

# FURTHER IMPORTANT STEPS UNDERLYING THE “DIRECT ACCESS APPROACH”

REPORT ON THE 14<sup>TH</sup> MEETING OF THE  
ADAPTATION FUND BOARD

By Alpha O. Kaloga and Sven Harmeling



## Brief Summary

The Adaptation Fund (AF) was established under the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC) in order to finance concrete adaptation projects and programmes in developing countries affected by the global climate change. This report summarises the key decisions taken during the 14<sup>th</sup> meeting (June 2011) of the Adaptation Fund Board.

A detail information about the Adaptation Fund is available in the Germanwatch website ([www.germanwatch.org/klima/af](http://www.germanwatch.org/klima/af)). Germanwatch has also established a NGO Network to help NGOs in developing countries to better accompany the implementation of projects funded by the Adaptation Fund (see [www.af-network.org](http://www.af-network.org)). The background information and preparatory documents of the 14<sup>th</sup> meeting are also available at [www.adaptation-fund.org](http://www.adaptation-fund.org).

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# 1 Executive Summary

A few days after the SBI 34th of the UNFCCC, the 14th meeting of Adaptation Fund Board (AFB) was held from June 20 to 22, 2011 at the “Langer Eugen” United Nations Campus, in Bonn. The meeting started actually on July 21st preceded by the he 5th meetings of the Project and Programme Review Committee (PPRC) and the Ethics and Finance Committee (EFC) of the AFB. The following key decisions were taken at the last meeting.

During the 14th meeting, the AFB has achieved further milestone underlying the direct access approach, which is one of its innovative feature. It has accredited the National Environment Fund (FNE) of Benin as the fourth National Implementing Entity (NIE) and also the West African Development Bank (BOAD) as the first Regional Implementing Entity (RIE). Both accreditations underpinned the direct access approach as a reality. They proved that direct access is manageable: despite the slowness of the accreditation process of National Implementing Entities and notwithstanding the difficulties of the developing countries are confronted to find “the institution” capable to meet the fiduciary standard required.

The Board approved grant funding for concrete climate change adaptation projects from three developing countries –Maldives, Mongolia and Turkmenistan- with total value of US\$ 17.4 Million. All these projects have been submitted through the United Nation Development Programme UNDP accredited by the Board as Multilateral Implementing Entity. The above mentioned countries have submitted interesting projects. While the one of the Maldives intends to secure access to safe freshwater supply in Maldives in changing climate, the project of Mongolia applies the principles of ecosystem-based Adaptation (EBA) with the aim of enlarging climate change resilience at a landscape level. And the latest one in Turkmenistan plans to address climate change risks to farming systems.

In addition the AFB endorsed six projects concepts. The project applicants can now submit their fully developed proposal for approval. Of these, one project concept was submitted by the Planning Institute of Jamaica (PIOJ) as NIE, tackling the direct access avenue, in which countries can access to the fund, without consuming the usual service of MIE. Regarding this project addressing food security issues in Jamaica, the Board also approved a Project Formulation Grant request for this project, for US\$ 30,000.

Noteworthy is the decision of the Board not to approve two projects from Madagascar and Tanzania for the third times. Both projects have been submitted by the United Nation Environment Programme UNEP. The Board also decided not to endorse the project of Sri Lanka submitted through the World Food Programme.

Furthermore, the Board pursued the review of its Operational Policies and Guidelines as well as of the Evaluation Framework. It adopted the Guidelines for Project/Programme Final Evaluations.

Thus, the AFB convened for the first time a day prior to its meeting, a formal dialogue between its members and representative of civil society organisations. The consultation belongs actually to the series of dialogue started last year in December in Cancún. The exchange was fruitful without time constraint and it was decided to regularly organise

such a pre-meeting dialogue twice a year both back to back to the Bonn UNFCCC SBI session and to the COP.

The Adaptation Fund (AF) was established under the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC) in order to finance concrete adaptation projects and programmes, which should support the adaptation of developing countries to negative impacts of climate change.

This report highlights and summarises the key decision taken during the 14th meeting of the Adaptation Fund Board.

## 2 Report on the Accreditation Process

The Accreditation Panel (AP) is reviewing both news and existing applications of NIE and MIEs.

In order to tackle the direct access route of the AF, eligible developing countries should nominate their own national institution for accreditation as National Implementing Entity. The Accreditation process assumes that the potential NIE meets the fiduciary standards set by the Board.

Since developing countries are confronted with a number of difficulties to accredit their own institutions, the AFB has undertaken several initiatives to ease this challenge. In addition to its toolkit, which is dedicated to accompany step by step accreditation applicant countries through a number of guideline and self-check questions, the AF allows also a “conditional accreditation”. The so called conditional accreditation should help those countries -having a more or less reasonable entity to success the accreditation- to temporary be accredited under certain conditions, until the required capacity is acquired. Since most of the shortcomings are related to financial and institutional implications, institutions subject of such a conditional accreditation should provide additional and frequent evaluation of reports. This conditional accreditation is like the normal accreditation also granted for the period of five years, with the possibility to delete the conditionality at any time, if the sought information would be satisfactorily provided.

In the sixth meeting of the Accreditation Panel, three accreditation applications passed the technical review and were forwarded to the Board for accreditation. During the closed session the Board considered the below listed applications and decided:

### **2.1 Regarding the National Environment Fund of Benin (FNE) as a new NIE**

The AFB decided for the first time to conditionally accredit the **National Environment Fund FNE of Benin** under certain following conditions:

- a. The external auditor of the FNE should inform the AFB secretariat within three months of each year end whether the account of the AF project is well managed and up to date according to the undertaken transactions.
- b. Request the FNE and the MEHU to commit themselves on their website to an anti fraud policy also regarding to other management activities they undertake. Furthermore the FNE should give a guaranty to investigate and record financial irregularities that may be identified.

