

BRIEFING ON THE 17TH MEETING OF THE ADAPTATION FUND BOARD

FROM NOW ON MORE NATIONAL IMPLEMENTING
ENTITIES THAN MULTILATERAL IMPLEMENTING
ENTITIES

Alpha O. Kaloga with contribution from Sven Harmeling



Brief Summary

This briefing paper summarises the key issues that are on the agenda of the 17th meeting of the Adaptation Fund Board (AFB), which governs the Adaptation Fund (AF) set up under the Kyoto Protocol. It will take place from 14 to 18 March in Bonn.

Among the key issues are the consideration of further project and programme proposals to be approved by the AFB, the accreditation of three National Implementing Entities from Kenya, Mexico and Argentina, and the Guidance document for proponents to better prepare a request for funding. Also during this meeting, they will be a discussion on the Investigative Procedure to prevent the AF from misuses and mismanagements of its resources as well as on the Fundraising Strategy to be adopted to help the AF scaled up its resources.

Last but not the least the AFB members will make their comments on the performance review of its Trustee and Secretariat.

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Executive Summary

From 14th to 18th March, the Adaptation Fund Board will convene for the first time this year at its 17th meeting in Bonn, Germany. On 14th March, the Board members will convene in their respective committees, the Ethics and Finance (EFC) and the Project Programme Review Committee (PPRC).

On the 15th the AFB meeting will start by the transition to the new chair and vice-chair and the new committee chairs. Afterwards, the AFB will deliberate on the recommendation of the Accreditation Panel. The Accreditation Panel (AP) is in charge of the accreditation of National, Multilateral and Regional Implementing Entity. According to the recommendation of the AP, the Board will have to approve the Accreditation of three NIEs from Kenya, Argentina, and Mexico. Should the AF approve the accreditation of these three further NIEs, this should be then seen as a further milestone set by the AFB. Simply because, since the AF's has been established, the number of NIEs (eleven) will for the first time exceed those of MIEs ten. The direct access approach seems not only to work, but it seems to become soon the privileged way of developing countries to access to adaptation money

Secondly, The AF will have to decide based on the recommendation of the PPRC about potential approval/or not approval of three fully developed projects and the endorsement/or not endorsement of four further project concepts. Benin, as the fourth NIE country, has submitted the concept note of its projects, which aims at supporting the adaptation of Cotonou Lagoon ecosystems and human communities to a sea level rise and extreme weather events impacts. Three fully developed projects (Colombia, Ghana and Papa New Guinea) have been submitted by the UNDP. The other three concept proposals have been submitted by following countries Belize through the World Bank, Cambodia through UNEP and Lebanon through IFAD.

Other items on the agenda of the AF, which are worth being followed is related to the investigative procedure of the AF. The investigative procedure is a mechanism that should protect the AF against corruptions misappropriations and misuses of its resources during the implementation of projects it has funded. The AFB members are going to discuss how to set up the procedure so as it that can on time alert investigate and penalise any financial mismanagements of its fund.

In addition the AF will have to discuss the Fundraising Strategy of the AF. Given the limited funds at its disposal and the increased demands after, it is vital that the AF set a smart strategy that could help the AF to sustainably scale up its resources. Furthermore the AF will debate on the guidance document for proponent prepared by the AF Secretariat to best prepare a request for funding.

Other important items will also be discussed during the AF meeting inter alia: the consideration of issues related to the 50% cap for proposals submitted by the AF and the consideration of the issue related to regional projects.

Last but not the least the AFB members will make their comments on the performance review of its Trustee and Secretariat.

This briefing paper will highlight and summarise the key issues on the agenda of the 17th meeting of the AFB, and outline some further actions to be taken by the Board.

1 Report of the Accreditation Panel

The Accreditation Panel (AP) of the Adaptation Fund Board has in charge to review accreditation applications for National Implementing Entities (NIEs), the key element in the AF's direct access approach, as well as for Multilateral Implementing Entities (MIEs) and Regional Implementing Entities (RIEs).

Since the last meeting, the AP has continued fulfilling its task by reviewing and scrutinizing both new and pending applications. In doing so, it has held teleconference with, and conducted field visit to the applicants. Since the last Board meeting, two new NIEs applications have been submitted to the Board. In addition the AP went on checking the existing nine NIEs, one RIE and two MIEs applications.

1.1 Accreditation of three further NIEs

1.1.1 National Environment Management Authority (NEMA) from Kenya

The application of NEMA is the oldest of the accredited NIEs and has been sent for the first time in August 2010. After several exchanges and communications between the applicant and the AP, new documents have been forwarded by NEMA upon request of the AP. A representative of the NEMA also met a member of the AP on the sideline of the Africa's workshop on accreditation. During this consultation the AP member explained the shortcomings of the application and encouraged NEMA to send additional documents. After reception of these documents, the AP decided to undertake a field visit, which helped the AP to recommend to the AFB to accredit NEMA subject of certain conditions. The conditions bond with the accreditation of NEMA, required that it should prepare annual financial report for AF projects as well as undertake an annual external of the financial statements.

1.1.2 Instituto Mexicano de Tecnologia del Agua (IMTA)

The application of IMTA is not longer than five months in the accreditation process pipeline. The application has been sent for the first time in Spanish in November 2011 to the Secretariat. After the application has been translated and also after a face to face meeting on sidelines of the accreditation workshop held in Latin America. The AP concluded that IMTA is a strong organisation with very qualified staff of 800 and some 400 consultants to fulfil the fiduciary standards of the AF. The Panel then recommends to the AFB to accredit IMTA as NIE.

1.1.3 Unidad para el Cambio Rural (UCAR)

The application of UCAR is also in the accreditation process since five months. During the accreditation process a teleconference was held between the AP and the applicant and additional documents requested by the AP have been sent by the proponent. After further exchanges the AP was able to recommend to the AFB to accredit UCAR as NIE.

1.1.4 NIE022¹:

The application has been sent in June 2011. The document sent showed a lot of shortcomings regarding the audit report, the project cycle management. Nearly all points of the fiduciary standard were not reasonable enough for accreditation. After this finding, the AP tried, without success, to get in touch with the applicant in order to encourage it, to provide the documents requested. Ahead of this meeting the AF Secretariat has sent an email with a copy to the Designated Authority requesting the applicant to provide the information needed for further considerations. Consequently, the AP recommends to the AFB not to accredit NIE022.

Also a MIE was reviewed by the AP for this meeting. Unfortunately, the applicant has withdrawn its application with the argument to resent it, as soon as certain institutional arrangements within the institution are completely established.

1.2 Other matters related to the Accreditation Process

Three (NIEs, NIE028, NIE029 and NIE032) in the accreditation pipeline seems to be strong and reasonable enough to be accredited intersessionally. The AP requests therefore a permission from the Board to allow the Panel to submit a recommendation on the accreditation of the three NIEs, as soon as the outstanding documents will be provided and the required clarifications and shortcoming addressed.

Further existing NIEs NIE018, NIE023, NIE034, NIE035 and RIEs, RIE002, MIE011 are in the pipeline. The AP with the assistance of the Secretariat will continue exchanging with these applicants towards their accreditation.

