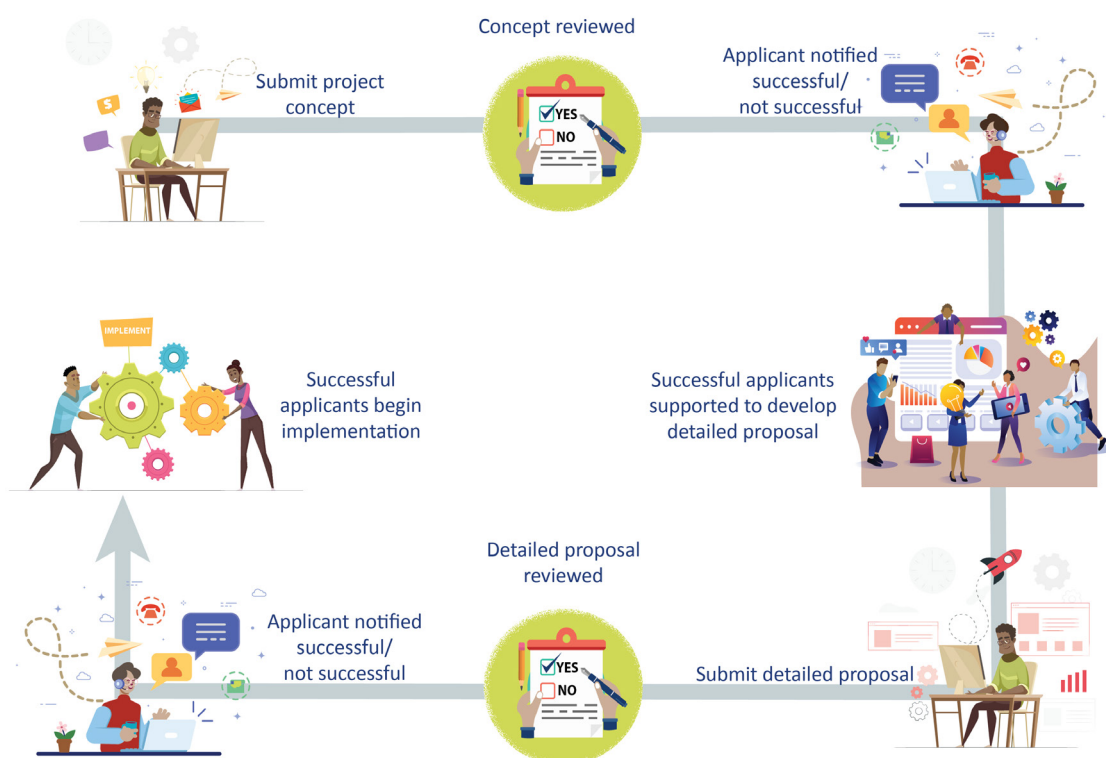


Figure 1: The grant application process.

Challenges during the application process

Despite a thoroughly articulated and inclusive review process, there were several challenges that arose. The process was cumbersome, exacerbated by a complicated review hierarchy, technically poor concepts and requisite expert reviews. In addition, compliance measures demanded

supportive documentation and an Environmental and Social Policy assessment, against established Adaptation Fund requirements. This robust process inhibited agile responses throughout the screening phase.

The institutional arrangements, developed to ensure adequate support and oversight of the grant application process, resulted in delays in decision-making. The multi-layered communications between the grant applicant, Facilitating Agency, Executing Entity and the National Implementing Entity resulted in miscommunication and

differing expectations on the part of the different stakeholders. Although the process was highly participatory, it caused delays that had knock-on implications for the awarded grant applicants, or Small Grant Recipients, and their ability to deliver on projects as envisaged in their original bids.

“The flexibility and the freedom to adapt to changed circumstances on the ground that Non-Government Organisations typically enjoy has seemed impossible.”

**Project Management Team Learning Report
November 2018**

The process also involved multiple steps for the applicants, including the submission of a project concept followed by a proposal. Each submission was subjected to reviews by several stakeholders, which sometimes required multiple iterations of responses and revisions. Furthermore, proposals were required to be reviewed by experts, which took additional time to source. This process lengthened the application period and, in turn, shortened the time available for implementation.

The Environmental and Social Policy assessment, which was required during the application process, was a new concept for the Project Management Team. It took time for the CA SGF project team to identify ways through which this assessment should be conducted, adopting learning through trial and error. Alongside these requirements was the collection of supporting documents, such as permission to occupy and mandate letters from local leaders.