## 2.2 Accreditation of the first regional Implementing Entity

The AFB accredited for the first time a regional bank - **Banque Ouest Africaine de Développement (BOAD)** - as a regional implementing entity in order to access to its fund. This accreditation is bound with certain minor conditions inter alia:

- (a) The Board request the BOAD to put in place an investigative mechanism that reflects its needs and follows the practices of other development banks before the first disbursement of its resources. The effectiveness of thereof will be assessed by the Panel after two years.

Furthermore the Panel requested the BOAD to introduce an internal control statement with the financial statements starting in 2011.

*Direct access is the manifestation of converting into reality the notion of capacity building. The approach is tailored to the needs of developing countries and should enable them to take their own action while using their own institutions. Noteworthy to remind is however the fact that the AF is designed to experience direct access, as until now the AF is the single institution which allows such an access approach in the international climate finance area. The Accreditation of the Regional Implementing Entity -the BOAD- has the same groundbreaking character like the accreditation of the CSE last year at the same. It is a kind of NIE but at the regional level, since the number of countries which endorse its accreditation could use for instance on regional level to submit transboundary adaptation projects. This accreditation represents therefore a milestone towards the capitalization of direct assess, which the AF has assigned itself to operationalize. The direct access under the AF reveals itself as manageable, despite the difficulties and the endeavor which each developing country is confronted towards a successful accreditation of its own institution. The four so far accredited NIEs – two from Least Developing Countries LDC<sup>1</sup> such as Senegal, Benin, a Small Island Developing States SIDS Jamaica and Uruguay as a most economically developed countries originate from countries with different level of political, social, economical and institutional development. This allows arguing that the direct access is accessible despite the small rate of success. For accreditation countries should use the tool kit developed by the AFB secretariat, to understand better the accreditation process and to set fiduciary standard, before starting for hunting the suitable Institutions capable to master the accreditation.*

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<sup>1</sup> LDCs are seen as the most vulnerable to climate change, because of their low level of development in all domains. The poor institutions and weak governance are some of their benchmarks. Interesting two of the accredited NIEs – Senegal, Benin are from LDC and Jamaica is a Small Island Developing States

### 3 The Fifth Meeting of the Project and 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 Operational Policies and Guidelines (OPG), and for providing recommendations and advice to the Board thereon<sup>2</sup>.

#### 3.1 Review of project and programme proposals

During its fifth meeting, PPRC considered concept proposal from NIE, the Planning Institute of Jamaica PIOJ of Jamaica. In addition, 12 more regular project/ programme proposals have been submitted through accredited Multilateral Implementing Entities<sup>3</sup>. The total amount of funds for all the projects is amounted to US\$ 81,523,110 including the implementing entities management fees of US\$6,312,298 or 8,4%<sup>4</sup>. The submitted proposals were all in line with the board temporary country cap of US\$ 10 million as well as its set execution costs not exceeding 9,5%, and the management fee not exceeding 8,5%<sup>5</sup>.

- The PPRC, based on the initial screening and technical review report<sup>6</sup> of the secretariat, carefully deliberated the proposals, before forwarding its recommendations to the Board, which in turn came out with the following consideration:

- a. **Endorsement of the project concept of Jamaica**<sup>7</sup>, which aims at enhancing the resilience of Agriculture and Coastal Resources for Food Security and Livelihoods Protection by improving land and water management as well as by building institutional and local capacity against climate change risk.
- b. **Approved the Project Formulation Grant requested** by the PIOJ at the amount of \$US 30.000.
- c. The Board requested the secretariat to transmit the endorsement to the government of Jamaica and also encouraged it to submit a fully developed proposal.

The PIOJ should however address the observations made by the PPRC, while it will submit the fully developed proposal. These observations are related to technical components of the project. However, it is worth to mention that the board recommended to the PIOJ to make a stronger and clearer links in the programme.

<sup>2</sup> See document AFB/B.6/6 on the Adaptation Fund Board committee

<sup>3</sup> Actually, 14 proposals have been submitted to the secretariat for the total funding of \$US 90,643,83. During the initial technical review one proposal has been withdrawn.

<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> See AFB/PPRC.5/3 and AFB/PPRC.5/3/Add.1

<sup>7</sup> Jamaica: Enhancing the resilience of Agriculture and Coastal Resources for Food Security and Livelihoods Protection (PIOJ) (JAM/NIE/Multi/2011/1, US\$9,995,000)

The multilateral Implementing Entities have submitted six project proposals (one by the World Bank, four by the UNDP and one by WFP). The AFB after having considered the technical review of the PPRC decided to inter alia:

- a. **Endorse the following five project concepts of: Argentina<sup>8</sup>, Djibouti<sup>9</sup>, Fiji<sup>10</sup>, Papua New Guinea<sup>11</sup>, and Seychelles<sup>12</sup>.**
- b. The AFB requested the secretariat to forward its observations to the MIEs for the respective government and encouraged them to resubmit the fully- developed proposal adding the observation made during its endorsement decision.

**The Board did not endorse the project concept proposed by Sri Lanka**, which is submitted through WFP. The aim of the project is to reduce the vulnerability of Communities caused by the adverse impacts of climate change in the area of critical river basins at Sri Lanka<sup>13</sup>

The decision behind the not-endorsement of the proposal contained a list of reasons such as the numbers of the beneficiaries and benefits are very high and in some case intangible... Other important remark made by the board was the project more focused on the reduction of emissions from deforestation rather than adaptation. The WFP was requested to share the findings with the government of Sri Lanka and to resubmit the revised proposal...