Based on the accreditation workflow, the AP suggests updating and prioritizing the user-friendliness of the application form interface and to do so for the current application form. The Panel also pointed out the issue of translation of application documents and encourage assisting applicants, where possible. It also recalled that the secretariat should remind the applicants sending all information in English.

Finally, pursuant to the proposal of Sweden to organise the 10th meeting of the AP in Stockholm, the Panel agreed to accept the invitation by the government of Sweden.

In the case the AFB decided to follow the recommendation of the AP, the three new NIEs will bring the count of NIEs to eleven, (including four for Latin America and Caribbean and five for the African region). The accreditation of these three further NIEs should be seen as a milestone, because for the first time since the AF's inception, the number of NIE (eleven) will exceed those from MIE ten. The direct access works and it is not the innovative feature in the climate finance landscape but also soon the popular one. This accreditation also gives clear evidence that developing countries are becoming more confident to tackle this avenue. The timidity of developing countries and their fear for the accreditation process at the beginning of the process seems gradually to be surmounted. More countries have succeeded the process within half a year. The accreditation process is becoming a popular exercise among developing countries, which have decided more than ever, to take their own destiny in their hand by accrediting their own institution.

¹ Because of confidentiality, the AFB Secretariat uses to number applicants in the accreditation process

The workshop also has revealed itself as useful, since two of the three new accredited NIEs have received on sideline of these workshops the required information and motivation they needed to success the process. However, the AF should remain vigilant that the poorest countries in LDCs and SIDs are adequately represented among the accredited NIEs. At the end of day, the success of the AF will also be measured through the number of NIEs emanating from poor countries.

2 Items to be considered by the Project/ Programme Review Committee

The Project and Programme Review Committee (PPRC) is responsible for assisting the Board in tasks related to project/programme review in accordance with the OPG, and for providing recommendations and advice to the Board thereon.²

2.1 *Report of the secretariat on initial screening and review of project/programme proposals: AFB/PPRC.* 8/5

This part deals with the AF's secretariat screening and review process of project proposals submitted to the AF for approval during this meeting. In fulfilling its review tasks the AFB secretariat was assisted by several members of the GEF secretariat technical staff.

All together 12 regular project and programme proposals have been submitted to the AF Secretariat, with the total requested funding amounting to US\$87,697,865. During the process, five proponents withdrew their proposals. The seven remaining proposals -3 fully developed project documents and 4 concepts- that have been reviewed by the secretariat amount to US\$53,138,911, including an average management fee of 8.4% and an average execution cost of 8.6%³.

Among the proposals, there was only one project submitted by a NIE namely the Funds National for Environment of Benin (FNE). This project supports the Adaptation of Cotonou Lagoon ecosystems and human communities to sea level rise and extreme weather events impacts. The FNE has requested US\$9,109,000 for the project cost including an 8.5% management fee and a Project Formulation Grant (PFG) Request for US\$29,000.

The UNDP has submitted three fully-developed project documents for Colombia, Ghana and Papua New Guinea, the latter one being at its third submission⁴. These fully developed projects have requested total US\$25,214,813. In addition the United Nations Environment Programme UNEP submitted one project concept for Cambodia, which had been considered in the 16th meeting and not endorsed. The World Bank (WB) submitted one project concept for Belize, which had been considered in the 15th meeting and not endorsed. Finally, the International Fund for Agricultural Development (IFAD) submitted one project concept for Lebanon. The funding requested by the last four concepts is US\$27,924,098.

² Report of the secretariat on initial project/programme review:
http://adaptationfund.org/sites/default/files/AFB.PPRC_.6.3%20Report%20of%20the%20secretariat%20on%20project%20review.pdf

³ The implementing entity management fee percentage is calculated compared to the project budget including the project activities and the execution costs, before the management fee. The execution costs percentage is calculated as a percentage of the project budget, including the project activities and the execution costs, before the implementing entity management fee.

⁴ The funding requested by each single project is US\$6,530,373 for Papua New Guinea, US\$8,850,000 for Ghana and US\$9,834,440 for Colombia, with an average of US\$8,404,938, including management fees charged by the implementing entities.

Table 1: Project proposals submitted to the 17th Adaptation Fund Board meeting

Country	IE	Financing requested (USD)	Stage	IE Fee, USD	IE Fee, %	Execution Cost (EC), USD	EC, % of Total
Benin	FNE	\$9,109,000	Project concept	711,000	8.50%	484,000	5.78%
Belize	WB	\$6,000,000	Project concept	470,000	8.50%	520,000	9.49%
Cambodia	UNEP	\$4,954,273	Project concept	388,123	8.50%	396,150	8.68%
Lebanon	IFAD	\$7,860,825	Project concept	615,825	8.50%	688,200	9.50%
Colombia	UNDP	\$9,834,440	Full project document	770,440	8.50%	861,000	9.50%
Ghana	UNDP	\$8,850,000	Full project document	637,500	7.76%	712,500	8.68%
Papua New Guinea	UNDP	\$6,530,373	Full project document	511,596	8.50%	517,027	8.59%
Total		53,138,911		4,104,484	8.39%	4,178,877	8.60%

See Report of the secretariat on initial screening and review of project/programme proposals AFB/PPRC. 8/5

All funding requests are below the US 10 million country cap. In the case the AFB would approve all the fully developed proposals, the cumulative funding decisions will amount US\$115.82 million, which would represent 45.3% of the available funding for projects. This is also in line with the 50% cap for MIE of the funds available for funding⁵. All the fully developed proposals have provided a breakdown of their execution costs and administrative cost.

2.2 Consideration of the fifty percent cap for proposals submitted by MIEs AFB/EFC.8/.5/Rev.1

The discussion on this issue pulls up since the 12th meeting of the AF, where the AFB decided that funding for projects submitted by MIE should not exceed the 50% of the funds available held by the Trust Fund for projects at the start of each session. At the 16th meeting the AFB members decided to further maintain this cap or not. At the same meeting, the AFB invited its members to submit their view by January, 12 on how to implement this cap and to prioritize project/programme concepts submitted by MIEs and already endorsed up by the AFB.⁶ This part deals with the submission of the three AFB members, who have submitted their view to the Board.

The first one from Mr. Monowar Islam, Alternate, Bangladesh – LDCs recommends using five equal indicators in order to compare the proposals quantitatively.

⁵ See Decision B.12/9 http://www.adaptation-fund.org/sites/default/files/AFB_12-Report.pdf

⁶ See Decision B.16/23 <http://www.adaptation-fund.org/sites/default/files/Report16thAFB-Rev1%20final.pdf>

Serial	Indicator	Weightage
1	Vulnerability of the ecosystem	20 marks
2	Ratio of human displacement due to climatic disorder	20 marks
3	Impact on human health	20 marks
4	Impact on agriculture	20 marks
5	Impact on biodiversity	20 marks
	Total	100 marks

See Annex I of the document “Consideration of the fifty percent cap for proposals submitted by MIEs”

The second submission is from Mr. Anton Hilber, Member, Switzerland, WEOG endorses a ranking of the proposals based on three impact indicators. Its submission contains an explanation of these indicators as well as the methodology of the ranking. Accordingly the three indicators are:

Saved wealth: is quantified by a mixed index of absolute and relative wealth savings, which are needed to prevent or reduce climate change impacts. The index approach is chosen in order to both include economic value (absolute wealth savings) and vulnerability (relative wealth savings)

Saved Health: is related to direct climate change impact on people and their health by using health indicators. It uses a non-monetary parameter to achieve an equitable assessment of adaptation benefits

Environmental Benefits: encompasses the environmental benefits and services generated by the adaptation project that are not economically quantified in the **Saved wealth**⁷.