In addition, there was an inadequate depth of understanding of the social and institutional knowledge and capacity at the community level with regard to the expectations of the CA SGF project granting mechanism

Below: Project beneficiaries and Small Grant Recipients sharing best practice methods for successful project implementation in the Namakwa District during an Intra District Learning Event (Photo: SANBI).



and associated requirements of the Adaptation Fund. This resulted in grant applications that were unable to meet the established organisational eligibility criteria or requisite technical rigour in project conceptualisation and design.

Neither the Mopani nor the Namakwa Districts received the number of readily implementable grant applications which met all eligibility criteria, following the original Call for Project Concepts. Most applications required considerable technical input and support to be practicable and achieve the ultimate objective of the CA SGF project. While Namakwa District received 21 applications, and Mopani District received 48, only seven Namakwa and seven Mopani applicants were offered a grant following an extensive review process. Furthermore, the difficulty in attracting well-articulated adaptation responses from target communities and collating and communicating multiple reviews in the grant assessment and approval process resulted in delays in the contracting of grantees. Participating and responding to multiple queries from the feedback loops was resource-intensive for the Small Grant Recipients and the cost and time spent on this process was not recoverable.



Adaptive Management: Enhancing access to Climate Finance

The grant application review process revealed that the capacity to meet project requirements was not available in either District. It was further discovered that the capacity that the CA SGF project sought to develop within communities was the same as that required to be eligible to receive grants. The CA SGF project employed adaptive management practices to enhance local access to climate finance. These innovations are described below.

Streamlining communications and review processes

Although decision-making was participatory, it was cumbersome and inefficient and did not create the overall process management and collegiality that could transcend the limitations of a complex structure and enable smooth functioning. A mechanism to allow for a more streamlined communication and review process for decision-making was therefore developed, based upon the level of engagement required by each stakeholder.

The result was a simplified communication structure that designated each Facilitating Agency as the primary contact for communication with grant applicants as well as a better coordinated and centrally managed review process. This structure ensured that all stakeholders were informed and that the roles and responsibilities regarding direct contact with Small Grant Recipients were clearly articulated to prevent mixed or unclear messaging.

Expanding the application process

Following the challenges that the applicants expressed during their proposal review, a two-phase grant application process was implemented in the Mopani District. The phased approach involved the provision of a workshop to assist potential grant applicants to strengthen organisational capacity to understand climate change adaptation responses and ultimately strengthen the conceptualisation of their projects. In addition, the grant applicants were provided with funding – ranging from R25 000 to R77 683 and averaging less than R30 000 (about US\$2 500) to engage with experts to demonstrate thorough technical understanding of the project and its implementation. The additional funding was provided only for expenses (e.g. travel) and external experts (e.g. engineering services), but did not cover any salaries or core costs, which burdened under-resourced potential grant recipients. This process built a foundation from which the Small Grant Recipient gained improved conceptualisation of their project and was better prepared to receive the grant for project implementation. All six applicants who participated in

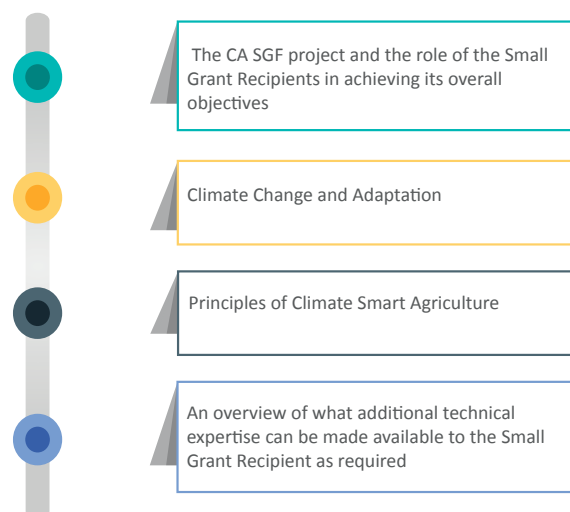
the phased process were awarded a significantly larger grant for project implementation.

Further expansion of the application process may yield even greater benefits. The opportunities provided to applicants to not only strengthen their project conceptualisation but also identify novel innovations and build administrative and financial management capacity could improve project delivery. A streamlined entry point, which could be a simple concept note with clear acceptance criteria, followed by a six-month (fully funded) tailored capacity and proposal development stage, would have promoted overall efficiency and shortened the timeframes to implementation while improving project outcomes, management and compliance. Small Grant Recipient project implementation timeframes would be insulated from the administrative and due diligence activities required to manage risk. Unfortunately, because the CA SGF project had a fixed-life, this did not always occur in practice.