Moreover, the AFB decided **to approve the following three proposals to be implemented by UNDPs from Maldives<sup>14</sup>, Mongolia<sup>15</sup> and Turkmenistan<sup>16</sup>.** It further requested the secretariat to share the approval with the respective governments of the above mentioned countries and to draft an agreement with the respective MIEs for the projects.

The approved project of Maldives intends to ensure reliable and safe freshwater supply for poor communities affected by the global climate change by implementing an Integrated Water Resource Management Strategy. The Mongolia project aims at sustaining the water provisioning services supplied by mountain and steppe ecosystems

<sup>8</sup> Argentina: Increasing Climate Resilience and Enhancing Sustainable Land Management in the Southwest of Buenos Aires Province (World Bank) (ARG/MIE/Rural/2011/1, US\$4,456,638)

<sup>9</sup> Djibouti: Developing Agro-Pastoral Shade Gardens as an Adaptation Strategy for Poor Rural Communities (UNDP) (AFB/MIE/Agr/2011/1, US \$4,658,556)

<sup>10</sup> Fiji: Enhancing Resilience of Rural Communities to Flood and Drought-Related Climate Change and disaster Risks in the Ba Catchment Area of Fiji (UNDP) (AFB/MIE/DRR/2010/3, US\$5,728,800)

<sup>11</sup> Papua New Guinea: Enhancing Adaptive Capacity of Communities to Climate Change-Related Floods in the North Coast and Island of Papua New Guinea (UNDP) (PNG/MIE/DRR/2010/5, US\$5,227,530)

<sup>12</sup> Seychelles: Ecosystem Based Adaptation to Climate Change in Seychelles (UNDP) (SYC/MIE/EBA/2011/1, US\$6,455,750)

<sup>13</sup> Sri Lanka: Reducing Vulnerability of Communities and Ecosystems to the Adverse Impacts of Climate change in critical River Basins of Sri Lanka (WFP) (AFB/MIE/Rural/2011/1, US\$7,982,555)

<sup>14</sup> Maldives: Increasing climate resilience through an intergrated Water Resource management programme in Ha. Ihavandhoo, ADh. Mahibadhoo and GDh. Gadhdhoo Island Implementing Entity (MDV/MIE/Water/2010/6, US\$8,989,225)

<sup>15</sup> Mongolia: Ecosystem Based Adaptation Approach to maintaining Water Security in Critical Water Catchments in Mongolia (UNDP) (MNG/MIE/EBA/2011/1, previously AFB/MIE/Water/2010/3, US\$5,500,000)

<sup>16</sup> Turkmenistan: Addressing climate change risks to farming systems in Turkmenistan at national and community levels (UNDP) (TKM/MIE/Water/2011/1, previously AFB/MIE/Water/2010/2, US\$2,929,500)

by integrating climate change risks within land and water resource management regimes. It intends to apply the principles of ecosystem-based Adaptation (EBA) with the aim of enlarging climate change resilience at a landscape level. The project in Turkmenistan plans to address climate change risks to farming systems in Turkmenistan at national and community levels. All the so far approved projects are different from each other.

*Interestingly five of the seven<sup>17</sup> approved projects are submitted by UNDP and will be implemented by the UNDP. The UNDP as a well-established<sup>18</sup> multilateral agency in the developing countries seems to enjoy more thrust by them or at least more accessible than the other accredited MIEs, since more than three fourth of all submitted projects arise from the same institution. The same observation has been noticed under other Funds and gives cause for serious concern, for instance UNDP has an upper hand on the majority of the Council approved and CEO endorsed projects (GEF 2010)<sup>19</sup>.*

At latest the Board decided not to approve following fully developed proposal from Tanzania<sup>20</sup> and Madagascar<sup>21</sup>. Furthermore it encouraged the proponent to resubmit the proposal taking into account the recommendation forwarded to the Proponent.

*The proposal of Tanzania submitted three times through the UNEP, has not been approved. The project aims at implementing the concrete measures to reduce the vulnerability of livelihood and economy of coastal communities in Tanzania. Without mentioning a number of shortcomings indentified in the project, which UNEP on behalf of Tanzania should address, before it has any chance for approval. It is important to mention that the chair of the PPRC regrettably informed its member that during the PPRC meeting a member reported to the committee about having been lobbied by an official with a relation to the project. Therefore the member remained in the meeting room did not take part in the discussion about the proposal. In order to not to escalate things, this is some things which critics outside the fund often asked: Whether there is a possibility for board members to lobby for their own countries with respect to the projects, although they have been nominate by their constituency or regional groups. The EFC should necessary works together with the PPRC and includes in its code of conduct some redress mechanism to prevent such kind of malpractices.*

*Besides, regarding it's justification of rejection of Madagascar proposal AFB Board pointed out that " ...The project has been designed before community consultations took place; the proponent should clarify how communities and farmers will be involved in the sustainability of the project as related to the scale-up strategy. This observation is in line with the recent amendment of the OPG particularly in the section H of the part II project justification, which stipulates that the consultative process should, "include the list of*

<sup>17</sup> Only the Project from Senegal implemented by the CSE and Ecuador submitted through the WFP are not implemented by the UNDP

<sup>18</sup> In contrast to the UNEP, WFP, which are not represented in all countries, the UNDP has its seat in almost every single country. This is a big advantage, since it is more practicable to contact them instead to contact other organizations, which only have a regional representation.