The three indicators are connected with the project specific output and outcomes indicators. However the capacity building part is excluded from the impact calculation. The project proposal ranking is also carried out after all corrections are closed. Projects shall then be ranked according to their contribution per \$US excluding the capacity building part. Accordingly, projects are chosen for funding in compliance with their ranking.

In the third submission, Ms. Medea Inashvili, Member, Georgia, Eastern Europe proposes a range of options from suspension of submission, deferring consideration of issues to the establishment of procedure on how to deal when the threshold has been exceeded. The submission also suggests to the AFB working closely with the Trustee to sell the CERs to accommodate the project pipeline.

Bearing in mind that there is no quantifiable threshold in the Operational Policies and Guidelines of the AFB to rank project, and consequently all projects approved by the AFB have the same standards that the policies of the AF. It will be challenging to find quantitative indicators to rank proposals. However, considering the range of options highlighted in the three submissions the AFB Secretariat recommends to the AFB inter alia to:

Maintain the first-come-first-serve procedure. In doing so, as soon as the cap is exceeded, the project will be placed in pipeline subject of availability of funds, whereby approved

⁷ See Consideration of the Fifty Percent Cap for Proposals submitted by MIEs Annex II p.7:
http://www.adaptation-fund.org/sites/default/files/AFB.EFC_.8.5.Rev1%20Consideration%20of%20the%20Fifty%20Percent%20Cap%20for%20Proposals%20submitted%20by%20MIEs.pdf

proposals of previously endorsed concepts would take precedence over one-step proposals.

Suspend the submission of new proposal until the endorsed concepts have been approved and until the amount allocated to MIE projects drops below the 40% mark.

Prioritize approved projects/programmes in excess of the cap in a pipeline based on the „net“ cost of the project (total project/programme cost minus the Implementing Entity fee)...

It is important to introduce a ranking methodology in the prioritisation of projects, when the 50% cap has been exceeded. This could help the AF to avoid financing project through the first-come-first-serve procedure and to introduce objective indicators that allow the AF to finance those projects that bring the most benefit for the targeted people and areas.

2.3 Guidance for proponent to better prepare a request for funding

During the preparation of the documents on lesson learnt from the review of the project so far submitted to the AFB, the secretariat has identified certain key areas where there is a need of additional guidance to the implementing entities as following:

- (i) whether the project/programme supports concrete adaptation actions,
- (ii) whether it is cost effective,
- (iii) the demonstration of the use of relevant national technical standards and
- (iv) The level of the consultation process for the design of the project/ programme⁸.

At the 16th meeting, the AFB after having considered these findings on the lesson learnt, requested the secretariat inter alia to prepare a short and concise guidance document for project and programme proponents to better apprehend the different sections of the proposal template, as listed above:

Since Germanwatch has reported the discussion held and the decision taken during the last meeting on this matter⁹, this part deals only with the guidance prepared by the secretariat related to two of the above-mentioned points (i) and (iv). This does by no means, signify that other sections of the project template are not relevant, but because of the scope of this briefing paper, one will focus on these two points that are in the view of NGOs critical for the sustainable success of the project.

(i) whether the project/programme supports concrete adaptation actions: This issue is linked with section A. of the Project /Programme Justification, which stipulates: *Describe the project / programme components, particularly focusing on the concrete*

⁸ Decision B.16/7 in the Report of the Sixteenth Adaptation Fund Board Meeting p.10 (December 13-14, 2011) me <http://www.adaptation-fund.org/sites/default/files/Report16thAFB-Rev1%20final.pdf>

⁹ See Report on the 16th Meeting of the Adaptation Fund Board p-p 10-14 n <http://www.germanwatch.org/klima/afb2011-12r.htm>

adaptation activities of the project, and how these activities contribute to climate resilience..... According to the findings of the lesson learnt, 21% of the proponents have asked more clarification on what concrete adaptation activities mean in the context of the AFB. The definition of concrete adaptation ““*a set of activities aimed at addressing the adverse impacts of and risks posed by climate change*¹⁰” as it states in the Operational Policies and Guidelines seems to be not clear enough to the proponents.

Hence, the new guidance advises that concrete adaptation activities should endeavour to generate evident and substantial results on the ground that help to reduce the vulnerability, increase the adaptive capacity and the resilience of human and natural system targeted in the projects. The project should necessarily be in line with the AF’s Result Framework and therefore should detailed prove that the identified adaptation actions will address the climate threat in the project region. Thus, the description should include information on project location and scope. In addition, it should contain clearly defined activities including technical specifications, where it may deem as appropriate¹¹.

(iv) The second point deals with the level of the consultation process for the design of the project/ programme. This issue is linked with section H. of the Project /Programme Justification, which stipulates: Describe the consultative process, including the list of stakeholders consulted, undertaken during project preparation, with particular reference to vulnerable groups, including gender considerations.

The new guidelines prepared by the secretariat divided the consultative process in three levels. The first one is the project concept level. At this stage an initial consultative process has to take place with key stakeholders. However, depending on the level of involvement the consultative process can be deferred until the preparation of the fully developed project. Importantly, the guidance mentions where Project Formulation Grant has been accessed, a part should be allocated to the consultative process.

The second level applied to the submission of fully developed projects. At this stage a comprehensive consultation has to be undertaken that encompass all relevant stakeholders including the most vulnerable and gender groups and this should be mirrored in the project design. Only under particular circumstances the consultation could be postponed until the implementation phase. The most vulnerable have to at this stage be identified and consulted. The last echelon is related to the implementation arrangement. A framework allowing should be established that allow that stakeholder’s views concerns and needs are heard and integrated in the project. The framework should contain strategy timetable for sharing information and consulting with each of the stakeholder groups during the project. In addition the whole consultative process should include the a) the list of stakeholders already consulted (principles of choice, role ascription, date of consultation), b) a description of the consultation techniques (tailored specifically per target group), c) the key consultation findings (in particular suggestions and concerns raised).