Example: Phase 1 of the expanded application process

To support more technically robust project concepts, an additional phase was incorporated into the awarding process. This additional phase identified grant applicants that demonstrated alignment with overall Small Grant Recipient project goals but lacked technical rigour. The local Facilitating Agency was contracted to provide additional support, as described in Figure 2.

Delivery of a 2 – 3 day workshop with the objective to provide detailed training on the following:



Site visits could be incorporated into the workshop for practical discussion and cross-learning

A time for individual engagements with each of the Small Grant Recipients including:

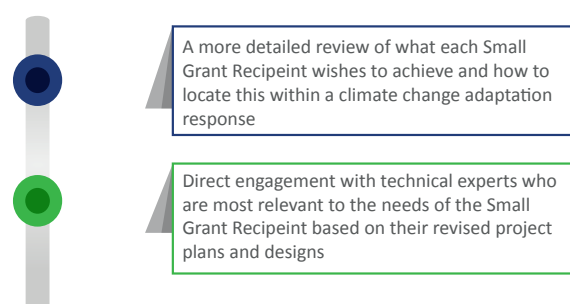


Figure 2: Additional support provided to grant applicants.

Partnerships at the Small Grant Recipient concept stage

The CA SGF project proposal recommended that grant applicants develop partnerships. Partnerships between local community groups and organisations were encouraged to meet the eligibility criteria that community-based organisations often struggle to achieve. The result

was the creation of new partnerships as well as leveraging existing relationships between communities and local organisations. Grants were awarded to more established private or Non-Governmental Organisations rather than communities themselves.

Communities forged partnerships with local Non-Governmental Organisations, private businesses and cooperatives. Small Grant Recipient partnership arrangements within the CA SGF project took many forms, including implementing agents or administrating organisations, in which more established partners provided project management, financial management, monitoring and reporting support and/ or technical assistance. The CA SGF Project Management Team

reviewed project institutional arrangements seeking to ensure direct beneficiaries remained key drivers of project implementation and had continued decision-making authority throughout the project. Of the 13 grants awarded during the CA SGF project, nine projects involved partnerships between communities/ community organisations and more established Non-Governmental Organisations.

Example: A farmers' cooperative approaches a Non-Government Organisation for support

A 53-member farmers' cooperative from the rural Namakwa District approached a Non-Governmental Organisation based in the Western Cape with experience implementing community conservation projects for the 'Biodiversity and Red Meat Cooperative - Land and Livestock Adaptation' project. The Non-Governmental Organisation became the contracting entity, administered the grant and provided project management assistance. The cooperative benefitted from the introduction of hardier breeds of livestock, the creation of grazing management regimes, and climate adaptation capacity-building activities among the farmers and local youth.

Alternative contracting arrangements

The eligibility criteria were unachievable by some applicants, particularly in the Mopani District, as grant applicants were unable to demonstrate the required administrative and financial capacity. Furthermore, some grant applicants were not interested in the extra responsibility of administering the project. This attitude can be understood in light of the CA SGF project experience. At an inter-District learning event, one grant recipient lamented the fact that the project forced him to become skilled in grant management, Environmental and Social Policy's, report writing, procurement and the like, and took him away from his chosen area of expertise (herding). In his opinion, this effectively undermined both his confidence and his ability to do his day-job.

To overcome this obstacle, alternative contracting arrangements were developed that involved a contract arrangement where the Facilitating Agency would provide the financial management and administration function of the project. The arrangement ensured that well-articulated community adaptation projects with support from beneficiary communities could access the grant while

risks involved in financial administration rested with a more established organisation. The communities retained control and decision-making authority for the operational aspects of project delivery, while the Facilitating Agency managed the project financial resources on their behalf, including procurement.

This proved to be a successful model, resulting in administrative and financial capacity being built in community organisations while mitigating CA SGF project risk. The arrangement provided a model by which the Facilitating Agency could closely manage finances on a daily or monthly basis, ensuring full compliance of financial transactions and enabling appropriate procurement procedures. The arrangement, however, did necessitate increased resourcing of the administrative agency. In the CA SGF project, the increase was often minimal as the Facilitating Agencies were already in place, only requiring supplementary resources to play this role. The project administration budget was extended from 10% to 15% to make provision for the additional overhead.