<sup>19</sup> GEF (2010): Least Developed Countries Fund (LDCF) And Special Climate Change Fund (SCCF) [http://www.google.de/url?sa=t&source=web&cd=1&ved=0CBwQFjAA&url=http%3A%2F%2Fwww.thegef.org%2Fgef%2Fsites%2Fthegef.org%2Ffiles%2Fdocuments%2FLDCF-SCCF-22Feb2010.pdf&rct=j&q=Developed%20Countries%20Fund%20\(LDCF\)%20And%20Special%20Climate%20Change%20Fund%20\(SCCF\)&ei=dokYTZ3RNcGE4AblsbmGAg&usq=AFQjCNEJ9x7XR6zHtyPqh\\_GVJ5EgNYTtwGA&sig2=GSQZrrJN2TnuwKWLZ3AfQA&cad=rja](http://www.google.de/url?sa=t&source=web&cd=1&ved=0CBwQFjAA&url=http%3A%2F%2Fwww.thegef.org%2Fgef%2Fsites%2Fthegef.org%2Ffiles%2Fdocuments%2FLDCF-SCCF-22Feb2010.pdf&rct=j&q=Developed%20Countries%20Fund%20(LDCF)%20And%20Special%20Climate%20Change%20Fund%20(SCCF)&ei=dokYTZ3RNcGE4AblsbmGAg&usq=AFQjCNEJ9x7XR6zHtyPqh_GVJ5EgNYTtwGA&sig2=GSQZrrJN2TnuwKWLZ3AfQA&cad=rja)

<sup>20</sup> The fully developed proposal of which aims at implementing the concrete measures to reduce the vulnerability of livelihood and economy of coastal communities in Tanzania -(TZA/MIE/Coastal/2010/3, US\$9,814,517)- has been submitted by the UNEP and was more times not endorsed.

<sup>21</sup> Madagascar: Promoting Climate Resilience in the Rice Sector (UNEP) (AFB/MIE/Agri/2010/1, US\$4,504,920)

*stakeholders consulted during the preparation of the project, with particular reference to groups including gender groups". It is interesting to notice that the Board in its deliberation prescribes a significant value not only on the consultative process, but also on people being consulted. It is clear that the consultation only makes sense, when the targeted people are involved in every stage of the process of the projects. Particularly the inclusion of the people prior to design of the proposal is an important factor for ensuring ownership and sustainability of the actions.*

*The fact, that the AFB has started in its report to communicate the rationale behind its decision of approval or not approval of the projects represents an important step towards transparent working mode and accountability, since interested stakeholders can comprehend now, how the AFB screen and evaluate the proposal. This allows participants not only to acknowledge the different decisions, but also to understand why the proposals of their countries have not been approved, or which sections of the project were matured enough to be funded. However, it remains a great job ahead to be done in order to make the transparent working mode of the fund. The initial screening and technical review of the secretariat, which serves as a basis for the PPRC, is not still available.*

#### ANNEX III: FUNDING DECISIONS AND BUDGET APPROVAL

	Country/Title	IE	Document Ref	Project	Fee	NIE	MIE	IE fee %	Total Amount	Decision
<b>1. Projects and Programs:</b>	Maldives	UNDP	PPRC.5/10	8,285,000.00	704,225.00		8,989,225.00	8.5%	8,989,225.00	Approved
	Mongolia	UNDP	PPRC.5/11	5,069,124.00	430,876.00		5,500,000.00	8.5%	5,500,000.00	Approved
	Turkmenistan	UNDP	PPRC.5/16	2,700,000.00	229,500.00		2,929,500.00	8.5%	2,929,500.00	Approved
	<b>Sub-total</b>			<b>16,054,124.00</b>	<b>1,364,601.00</b>		<b>17,418,725.00</b>	<b>8.5%</b>	<b>17,418,725.00</b>	
<b>2. Project Formulation Grant:</b>	Jamaica	PIOJ	PPRC.5/4/Add 1						30,000.00	
	<b>Sub-total</b>								<b>30,000.00</b>	
<b>3. Budget:</b>	FY12 budget - AF secretariat		AFB/EFC/5.9						3,422,101.00	
	FY12 budget - Trustee		AFB/EFC/5.9						1,088,000.00	
	<b>Sub-total</b>								<b>4,510,101.00</b>	
<b>4. Concepts:</b>	Jamaica	PIOJ	PPRC.5/4	9,185,000.00	780,000.00	9,965,000.00		8.5%	9,965,000.00	Endorsed
	Argentina	WB	PPRC.5/5	3,973,920.00	337,783.00		4,311,703.00	8.5%	4,311,703.00	Endorsed
	Djibouti	UNDP	PPRC.5/6	4,293,600.00	364,956.00		4,658,556.00	8.5%	4,658,556.00	Endorsed
	Fiji	UNDP	PPRC.5/7	5,280,000.00	448,800.00		5,728,800.00	8.5%	5,728,800.00	Endorsed
	Papua New Guinea	UNDP	PPRC.5/12	4,818,000.00	409,530.00		5,227,530.00	8.5%	5,227,530.00	Endorsed
	Seychelles	UNDP	PPRC.5/13	5,950,000.00	505,750.00		6,455,750.00	8.5%	6,455,750.00	Endorsed
	<b>Sub-total</b>			<b>33,500,520.00</b>	<b>2,846,819.00</b>	<b>9,965,000.00</b>	<b>26,382,339.00</b>		<b>36,347,339.00</b>	
<b>5. Total (5 = 1 + 2 + 3 + 4)</b>									<b>58,306,165.00</b>	

See report of the Board Annex III AFB/B.14/5 p.32

The Board discussed about the specific role of the PPRC. It was suggested about why PPRC should not work more on strategic issues of the project review and process. This means that the PPRC should delegate some of its responsibilities to the secretariat pertaining to the project review. Although nothing was decided, the suggestion seems reasonable and should be further explored. At the stage of process, the PPRC only has one day to screen an average of ten projects per meetings. Without the initial screening of the secretariat, the review of the project is not manageable. Bearing this in mind, and taking into account the fact, that the screening for endorsement is more technical part, which requires certain expertises in the field, which the members of the PPRC do not necessarily have

The Board will be well advised to explore how to allocate its short time on the review of the project proposal as well as on the evaluation and monitoring appraisal, which certainly will increasingly arise with the implementation phase. The monitor and evaluation are central to ensuring the disbursed money is used in the right purpose of the project.