¹⁰ <http://adaptation-fund.org/sites/default/files/OPG%20Revised%209.15.11%20%28with%20annexes%29.pdf>

¹¹ See: The Adaptation Fund Project Review Process: Lessons Learned p. 8; http://www.adaptation-fund.org/sites/default/files/AFB.PPRC_.7.3%20Lessons%20learned%20on%20the%20AF%20Project%20Review%20Process.pdf

However, it is worth also including to the current proposal a need of establishment of a Stakeholder Engagement Plan (SEP). The SEP should describe regulations, requirements and responsibilities as well as provide a strategy and timetable for sharing information. It is a kind of framework allowing for stakeholders' views to be heard during project implementation. This framework should be supported by a workable grievance mechanism, which ensures that the concerns raised by the stakeholders are addressed during the implementation. Adequate facilitation measures (e.g. travel costs) should be included to minimise barriers for involvement of key stakeholders where these impede their participation. Where Project Formulation Grants (PFG) are accessed, these should also be used to facilitate a comprehensive stakeholder consultation process in the project preparation phase.

2.4 Consideration of issues related to regional projects/programmes AFB/PPRC.8/3

The discussion on this matter is pending since the 13th Board meeting. At the 14th Board meeting the AF has established an ad hoc working group, composed of the Chair and Vice-Chair, four members from the Ethics and Finance Committee and four members from the Project and Programme Review Committee, to consider the issues of regional criteria, country caps and the definition of regional projects/programmes. The discussion in the upcoming meetings lead to the decision of the AFB requesting the Secretariat to gather information on regional projects experienced by other international funds and to come with a definition proposal of regional projects in the context of the AF as proposed by the ad hoc working group. In addition it requested the PPRC and (EFC) to consider the revised paper with respect to the issues of the effect of the 50 per cent cap on the MIEs and the granting of an additional US \$5 million for regional projects.

The present document, to be discussed at this meeting, contains an annex on lessons learnt from regional projects and programme, particularly on climate adaptation, accrued by other international funds and development banks.

Accordingly, the experience and lessons from regional projects are scarce goods, because there are a straightforward numbers of regional projects so far implemented. The survey undertaken by the secretariat finds following points as relevant to the discussion in the AFB.

For instance regarding the transboundary issues, regional projects make sense only when the problem is a transboundary one or when actions in one country have repercussions in the other. This is the case of shared risks and goods such as marine areas, lakes, rivers, mountain system. Regional approaches are also important, if one wants to collect information at a higher geographical scale. Although single country can benefit from such a database information systems, it remains quite difficult for single country to share information among them rather than with an independent regional organisation. From the economic point of view, it is worth mentioning that lessons learnt in regional projects could be replicated in other countries and that is cost effective. The economic scale is however dependent from a number of factors such as resemblance of the countries, the logistic, the regional coordination and their execution on the national level. In some cases the benefit of regional may be higher for groups living within the countries than among countries themselves.

The challenge of regional project is more related to the complexity in the implementation of regional projects compared to the national one. The coordination for instance with countries, and their willingness to cooperate depend on whether their interest converge within the projects or whether the assigned cost and benefits are equal for each country engaged in the project. In addition it is essential to take into account the national governance structure of countries involved in the regional projects. An interviewed agency reveals that with no clear additional regional benefits, 9 out of 10 countries would prefer a single project rather than implementing a regional one. To sum up five features “are proved vital to regional project success”¹²:

i) Strong commitment of each country to regional projects; ii) The scope of objective should be in line with the required coordination complexity and also match with the capacities of the involved stakeholders; iii) Clear division of labour and competence between national and regional institutions; iv) the accountability of the governance and v) Planning of sustainability of the projects, because in most of the case, countries are focused on national activities and pay rarely due attention to regional parts.

In the discussion in the ad hoc group it was noted that given the nature of the AF, it may be possible to identify specific areas where the AF could play a ground breaking role. In doing so, the AF should strive for filling gaps and set priorities for strategic adaptation investment.

There are no pre- set definitions of regional projects. It is therefore not necessary for the AF to define what a region in its context means. The document hence advises the AF to apply a dynamic definition that can be accommodated on a case-by case basis. Accordingly, *regional projects in the context of the AF are implemented in two or more countries in the same UN or adjacent regions. Countries do not need to share the same border in order to be able to engage in regional projects*¹³.

The survey also pointed out that the development of regional projects is time consuming, but administrative costs need not to be higher than regional activities. However, given the countries cap, it would be necessary to incentivise development of regional projects by allocating separate funds for regional activities above the country cap. In doing so, the AF should set a cap for regional projects, so as Implementing Entities are able to manage.

The document also advises, that at this stage NIEs do not implement regional project, but rather should act as implementing entities. This should help them to gather enough experience and knowledge to deal with regional projects.

All regional project and programme proposals should meet the normal review criteria for single-country proposals, for each of the participating countries¹⁴. This implies an amendment of the review criteria to better address specific needs of regional projects.

Regional projects imply two types of costs: i) one specifically assigned to each singular country involved in the regional projects so called country cost, and ii) a regional costs. In addition, there are two types of cost that emanate from regional projects. The *coordination cost*, which is accounted under *execution costs* and the cost that comes up from the

¹² Consideration of issues related to regional projects/programmes AFB/PPRC.8/.3p.5 http://www.adaptation-fund.org/sites/default/files/AFB.PPRC_8.3_EFC.8.11_%20Consideration%20of%20issues%20related%20to%20regional%20projects&programmes_0.pdf

¹³ Ibid p.25

¹⁴ Ibid p.8

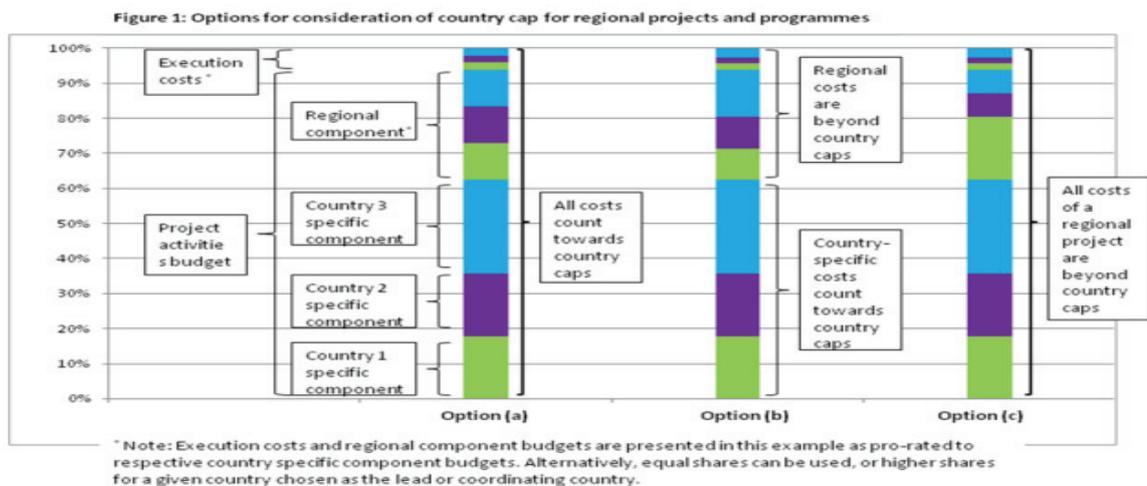
regional activities. The latter is budgeted under *project activities budget* and targets all regional activities such as early warn system, regional workshop, that are carried out in all countries involved in the regional project.