Example: Farmers' cooperative and the Facilitating Agency engage in a tripartite agreement

Climate change induced erratic weather, extreme temperatures and declining rainfall resulted in the loss of livestock which caused significant strain on livelihoods. In response to the projected worsening conditions, the 'Concordia Farmers Adaptation Project' constructed multipurpose shelters with rainwater harvesting systems to protect farmers and their livestock. The farmers' organisation chose to have their local Facilitating Agency administer the grant; therefore a contract was developed between the Executing Entity, Facilitating Agency and Small Grant Recipient outlining the responsibilities of each party.

The Small Grant Recipient was contracted to "undertake the activities described in the approved project proposal" and comply with all conditions established by the Adaptation Fund, ensuring that the direct beneficiaries contributed to the implementation and were involved in decision-making regarding the day to day operations. The Facilitating Agency's role was to support the Small Grant Recipient in project administration and financial management and deliver capacity-building interventions. The Facilitating Agency then received funding on behalf of the Small Grant Recipient, which they were responsible for disbursing or spending on behalf of the project.

Adaptive management approach to compliance

Two mechanisms were used during the application process to identify and manage finance and project management risks. The CA SGF project assessment tool included a finance questionnaire. Required once a project had been approved, it consisted of a questionnaire completed by the prospective grant recipients with the assistance of the Facilitating Agency. The questionnaire sought to determine if there were any conditions that needed to be placed upon the prospective grant recipient once an application was approved. Additionally, the financial assessment was used as a management tool by the Executing Entity to execute its grant management cycles and procedures according to the risk profile presented by the specific grant recipient.

Although thorough review processes and tools were utilised, they were not able to capture all areas of risk. The primary focus was to identify organisations with previous fraud or misconduct; however, the desk-based process was not able to adequately assess all organisational systems and risks. There were Small Grant Recipients that passed the review but still struggled to manage the implementation at the level of complexity required. Consequently, as the Small Grant Recipients implemented projects, inadequacies that impacted their project implementation and reporting were revealed.

A dedicated bank account, which was required, was insufficient in promoting traceable expenditure. Cash-based withdrawals and cash transactions, often typical of rural communities, were particularly problematic and resulted in disallowed expenditure (and losses for the Small Grant Recipient and/ or the Executing Entity) in several instances. While these losses were small in the context of the CA SGF project, and did not exceed 1% of the total project budget, even a small amount is a significant sum for a community-based organisation, assuming the problem was due to accounting and not integrity failures.

Although impossible to ensure zero risk, and while existing tools may be capable of refinement, the real solution lies in practically working together. The six-month (fully funded) tailored capacity and proposal development stage, during which the Small Grant Recipient would have to demonstrate or build financial reporting skills would provide the environment in which to test-run and improve capability. Improper bookkeeping and inadequate use of systems, despite an assessment prior to contracting, were noted for three Small Grant Recipients.

Conclusion

The grant application process was designed to facilitate access while promoting participation, competition and transparency. Although challenges arose, adaptive management practices allowed for the incorporation of learning into processes which developed greater responsiveness, efficiency, and greater agility to respond to community needs. Adaptive management promoted more effective Enhanced Direct Access to climate finance, notably through:

- Enabling greater collaboration among organisations at the local level, leveraging existing relationships and those developed during the course of the project.
- Developing, over time, greater local competence in complying with the requirements for managing climate finance. In addition, enabling accomplishment of the project goals, social capital and capacity for the Environmental and Social Policy. Compliance capacity has also been laid down for future iterations of Community-Based Climate Change Adaptation projects.

- A shift from a one-size-fits-all approach to devolution of project management roles closer to the ground. The Facilitating Agency's role expanded to become the dedicated body to respond to needs as they arose, to support partnerships and adaptation practices as required.
- A shift from a standardised approach to one which offers grants of different sizes, commensurate with experience and capacity.

The key messages outlined above offer strategies that may be employed within grant facility projects to maintain competitive principles while still responding to the realities on the ground and introducing greater efficiency into management systems. A greater initial investment of time into proposal and capacity development would have been more effective and efficient (in time and money) to deliver community-based adaptation in compliance with the project requirements.

Below: Livestock herders in front of a geodesic dome which helps them to cope with excessive temperatures in Kharkams, Namakwa District (Photo: SANBI).



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