## 4 Report of the Ethic 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 audit<sup>22</sup>. So far the EFC has met five times and as usual a day before the board meeting.

### 4.1 Evaluation Issues

#### 4.1.1 Evaluation Framework

The document related to Evaluation Framework is contained two annexes. The first is pertaining to the evaluation framework addresses the questions such as who will be responsible for implementing the evaluation framework. Therefore, it proposes three options and each option offers different alternatives based on the level of independence, costs and institutional arrangements. It in turn gives respectively pro and contra arguments to be considered by the EFC in its recommendation to the Board.

The overall purpose of this Evaluation Framework (EF) is to explain concepts, roles and use of evaluation within the Adaptation Fund and to define the institutional framework and the responsibilities of different entities participating in the Fund<sup>23</sup>. Although the EF guides through requirements for how Fund activities should be evaluated in line with international principles, norms and standards, it does not address aspects of trustee management, financial and managerial audit, or investigation mechanisms, which may be subject to other provisions of the Fund's by laws.

Since Germanwatch has presented details and pointed out the pros and cons of each of these options<sup>24</sup> in the briefing paper on the 14<sup>th</sup> meeting, the present report goes through the decision and their relevance for the upcoming process. Accordingly the Board decided to request the GEF Evaluation Office and Council to continue providing support to the secretariat until the process is closed. It also decided on the following issues:

- (a) Not to consider the option one based on the model of the Montreal Protocol Multilateral Fund. This option advocates the appointment of an independent full time senior Evaluation officer, which would report directly to the EFC.
- (b) The options 2 to be further considered is based on the model of the Global Fund and envisages the establishment of a Technical Evaluation Reference Group (TERG) composed of an independent group of expert acting as an advisory group and may include donors, relevant stakeholders, and Practitioners. Accordingly, the Board requested to the GEF Evaluation office and Council to prepare elements for Terms of Reference for the members of the TERG and suggested of possible rosters of experts.

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<sup>22</sup> See document AFB/B.6/6 on the Adaptation Fund Board committee p.2

<sup>23</sup> Evaluation Framework AFB/EFC.5/4 p.9

<sup>24</sup> See: Germanwatch's Briefing on the 14th meeting of the Adaptation Fund:  
<http://www.germanwatch.org/klima/afb2011-06.htm>

- (c) Pertaining to the option 3 the Board also requested the GEF Evaluation Office to prepare a MoU with the GEF Evaluation Office and Council, which should provide for 50% one of its senior evaluator to undertake the evaluation task.

*Although the cost of the third option (US\$ 100,000- 120,000) is less than the first two options score the highest, it remains questionable, whether the third option is envisageable or not, beyond the three first years. The half time appointment arrangement of a senior evaluator of GEF would not be appropriate because of the increasing evaluation needs of projects. On the other side as mentioned earlier, the more inclusion of several stakeholders are in the evaluation process, the more transparent, credible and tangible are the outcomes of the project. The Secretariat is requested by the board to consider the value of having several stakeholders in the process. The Board, therefore, in its deliberation during the next meeting should bear in mind that the opportunity cost of the second option compare to the third –despite the high cost of the second- is the transparency and broad expertise of several experts with diverse field of expertise which can generate a valuable lessons for the Adaptation fund.*

In addition, the Board decided to request the GEF Evaluation Office and the secretariat to prepare a revised version of the Evaluation Framework for the 15th meeting which should incorporate elements of the discussion of the 5th meeting of the EFC. The following two questioned are discussed:

- (a) What would trigger an implementing entity level evaluation (paragraph 19);
- a. Para19 related to the implementing entities highlights the right of the Board to evaluate the performance during the accreditation validity period. The evaluation consists of financial performance assessment of the entities or any other of the fiduciary standards considered during the accreditation. A minimum notification of 6 months will be given to an implementing entity if they have been identified by the Board as being the object of an evaluation. In preparing the revised version for the next meeting the Evaluation office of GEF should answer the question what would trigger an implementing entity. The timeframe of 6 months allocated to the Implementing Entities to prepare themselves for the evaluation seems to be long and a timeslot of 3 months will be reasonable.
- (b) The type of civil society organizations that will be requested to participate in evaluations (paragraph 36).
- b. Para 36 is related to the appropriate civil society organisation that should participate in evaluation. The rationale behind the incorporation of civil society into the evaluation process is to assess whether their views concerns have been taken into account in the implementation of the project, but also as means to award the process more credibility and integrity. The inclusion of civil society belongs to the international best practises and should be kept in the final evaluation AFB./EFC.5/5CPR1. The revised version should assess how it could better include relevant stakeholder in the evaluation process.