Consequently, the document proposes three options to best set in the context of regional projects and programmes. These options include:

a) *All costs of regional projects and programmes, both country-specific and regional ones, are divided among participating countries, and those shared are counted towards the cap of that country;* This option easier to implement.¹⁵

(b) *The country-specific costs within a regional project or programme are counted towards the cap of that country but an additional allocation is granted for regional costs*¹⁶. This option is difficult to manage in contrast to the option a) and requires a special budget for regional activities, which is quite difficult to differentiate from countries one. It could be however applicable, if only the execution cost has to be covered. .

(c) *An additional allocation for all costs of regional projects and programmes is made possible by instituting a separate cap for regional projects and programmes. Such projects and programs could also include country-specific and regional costs*¹⁷. This is option is only relevant if the AFB wants to promote regional projects.



Having presented this, the document recommends:

1) To the PPRC

a) To approve the definition of regional project and programme in the context of the AF as mentioned above; b) To decide that the budget for regional project should indicate the break down cost for activities per country within the budget....as well as an explanation of how budget are counted towards country cap of each single country participating to the

¹⁵ Ibid p.14

¹⁶ Accordingly, the additional cost could be used in option b) for both execution cost and project cost or one of them.

¹⁷ The Ad hoc group suggested identifying priority areas that should be supported with additional funds, for the case the Board should prefer to apply this option.

regional projects; and c) To decide that other costs than cost of country specific activities including administrative costs should be divided among all countries participating and should be counted towards country specific cost.

2) To the EFC, the document recommends to inter alia:

a) To inform eligible countries that they can submit regional projects to the Board from the 18th meeting; b) That the Board would not consider proposals for regional projects and programmes until the endorsed concept pipeline clears, or when the amount of funds committed to MIEs drops below a threshold of 40%.¹⁸When eligible countries and accredited MIE and RIE are invited to submit proposals for regional projects and programmes, c) such projects and programmes can be granted [up to US\$ 5 million each] [up to US\$ 10 million] additional funds each, above the country caps, inclusive of administrative costs, to support the countries' participation in such projects and programmes d) country can receive funding only once from the additional funds above the country cap for its participation in a regional project or programme; and e) a regional project or programme cannot exceed [US\$ 30 million] inclusive of administrative costs.

¹⁸ This option is aligned with the option (b) in the draft decision in document AFB/EFC.8/5

3 Items to be considered by the Ethics and Finance committee

The Ethics and Finance Committee (EFC) is responsible for providing advice to the Board on issues of conflict of interest, ethics, finance and audit¹⁹. During the next meeting, which will be its 8th, the EFC will examine following documents before it makes recommendation to the Board for adoption:

3.1 Investigative Procedure AFB/EFC.8/4

To protect itself against any misappropriations, misuses and corruptions of its resources during the implementation of the project it has funded, the AF needs to set up a mechanism that can alert investigate and penalise the financial mismanagement.

At the last board meeting of the AF's Secretariat has presented a document on how to alert investigate and penalise any forms of mismanagement of its funds during the implementation of projects. The AF requested its Secretariat to prepare a document on investigative procedure, which takes into account any implications that the procedure may bring with. This procedure should include steps that trigger the investigation in case of suspicion as well as sanctions to be applied in the case that the mismanagement reveals as proven.

The secretariat is in favour of having a dedicated staff within the AF Secretariat in charge of the investigation to avoid conflict of interest in the case, should an AF's Secretariat staff member or an AFB's member be subject of investigation. In addition, this option should be an interim arrangement until the AF has an overview of the workload to be undertaken. It therefore suggests hiring two consultants for this period.

The investigative procedure should be applied to misconduct related to the Implementing Entities (IE). Mismanagements of Executive Entities (EE) are covered by their IE rules. Under cases of misconduct related to the implementation inter alia: corruption fraudulent practice of the IE or its Staff; Misuse of the AF resource including negligence or reckless disregard in the use of the funds; material break and etc... The goal of the investigative procedure is to gather facts related to the suspicion. The investigation is always jointly undertaken with the relevant counterpart authorities. The procedure is triggered by a suspicion of possible case of misconduct, by a review project/programme completion reports; mid-term evaluations; final evaluations; project/programme audited financial statements or through information through whistleblowers or witness. The information on misconduct, should if possible, provide detailed information on the How, when what of the potential misconduct. Also anonym information can trigger an investigation. However the anonym whistleblower should provide concrete information or express its collaboration, falling this, the matter could not be considered. The Secretariat indicates that the procedure should be so designed to protect the source of information.

The investigative function should draw the attention of the EFC on suspicion and present procedure to be followed. The Designated Authorities, whose projects are subject of investigation should be informed of the procedure. The rule of procedure and the code of

¹⁹ See document AFB/B.6/6 on the Adaptation Fund Board committee p.2

conduct of the AF will be applied in the investigation and information would be kept confidential during the procedure. Should the issue is deemed as actionable and the suspicion reveal as proven, the EFC as precautionary measure could recommend to cancel or to suspend the disbursement of funds until the case is clarified.

The investigative function is in charge of preparing of a work plan of investigation, exploration of sources and means of evidence, ensuring of confidentiality and identification of the witness of the interviewed. Wherever it is possible the investigation should be undertaken jointly with the counterparty. Once the investigation is closed the investigative function should prepare the investigation report, which succinctly explains steps undertaken, evidence founded and conclusion to be drawn. Afterwards the secretariat will present the report to the Board the actions to be undertaken.

However, it remains crucial, that the AF clarifies and reinforces the relationship between the consultant in charge of the investigative procedure and the GEF Evaluation officer responsible for the Evaluation of projects. Both independent officers should work jointly on a complementary basis. The investigative function should have at any time access to the information gathered by the Evaluation Officer and vice-versa.

3.2 Amendment of the Evaluation Framework AFB/EFC.8/12

At its 15th meeting the AFB decided to entrust the evaluation function of the Adaptation Fund to the GEF Evaluation Office for an interim period of three years. The AF also approved the Evaluation Framework with some changes to paragraphs 12-14. It further requested its Secretariat and the GEF evaluation office to prepare a final version of the Evaluation Framework.

During the preparation of the final version²⁰, some additional outstanding issues have been identified related to the evaluative function of the AF. As result of these findings, the Secretariat and the GEF Evaluation Office suggest following amendments:

- i. Editorial changes to include the evaluative function where appropriate in the Adaption Fund Board document AFB/EFC.6/4 in Paragraphs 2, 7, 33
- ii. Structural changes to include the roles and responsibility of the Evaluation Function in the Evaluation Framework. Paragraphs 20-32, Roles and Responsibilities

As mentioned in the conclusion to the investigative procedure, a strong relationship between the Evaluation framework and the Investigative Procedures to make the AF resilient to corruptions or any kind of mismanagements. In doing so The starting point or foundation of the investigative procedure under the AF should not be based on information coming from outside the AF structure through a third whistleblower, but rather it should primarily be triggered by its own mechanism. This could be ensured through implementation of the provision and guidelines of the AF. For instance through Para 37 of the Operational Policies and Guidelines of the of the AF, which stipulates: The Board reserves the right to review or evaluate the performance of implementing entities at any time during an implementing entity's accreditation period. Following the expression an

²⁰ See the Evaluation Framework http://www.adaptation-fund.org/sites/default/files/AFB.EFC_.6.4%20Evaluation%20framework_0.pdf

ounce of prevention is worth a pound of cure, the investigative procedure functions should act pro-actively by picking out regularly at random an implementing entity, whose performance should be reviewed and evaluated. In handling so, the AF would improve its oversight role over the Implementing Entities and also keep a high level of transparency as well as accountably, which are necessary to avoid mismanagement.

3.3 Option for Fundraising Campaign and Strategy AFB/EFC.8/6

At the last Board meeting, the AF requested to the AF Manager to start raising fund and to report on the state of the discussion with the United Nations Foundation (UNF) regarding the collection of private donations. It also suggested, to its Secretariat in consultation with the Trustee developing options for a fundraising campaign and strategy. Finally the Board demanded to the Trustee to prepare an investment Adaptation Fund risk profile and liquidity needs.

So far, the AF has three sources of funding:

i) through Share of Proceeds (SoP) from CDM projects; ii) private sector; iii) public funding sources.

The funding generated from the monetization of the SoP from CDM is estimated to 168 million as of 31 December 2012²¹. Under the UNFCCC process, there is an ongoing discussion on innovative sources of funding that are akin to the SoP. Given the structure of the AF, it would be more suitable to further use and explore innovative sources that will be or developed and set up under the convention. It is therefore crucial to keep the EFC informed on new form of mechanism of innovative sources to enable the AF to seize the opportunity they offer, when they are introduced.

Public funding sources are seen as both main sources of funding for the AF, until the CERs price will increase and as the pillar of the AF Fundraising Strategy. Basically, it is the CMP, which encourages Parties included in Annex I to the UNFCCC Convention and international organizations to provide additional funding to the Adaptation Fund. The Trustee has so far received from public fund a total amount of USD eq. 104 million as of 31 December 2011. This shows that the appeal has however not got sufficient echo, as it should have.

So far the AF has received USD 566 from various individual donors. Although these donations have symbolic character, they show the potentials of generating funds from private sectors, if the AF manages to explore further sources and tap them adequately, by attracting especially Corporate Social Responsibility (CSR). The CSR is understood as the responsibility of an organization for the impacts of its decisions and activities on the society, the environment and its own prosperity. The recognition of climate change as one of the challenges of this century has led in the corporate sector to the development of a new market for voluntary carbon offsetting and voluntary compensation of corporate and individual climate change impacts.

Having said this, the fund raising strategy that the Secretariat proposes, intends to set targets and time horizon, during which the AF could secure certain amount of money. Accordingly, following points are seen as a basis of the AF's Fund Raising Strategy.

²¹ AFB/EFC.7/6.

i) Overall needs for adaptation under the Convention²²; ii) Potential short-term and long term funding demand by accredited NIEs and RIEs, which use the direct access modality...iii) Also decline of project submitted by the MIE because of 50% cap.

The estimate of demand for AF's funding -without operational expenses of the AFB and Secretariat- over the short to medium term (up to end of 2013) is amounted to around USD 331 million.²³ Given the fact, that USD 204 million could be available during this period, the AF could be expected to be short of USD 127 million²⁴. Assuming then, that USD 127 million would be missed to cover the funding demand requests of developing countries, the Secretariat proposes the EFC may wish to consider setting an initial fundraising target of USD 100 million to run up until the end of 2013.

The option to raise funds from public sources remains important in the Fundraising Strategy of the AF. Thus, the CMP should continue encouraging Annex I Parties to the UNFCCC to make contributions to the AF. Also, according to the strategy it is important, that the AF starts a close engagement with potential donor countries at the sidelines of UNFCCC meetings and other international fora with a view to exploring possibilities for fundraising. In addition, the secretariat should regularly organise Side event and working dinner with the potential donors, at which it will present the milestone achieved by the AF and project the foreseen funding availability, in order to contrast them with the increase demands for funding from the AF.

In order to encourage Private and Individual donations a dedicated additional mechanisms should also be established with the view to facilitating and collecting individual donations. This mechanism should be based on the experience of the UN Foundation.

Other innovative strategies to secure funding from private sources are presented in the document. The first is based on the issuance of adaptation certificates targeted at corporate donors. These certificates should improve the visibility of the donor institutions by labelling them as particular environmental friendly. The floor price is at 100, 000 per certificate. Furthermore, the document encourages the AF to share out "AF Bonds" between the borrowers. Bonds are traditionally used as instruments to provide liquidity upfront by borrowing money from the capital markets. The problem with the Bonds is that they require a legal basis and are often linked with some administrative expenses. The document also proposes as option of the AF's Fundraising Strategy the introduction of "Debt for Adaptation" swaps, drawing primarily on the experience and precedence of the "debt for nature" swaps especially oriented to public funding sources. This option should enhance the partnership between the donor and recipient country. It consists of reallocating a specific amount of the resources from external debt obligation to an approved adaptation project under the AF.

All the aforementioned options should be fostered by a strong campaign leading to a strong engagement of all stakeholders and donors in the AF process. There are several ways to campaign for instance through Flyers prospectus/ of a dedicated section on the AF web site etc....

²² There is no exact cost of adaptation in developing countries; the estimate on the table varies significantly according to the different calculation approaches. See UNFCCC Secretariat 2008 or World Bank: Economics of Adaptation to Climate Change. Synthesis Report: 2010

²³ This figure assumes a cap of \$10 million per country and that all countries demanding funding from the AF make full use of this amount. It does not take into account potential demand stemming from newly accredited RIEs, which may have the potential to significantly increase the demand for funding, particularly if the Board decides that countries can exceed their individual \$10 million cap through regional projects and programmes.

²⁴ Ibid 2. Note that this calculation assumes that no CER sales are undertaken in 2013.

Finally, the document suggest to the EFC recommending the AFB to introduce targets and a time horizon for an initial fundraising target of USD 100 million on an interim or experimental basis up until the end of 2013. In addition, the AFB should request the secretariat to prepare a document that should contain all the innovative funding mechanism discussed under the convention, which could be relevant for the AF, as well an agenda of conferences and other flora, which the AF secretariat intends to use for organising workshop dinner for potential donors . Regarding the issuance of adaptation certificates and on options to facilitate cash flow management if deemed appropriate, the document suggests providing further implementation and operational details. Lastly regarding other options of fundraising strategy and campaign, the document suggests requesting the EFC to recommend to the Board that the secretariat should continue, in consultation with the trustee, analysing and exploring suitable and feasible potential fundraising mechanisms for the Adaptation Fund and to report back to the EFC at its next meeting.