*The abovementioned paragraph shows important elements for ensuring a significant evaluation that can provide valuable lessons to be fed in the whole process around the AF. Although the date of the evaluation of the Fund itself has been postponed to its 17<sup>th</sup> because of the early stage of implementation of the projects, it remains however important to set relevant components and indicators in an Evaluation Framework in order to provide clarity integrity and secure valuable lessons. Hence, it is imperative that*

*the Board deserves itself the right to evaluate any entities managing its funds. This doesn't mean that all entities in each project will be necessarily be evaluated. But it can be seen as a strong signal sent to the implementing entities that they can be at any times subject of such an evaluation and should therefore be updated both in the implementation as well as in the accurate disbursement of the money that have been placed at their disposal according to the transfer from the Board.*

*Regarding the inclusion of civil society, practitioner, donor etc, which casually is applied as a best practice in several funds. It is worth to mention that these stakeholders because of their implication in the project area could be seen as a guarantee for credibility, sustainability, and particularly for the ownership of the project as well as for the mutual control. In handling so, the evaluation will reveal whether their concerns and suggestions have been taken into account in the implementation, or whether the project truly ameliorate the livelihood of the targeted people. In involving these stakeholders in the evaluation, the AF can gain significant lessons to be applied later in other projects and avoid replication of malpractice already identified.*

#### **4.1.2 Draft guidelines of Final Evaluation for project and programme (AFB/EFC.5/5.)**

Upon request of the AFB during its 13th meeting, the secretariat of the Board, with assistance from the GEF evaluation office, prepared the present document which recommends the Board to approve guidelines for conducting final evaluations of the projects and programmes<sup>25</sup>. It is based on the Operational Policies and Guidelines (OPG) of the AF, which requests a final evaluation for all funded projects. Following the international best practices, the final evaluation should be conducted, in addition to the IE's own final evaluation. It contains guidelines updated according to the international standards. The guidelines for project/programme final evaluations describe how final evaluations should be conducted for all projects/programmes funded by the Adaptation Fund, as a minimum, to ensure sufficient accountability and knowledge management in the Fund. This final evaluation is additional to the implementing entities own guidelines on final evaluation.

Since Germanwatch has explained and commented the content of this document in the briefing paper prior to this meeting. This part only highlights key decisions taken during the meeting on this matter<sup>26</sup>

According to the recommendations of the Ethics and Finance Committee, the Board decided to approve the draft guidelines for Adaptation Fund project/programme final evaluations (AFB/EFC.5/5/CRP 1) and therefore also decided to keep the guidelines in effect until and unless the Board decides otherwise. Finally the Board requested the Adaptation Fund Board secretariat to upload the final document on the website of the Adaptation Fund.

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<sup>25</sup> See AFB/EFC.5/5

<sup>26</sup> See Briefing on the 14th Meeting of the Adaptation Fund Board  
<http://www.germanwatch.org/klima/afb2011-06.htm>

## 4.2 Knowledge Management (KM) Framework

The lessons learnt in the evaluation and implementation process of the project are contained varied values, which need to be managed and disseminated at the right moment. The management of knowledge however is very critical for an organisation as such. It is even more difficult for fund such like the AF with a small staffs and with its increasing number of projects generating diffuse inputs, which need to be capitalised. Taking this imperative in mind, the Adaptation Fund Board adopted the recommendations of the Ethics and Finance Committee (EFC) at its twelfth meeting to develop an overall knowledge management strategy for the Fund. Those recommendations are presented further to the Board during its fourteenth Board meeting (June 2011) (decision B.12/26, paragraph (e)).

The current document presents a strategic framework for managing the Fund generated knowledge at corporate and project level, and offers solutions for organizing the exchange of information between the secretariat and the projects and among the projects. The strategy complements the project level results framework and baseline guidance document that provides guidelines to develop a knowledge management strategy at a project level (AFB/B.14/Inf.6) and the corporate communication strategy (AFB/B.11/8)<sup>27</sup>

After having considered the recommendation of the EFC pertaining to the knowledge management the Board decided to:

1. Request the secretariat to provide further information on the work plan and specifying in greater detail the activities expected outcomes and indicators, the breakdown of the budget contained in the document AFB/EFC.5/3,....etc...
2. Defer approval to the KMS and work plan until the 15th meeting of the Board. The board also requested the civil society and other relevant international bodies to submit their view on the KMS. Germanwatch in collaboration with some partners suggested to the secretariat following remarks:

*Basically, the KMS is a tool needed to develop partnership for dissemination, storage and management of information. It will help to collect and share information since the early stage of projects and programmes rather waiting until they were completed. The document seems well elaborated and commendable in its objectives. However relating to the budget it seems relatively difficult to say how appropriate the budget is, since the figures are quite general and what specific activities will be undertaken is not always clear. They also recognized that the implementation of the strategy requires flexibility as well as resources for its implementing entities. Pertaining to the document (AFB/EFC.5/3)<sup>28</sup>, which serves as a basis for the discussion following remarks and suggestion have been made:*

- Paragraph 13, objective 1 refers to the need of adding the most vulnerable communities, since addressing the vulnerabilities is one of the important strategic priorities.

<sup>27</sup> Knowledge Management strategy and work plan AFB/EFC.5/3

<sup>28</sup> All suggestions and comments are related to paras of the document AFB/EFC.5/3:Knowledge Management Strategy and Work Plan for the Adaptation Fund. See [http://adaptation-fund.org/sites/default/files/AFB.EFC\\_.5.3\\_Knowledge\\_Management.pdf](http://adaptation-fund.org/sites/default/files/AFB.EFC_.5.3_Knowledge_Management.pdf)

- Paragraph 14:b) only enables countries instead all stakeholders to access valuable data, information and lessons learned. This is critical, since the knowledge gained should be available for all relevant stakeholders for a broader dissemination..
- Paragraph 17: sharing indicators and lessons learned: maybe civil society organisations of south could explicitly be mentioned as a potential actor involved in sharing experience, building capacity and etc.
- Paragraph 19: good objective, but we should talk about what your exact ideas are (and ours) para 20: it would be good to get a better understanding what the specific role of CSOs, CBOs in the respective regions is, in particular that of the key beneficiaries
- Paragraph 21 should also include experiences of all relevant stakeholders on the NIE processes at the national level, for example, the NIE in Senegal was chosen based on consultation with civil societies. Moreover, it would incorporate the idea about how the NIEs could connect with stakeholders during project implementation. Finally, it will be interesting to discuss about the modalities on how to formalize a CSO network for the fund, which was already included at the end of the work plan.