It is no secrets to nobody, that the AF is underfunded. At the current rate of project submissions, it is very likely that the AF will tap all its funds available by the end of this year. The financial straits have already obliged the AF to set a country cap of \$US 10 million as well as a cap of 50% for fully developed proposals submitted by MIEs. In addition, considering the increasing decline of CERs prices on the carbon market, and the fact that the AF should have – despite the low price of carbon-to sell by end of this year at least 8,6 million tones of CERs out of its total 13,1 million tone, it is now due time that the AF sets up a smart fundraising strategy, which could help the AF to scale up its resources so as it would be able to respond to the urgent adaptation needs of developing countries. As the document shows, there is a huge potential of securing funding from the public and the private sector.

The AF should also include in its Fundraising Strategy a mechanism to reward those countries which have so far deposited or pledge money to the AF. In that sense German-watch and the members of the AF Ngo Network congratulate following countries: Sweden, for having deposited for the second time in frame of its fast start finance 100 million Swedish Krone, the government of United Kingdom for its recent pledge of 10 million Pounds to the AF, and Switzerland for its donation of CHF 3 million. In addition the AF Network calls upon all Board Members from Annex I to advocate for the AF in their respective countries and to encourage their government to allocate at least US\$ 50 million of their climate finance commitment to the AF.

The Board members, during the UNFCCC negotiation, should strive to ensure that the innovative sources of finance to be set up such as levies on air and maritime will have to allocate certain percentage of their levies to the AF.

3.4 Investment Management Strategy

According to the AF decision on this matter taken during the last meeting, the document to be discussed at this meeting provides an input on the Trustee's investment management activities as requested by the Board. It also deals with the question related to the potential investment for a period of one year for at least \$ US 100 million of the AF Fund held by the AF's Trust Fund.

In compliance with the AF's investment strategy, the World Bank receives and holds CER proceeds and all other contributions in its AF Trust Fund. Assets held in trust by the World Bank are kept in a commingled investment portfolio and managed in the same way

as all trust funds administered by the World Bank. The investment objectives of the AF's Trust Fund are however anchored in the Trustee's Terms and Conditions of Service (ToS) with the CMP. Accordingly the Investment Strategy of the AF aims at (i) *maintaining adequate liquidity to meet foreseeable cash flow needs*, (ii) *preserving capital*, and (iii) *maximizing investment returns*. The return maximization objective is subject to risk tolerance criteria established in (Para 20) of the ToS as well as the liquidity and operational requirements of the Adaptation Fund.

Thus, the Investment Pool (IP) intends to actively manage liquidity and to optimize investment returns for trust funds. The IP of the AF contains three tranches that have disparate risk profiles and made up of as follows:

cash portfolio (Tranche 0) that comprises bank deposits and investments in primarily money market instruments with an investment horizon of less than 3 months;

A short horizon portfolio (Tranche 1) which increases security selection and has an investment horizon of up to one year;

And a longer horizon portfolio (Tranche 2) which adds more instruments and has an investment horizon of up to three years...

After the presentation of the pro and cons of each investment tranche, the document proposes to the EFC to recommend to the AFB to employ the investment management strategy using long term investments. Since the AF expects slower cash transfer to the implementing for the next year, no matter how many projects will be approved. The document is of the view that Tranche 1 best fits the AF situation.

	Tranche 0	Tranche 1	Tranche 2	Tranche 3
Govt	15%	45%	30%	25%
MBS	0%	0%	32%	0%
ABS	0%	6%	6%	14%
Agency	0%	8%	7%	13%
Sov Gtd	0%	22%	16%	26%
MM/Fin. Inst	84%	14%	4%	9%
Corporates	0%	5%	5%	11%
Swap/FX Swap	1%	0%	1%	2%
	100%	100%	100%	100%

Asset Allocation for Trust Fund Portfolio (in USD Equivalent percentages) as at 31-Dec-20

Cash transfer projections provided by the Trustee indicates that the above criteria is likely to be met, therefore the Trustee will be well advised to allocate the AF Trust Fund balances between Tranche 0 and Tranche 1 based on the above, and liquidity requirements of the AF. In other word, that the AF requests its Trustee to invest 100 million of its fund for a year with the view of maximizing the return objective, subject to risk tolerance criteria established in (Para 20) of the ToS. In doing so, the AF could draw more profits through investment returns than holding its AF funds in the Trust Fund as it is currently applied.

3.5 Financial Status of the Adaptation Fund Trust Fund: AFB/EFC.8/7

As part of the deliberations of the Ethics and Finance Committee, the Trustee World Bank will report on the state of the AF Trust Fund. Now, as the AF has started the phase of releasing funds to concrete project activities, it is even more important to reflect the

state of the available resources. This part gives some key facts on the financial status of the AF:

The Funds Held in Trust represent the cumulative receipts less cumulative disbursements, and amount to US\$ eq. 211.88 million as of December 31, 2011. Regarding the proceeds from CERs sales, the Trustee has generated revenues of US\$ eq. 168.34 million through CER sales since the start of the CER monetization program in May 2009. The Trustee has also received since last report Donation from the Kingdom of Sweden for an amount of SEK 100 million and from Switzerland for CHF 3 million. This makes as of December 2011 a total cash donation of US eq. 103.54 million. At the AF's request, the Trustee has so far disbursed US 30.17 million from inception to December 31, 2011 including USD 16, 9 million related to project implementation²⁵. Estimates of potential resources available for the Adaptation Fund from December 31, 2011 to December 31, 2012 range from approximately US\$ 187 million to USD 223 million.

3.6 CERs Monetization Programme Guidelines

As decided by the CMP, the Trustee is entrusted with the administration and the sale of the CERs under the responsibility, provision, instruction and guidelines provided by the AFB. Although so far the monetization process has adequately been undertaken, the Trustee suggests amending the current guideline by taking into account of and incorporating the lessons learnt and the experience gained by the Trustee since the inception of the monetization.

Consequently, three main changes should be amended and restated in the CERs Monetization Programme Guideline as following:

To Para 22 b. on the **Mechanistic Sales Conducted on Liquid Carbon-Exchanges**. The deletion should help to avoid maintaining a minimum inventory of CERs that ensures an ongoing selling of CERs in the period of temporary slowdown or disruption of CER issuances. The experience has however proved that the CDM issuance has steadily increased, instead to decline. Therefore the benefit upholding a regular timeframe of sales is outweighed by the need for flexibility to ensure that AF CERs are available to be sold as required by certain deadlines²⁶.

The second amendment is related to further requests for the AFB guidelines para 29. The amendment offers additional precision on the modalities for instruction the Trustee with respect to CERs. Accordingly, in the case of extraordinary event in the carbon market, the Trustee should provide the AFB with relevant information, but could only act upon approved guidelines or writing instruction of AFB in compliance with its Term of Conditions.

The Third noteworthy amendment suggests removing the settlement agent contained in para 30. The settlement agents are usually responsible for facilitating payment from the buyer to the seller and transferring the property or securities from the seller to the

²⁵ These projects are Ecuador, Eritrea, Honduras, Jamaica, Maldives, Mauritius, Mongolia, Nicaragua, Pakistan, Senegal, Solomon Islands, Turkmenistan and Uruguay

²⁶ See: CER Monetization Program Guidelines (Updated March 2012) p.1: <http://www.adaptation-fund.org/content/cer-monetization-program-guidelines-updated-march-2012>

buyer²⁷. This should enable the AF to save additional cost with respect to the settlement of CER trades.

3.6.1 Additional Information from the Trustee on CER Markets and Monetization

This additional information is a compilation of answers of the questions posed by the AFB members regarding the CERs Markets and its monetization.

Regarding the first question, *whether the Trustee should set a floor price under which it would not sell CERs?* The Trustee advises the AFB against this approach, because of the lack of guidance on the minimum resources required from CERs monetization. In addition, the Trustee is of the view that there is no guarantee that the CERs prices will increase, even when the price has gone down the floor price. Should the AF stop selling the CERs, because of the fact that the price is below the floor price, the AF could risk being disconnected with AF CERs market as well as losing benefice from regular sale of CERs.

The second question is related to *the expected pace of sales through 2012?* Until end of January 7 millions tone are held in the inventory and an additional 6.1 million tons will be allocated to the Adaptation Fund through year-end 2012. Out the total of 13, 1 million about 4, 5 million are Green CERs, which could be sold through 2015. However the outstanding 8,6 million CERs need to be sold by the end of this year. This means that the AF will have to increase four times (from 10, 000 CERs to 40, 000 tone of CERs currently sold per day on the BlueNext exchange.

The third question asks *whether there is possible to sell (e.g. 50% of present levels than before) and what would the implications be for both the fund and from a general market perspective? And also whether the Trustee will sell only HFC and N2O related CERs in 2012, or will other CERs be sold?* The Trustee makes clear in its answer that although certain industrial CERs gas needs to be sold during this year -because they will no longer be compliant in the EU after May 1, 2013, the Trustee advises the AFB to also continue selling CERs before this deadline. The sale of the CERs is so far important, because the CERs constitute 65% of the AF inventory in 2012.

Fourth, *are decisions related to the sale of CERs under the responsibility of the AFB?* In responding to this question the Trustee reminds the AF of the decision B.4/3 that “the Trustee is accountable to the AF Board for performing its fiduciary responsibilities, including the monetization of CERs, but always under the instructions, direction and guidance of the AF Board²⁸”

The fifth question is related to a *press article dealing with the prospect for CERs price in the near future?* The Trustee confirms the apprehension and explains that there is the combination of over-surplus of both CERs and EUAs with the fear of recession that has so far kept the CERs price down. The outlook of private sector for the carbon market remains pessimistic for 2012. The main issue is that the AF is forced to sell its CERs certain amount of CERs this year.

And sixth, against all expectations the trustee is also of the view that it is quite difficult to forecast the price of CERs as well as the impact of EU new legislation on civil aviation.

²⁷ Read more: http://www.investorwords.com/7709/settlement_agent.html#ixzz1od8G24zu

²⁸ Decision B.4/3 <http://adaptation-fund.org/document/97-draft-role-and-responsibilities-adaptation-fund-trustee>

3.7 Implementation: CSE AFB/EFC.8/.3/Rev.1

The agreement signed between the AF and the CSE after the approval states that the CSE shall to the Board semi-annual progress reports on the status of the programme implementation, including the disbursements made during the relevant period.²⁹ As result of this arrangement the CSE submitted its second progress report using the Project Performance Reporting (PPR) template that has been adopted by the AFB at it 16th meeting. This was a useful exercise for both CSE and particularly the AFB Secretariat, since it enables it to develop guidance for Implementing on how to fill out the PPR template.

CSE has so far for the implementation phase contracted 18 organisations. During the next months it is expected that the AF starts the construction phase which should absorb huge amount of the funding requested to the AF. In it is report the CSE also reported many risk associated with community engagement have been addressed through the stakeholder consultation. The CSE is only waiting that the law, that in the future avoid risk in the coastal area is enacted.

Regarding the implementation, key milestones are on track and the self rating given is satisfactory³⁰. The building coastal protection facility in Rufisque has now started up; those in Saly will be started as soon as the company in charge has been hired. The anti-salt-dike in Joal was launched in January.

To sum up, the secretariat is of the view that the implementation is progressing with minor delays as recorded in the first report. Many risk previously indentified have been adequately addressed. In addition the building has either started or in implementation. Therefore the Secretariat recommend to the Board to approve the third tranche and to request the Trustee to transfer 1,77 million. In addition, the AF Secretariat suggests undertaking a learning mission to the project.

²⁹ See Report on Project/Programme Implementation: CSE AFB/EFC.8/.3/Rev.1 p.1 http://www.adaptation-fund.org/sites/default/files/AFB.EFC_.8.3.Rev_.1%20Reports%20on%20project%20programme%20implem-entation%20CSE.pdf

³⁰ Ratings definition: Highly Satisfactory (HS) Project actions/activities planned for current reporting period are progressing on track or exceeding expectations to achieve all major objectives/outcomes for given reporting period, without major shortcomings. The project can be presented as “good practice”; Satisfactory (S) Project actions/activities planned for current reporting period are progressing on track to achieve most of its major objectives/outcomes with only minor shortcomings; Marginally Satisfactory (MS) Project actions/activities planned for current reporting period are progressing on track to achieve most major relevant objectives/outcomes, but with either significant shortcomings or modest overall relevance; Marginally Unsatisfactory (MU) Project actions/ activities planned for current reporting period are not progressing on track to achieve major objectives/outcomes with major shortcomings or is expected to achieve only some of its major Objectives/ outcomes. Unsatisfactory (U) Project actions/activities planned for current reporting period are not progressing on track to achieve most of its major objectives/outcomes; Highly Unsatisfactory (HU) Project actions/activities planned for current reporting period are not on track and shows that it is failing to achieve, and is not expected to achieve, any of its objectives/outcomes

4 Report of the Activities of the Secretariat AFB/B.17/3

Since the last meeting, the AF Secretariat has undertaken several activities as requested by the Board. This part will solely deal with those activities that have strong relevance for the upcoming meeting.

Noteworthy is that the secretariat has prepared a legal document for the approved for Uruguay (ANII), Cook Islands (UNDP), Georgia (UNDP), and Samoa (UNDP), Tanzania (UNEP), and Madagascar (UNEP). The agreement with ANII was signed by the implementing entity and the Board Chair. The agreements with UNDP and UNEP are pending implementing entity signature. In addition the Secretariat has sent to the concerned Designated Authorities of countries a letter, which explained that the delay in the implementation is due to the legal issues between the AF and certain MIEs (UNDP, UNEP, WFP). In the letter, the secretariat emphasized the point of view of the AFB by clarifying that there will no changes in the policies. Furthermore, the secretariat is continuing working with the UNFCCC secretariat to organise the outstanding two NIE workshops. These workshops should help countries to familiarise with the NIE accreditation process. They should be held in Asia and in the Pacific. Regarding the private donations the AF Secretariat has entered into partnership with the UN Foundation to assist the found to raise fond. Detail of this activity has been in depth presented in the Found-raising chapter. Nevertheless the Secretariat suggests to the AFB requesting the Secretariat to draft a MoU on this partnership. With respect to the AFB communication strategy the AFB intends to update its handbook in order to insert the amendment so far approved by the AF.

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