### **4.3 Consideration of a country cap in the context of regional project and programmes**

Background is the decision of the AFB in its 13<sup>th</sup> meeting to set a country cap of \$US 10 million for each country intending to access funds from the AF. Germanwatch has already briefed on options contained in the document in the briefing paper prior to this meeting<sup>29</sup>. Therefore this part is focussed on the decision undertaken by the board during the 15<sup>th</sup> meeting and their implications in the future. So How regional project and programmes would be considered within the set country cap ?

Firstly, they are different types of cost coming out from a regional project: a) the costs arising from general budget needs (under execution costs) and b) the costs originating from regional activities that address several countries simultaneously, e.g. arrangement of a regional workshop, or setting up a regional early warning system.

Secondly, there are different ways of allocating regional cost by equally dividing the whole cost among all projects countries or by distributing the cost proportionally to the countries specific cost in the project. Accordingly, after having considered the recommendation of the EFC, the Board decided to:

- a) Establish an ad hoc working group, to consider the issues of regional criteria, country caps and the definition of regional projects/programmes<sup>30</sup>
- b) Request the secretariat to send a letter to any accredited regional implementing entities informing them that they could present a country project/programme but not a regional project/programme until a decision is taken by the Board. Request the secretariat to revise the document and to highlight the interim nature of the country cap and relation to the MIE.

It came up with the decision that since the set cap for funding allocation per country was on interim basis, therefore regional cap would also be on interim basis. An other question that came up was, whether the regional projects will also affect the set 50% cap of the available resources of the fund, which the total amount requested by all MIEs proposals could not exceed. The added value, or additional quality criteria of regional projects was also discussed. It was clearly pointed out that the main objectives of the fund in terms of funding paths was the operationalization of NIEs, and the use of the regional routes should not be considered unless they provide added value. Some other suggested that the board should facilitate and promote transboundary adaptation projects, through including extra costs such as travel costs, organization of workshops etc in the regional cap. The cap should be balanced and should not discourage those countries seeking to address regional adaptation needs, while at the same time willing to devote some activities to their local vulnerable communities, which are included in the country cap. Also some questions are worth to be considered such as what is about countries, which have bailed out their country cap, but at the same time irreplaceable for the execution of regional projects.

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<sup>29</sup> See Germanwatch Briefing paper on the 14th meeting of the Adaptation Fund  
<http://www.germanwatch.org/klima/afb2011-06.pdf>

<sup>30</sup> The ad hoc working group is composed of four members from the Ethics and Finance Committee and four members from the Project and Programme Review Committee

#### **4.4 A not closed review of the Operational Policies and Guidelines (OPG) and related template**

It is important before reporting on the decision adopted during this meeting, to draw your attention on Germanwatch previous briefings and reports on the AFB meeting<sup>31</sup>. In the previous briefing on the 14<sup>th</sup> meeting of the AFB, Germanwatch went through the draft (OPG) as proposed, and provided some amendments on key points that in its views are vital for the successful sway of the project in the interest of the less privileged.

In frame of the civil society dialogue, The AFB in thanks allowed the represents of civil society to present their view on all matter related to the fund and particularly to the review of the OPG. The Board members appraised the proposals of the CSO as very useful and even requested some concrete languages of them pertaining to specific points of the OPG, which the Board considered during its deliberation. During this meeting the Board however took up consideration of the recommendation of the EFC regarding the review of the OPG and decided to first of all to approve amendments to the operational polices and guidelines. The amendments as approved by the Board are contained in an annex to the report of its 14th meeting. Furthermore the Board decided to

- a) Refer paragraph 10 of the OPG regarding to the definition of adaptation projects and programmes to the Project and Programme Review Committee for further consideration. Accordingly a concrete adaptation project and programmes is:

“defined as a set of activities aimed at addressing the adverse impacts of and risks posed by climate change. In addition, the activities shall aim at producing a tangible impact on the ground [*by reducing vulnerability and increasing the Party’s adaptive capacity to respond to the impacts of climate change, including variability.*]”

*The language in bracket and in italic is more accurate in terms of goal that concrete adaptation action should achieve. The same language has been inserted in para 12 of the OPG related to the financial priorities. The old definition – above in bold - of concrete adaptation used in the OPG was very broad and therefore opened for several interpretations. Bearing in mind the AF has been established to finance concrete adaptation activities in developing countries, one can rightly argue that this definition in para 10 is the starting point in terms of eligibility of the projects proposals. It is therefore important that the Board in the review of the OPG provide more clarity.*

- b) “Refer paras 34 – related to the accreditation-, 48 –return of any unused funds-, 57 –related to the monitoring of the executing entities at the country level, and 59 -regarding the alignment of the project and programme funded with the strategic framework of the fund- of the Operational Policies and Guidelines to the working group formed pursuant to decision B/13.21”.

Background of this referring is the finding that a number of issues are crosscutting issues of both committees tasks, therefore the Board decided to establish an ad-hoc committee consisting of two members from the PPRC and the EFC, as well as either the Chair or the

Vice-Chair of the Accreditation Panel and two other members at large in order to facilitate the coordination of the work of the two committees. The ad-hoc committees should produce proposals for amending the operational policies and guidelines addressing the issues identified above.

Request the PPRC and the working group to report on their deliberations at the 15<sup>th</sup> meeting of the Board.

#### **4.5 Input to the standardized template table for project execution cost**

During the 13<sup>th</sup> meeting, the Board based on the recommendation of the EFC regarding the desk study decided to include in the project and programme evaluation costs a breakdown on how implementing entities fees will be utilized in the supervision of the M&E function. The rationale behind this is to inspect whether the set cap of 9,5% for execution cost is reasonable or whether it necessitates an additional budget beyond that limit. Accordingly, the secretariat prepared a template on execution cost, which it shared with all accredited implementing entities for comments.

However, only two MIEs (UNDP and IABD) replied<sup>32</sup> with their own template. The Board discussed the inputs sent by these entities and decided to approve the template as orally modified to into consideration some of the elements of models that had been received. The template as modified is attached to the report of the 14th meeting of the Board.<sup>33</sup>

#### **4.6 Financial issues**

As usual at each meeting the board discussed matter related to finance. Under this item the administrative budgets of the Board and secretariat, and the trustee for the fiscal year 2012 was presented for approval. In handling so, the Board after having considered the recommendation of the EFC, as orally revised, decided to approve inter alia:

The proposed budget amounts to US\$ 3,422,101 for the period July 1, 2001 to June 30, 2011 to cover the costs of the operations of the Board and its secretariat. It also approved the estimated budget of US\$ 1,088,000 for Trustee services to be provided to the Adaptation Fund over the period July 1, 2011 to June 30, 2012<sup>34</sup>,

In addition the Board took note that effective July 1, 2011 the policies and procedures of the World Bank will require the trustee charges an additional 10 per cent on the estimated trustee costs to cover central unit over-head costs. The Board therefore requested the secretariat and the trustee to provide a break down of the cost associated with their budget for the fiscal year 2013.

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<sup>31</sup> Report of the 13th meeting: 2011 as the implementation year see <http://www.germanwatch.org/klima/afb2011-03r.pdf>; or Briefing on the 14th Meeting of the Adaptation Fund Board: <http://www.germanwatch.org/klima/afb2011-06.htm>

<sup>32</sup> The Inter American Bank for Development IABD and the United Nations Development Programme UNDP

<sup>33</sup> See: AFB/B.14/L.2 draft Decision of the fourteen meeting of the AFB part on the Execution cost template.

<sup>34</sup> The estimated budget of US\$ 1,088,000 is divided into US\$ 678,000 for CER Monetization services, and US\$ 410,000 for all Trustee services

Furthermore, following discussions, and having considered the recommendation of the EFC, the Board decided also to approve the draft work plan for the fiscal year as scheduled in the document AFB/EFC.5/10.

## 5 Other matters

### **5.1 Update on Status of Resources and CER Monetization Program**

The available fund of the AFB held in trust amount to of \$US 220,76 and funds available for project as the stage of June 2011 is US\$ 183,20. In the Presentation it came up that CER prices have remained in a trading range of approximately €11 to €15 per ton for over two years. The trustee also reported that it had complemented its regular CER monetization programme with a first, ground-breaking auction of Adaptation Fund CERs. The auction was successfully held in May, and had received interest from buyers for an amount of 6.8 times the 200,000 tons sold at a clearing price of €12.52.

### **5.2 An important Step towards a formalisation of exchange between the AFB and Civil Society Dialogue**

According to its adopted communication strategy<sup>35</sup>, the AFB should frequently interact with interested civil society organisations in order to enhance the awareness raising around and outside the AF. Thus, the AFB went a step forward prior to its 15<sup>th</sup> meeting, by convening for the first time a day prior to its meeting, a formal dialogue between its members and representative of civil society organisations. This freewheeling meeting belongs actually to the series of dialogue started last year in December in Cancun. The pleasant and new at this consultation was that the discussion without time constraint. The CSOs organisations made several presentations. The important item discussed was related to the ongoing review and amendment of the Operational Policies and Guidelines of the Fund. Sven Harmeling of Germanwatch presented on behalf of the CAN international certain critical points to be inserted in the prioritisation of the most vulnerable communities, and also in the consultative process during the design and implementation of the project. Finally he proposed a redress mechanism to ensure that dispute and conflict in the implementation of the projects have adequately dealt. Dr Saleem Huq of the IIED highlighted the necessity for the Board to allow financial contribution of third parties in addition to those of wealthy nations according to its rule of contribution. Other representative highlighted the need to use environmental assessments in the project for integrating environmental issues in the implementation of the project so that one can avoid maldaptation.

Basically the spirit of the consultation between Board members and CSO was constructive and frank. The Chair of the AFB Ms Anna Fornells underlined that one of the focus of her mandate as chair is to truly formalise this fruitful exchange with CSOs. Thus, it was decided that the Board twice a year will organise such kind of dialogue prior

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<sup>35</sup> See: Communication Strategy (AFB/B.11/8): [http://www.adaptation-fund.org/system/files/AFB.B.11.8\\_Communications\\_Strategy\\_0.pdf](http://www.adaptation-fund.org/system/files/AFB.B.11.8_Communications_Strategy_0.pdf)

to the regular AFB meeting – back to back to the Bonn SBI session and to the COP<sup>36</sup>- and in addition to the both dialogues of its March and September meeting, which however will take place at the very end of the Board meeting.



Group picture of the CSO dialogue participants

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<sup>36</sup> This means, that the Board will meet with the representatives of civil society and the Annex I Parties in Durban, South Africa, before the 16th meeting of the Board

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