

TOWARDS A COMPREHENSIVE ENVIRONMENTAL AND SOCIAL POLICY

REPORT ON THE 21ST MEETING OF THE
ADAPTATION FUND BOARD

David Eckstein with the contribution of Alpha Oumar Kaloga



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 summarizes the key decisions taken during the 21st meeting (July 3-4, 2013) of the Adaptation Fund Board (AFB).

More detailed information about the Adaptation Fund is available on the Germanwatch website (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). The background information and preparatory documents of the 21st meeting are also available at <https://www.adaptation-fund.org/afb-meeting/3691>

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1 Executive Summary

The 21st meeting of the Adaptation Fund Board (AFB), the operating body of the Adaptation Fund (AF) established under the Kyoto Protocol, was held in Bonn, Germany from July 3-4, 2013. In the two days prior to the meeting, the two committees of the Board – the Ethics and Finance Committee (EFC) and the Project and Programme Review Committee (PPRC) – convened their 12th meeting, respectively.

The Accreditation Panel (AP) of the Board concluded some of its work, reviewing submissions by institutions willing to serve as implementing entities of the Fund. Following the recommendation of the AP, the Sahara and Sahel Observatory was accredited by the Board to serve as a Regional Implementing Entity (RIE) of the AF – the second one to date. No further National Implementing Entity was accredited.

As usual, the PPRC reviewed project and programme proposals that had been received by the Secretariat in time for the current meeting of the AFB. In total, seven proposals were submitted of which three – two project concepts for South Africa by the South African National Biodiversity Institute (SANBI), acting as a National Implementing Entity (NIE); and one fully-developed project for Mali by the United Nations Development Programme (UNDP), acting as a Multilateral Implementing Entity (MIE) – were recommended by the PPRC for approval, subsequently achieving endorsement by the Board.

Both the Accreditation Panel and the PPRC highlighted in their reports the vital importance of capacity building, addressing the fact that many NIEs fail to obtain accreditation even after spending several months in the accreditation pipeline, and despite receiving support from multilateral and non-governmental organizations in the process. In addition, the projects and programmes implemented by NIEs remain rather low (4 of 28), although 15 NIEs – compared to 10 MIEs – have already been accredited as of now. Therefore, the Board decided to launch a programme to support readiness for direct access and to increase the number of high quality proposals submitted to the Board, requesting the secretariat to prepare a document with options for such a programme for the 22nd AFB meeting.

The EFC had several important items on the agenda. To complete the activities needed to achieve full compliance with the International Aid Transparency Initiative (IATI) Standard, the Board adopted an official disclosure and licensing policy, along with an implementation schedule envisaging the publication of IATI compliant data by September 2013. Furthermore, the Board discussed the application of Environmental and Social Safeguards to avert negative repercussions from AF-funded projects or programmes. Before adopting, the Board decided to launch a public call for comments on the proposal by interested stakeholders by September 23, 2013, requesting the secretariat to incorporate the views received into a revised proposal and to draft a suggestion for operationalization of the aforementioned policy for the next AFB meeting.

Some debate emerged among the Board concerning the status of the MIE project pipeline, i.e. how to deal with projects awaiting in the pipeline, once the necessary resources for funding have been accumulated to fund them. As a result, the Board decided to request the MIEs in line to receive funding, to reconfirm the validity of their proposal and the adequacy of requested funding, within 60 days, once resources become available. In addition, the Board requested the PPRC to discuss options for funding the pipeline at its 13th meeting, following the notion of some members to seek out external funding for pipeline

projects and the need for raising the awareness among climate finance donors that some fully-developed projects have been approved and urgently need to be funded.

To conclude, the Board discussed dates and venues of upcoming AFB meetings in 2014, deciding to provisionally reduce the number of AFB meetings to two per year. It also stressed the high importance of having more in-depth strategic discussions in the near term, regarding the future of the Adaptation Fund in light of developments at the UNFCCC level, e.g. the Fund's relationship with the Green Climate Fund.

The AFB also held the regular dialogue with civil society, which included discussions on the environmental and social policy, the evaluation, the presentation of a letter that more than 80 NGOs had already signed and which requests developed country governments to provide more resources to the AF, and an exchange of experience from several developing countries.

2 Report of 13th meeting of the Accreditation Panel (AP)

The Adaptation Fund (AF) provides two ways of access to its resources: developing countries can either pursue the conventional path of relying on the service of a Multilateral Implementing Entity (MIE) or utilize their own national institutions to access the Fund. Prior to receiving funds from the AF, implementing entities (multilateral, regional or national) must master a systematic accreditation process, which consists of verifying, whether the accreditation applicants meet the principles of the AF such as “sound financial management, including the use of international fiduciary standards¹”.

The Adaptation Fund Accreditation Panel (AP) carries out the task of reviewing and scrutinizing the applications by potential implementing entities and drafting a recommendation for consideration by the Adaptation Fund Board (AFB).

Below, the decisions taken by the AFB at its 21st meeting are outlined.

2.1 Accreditation of Implementing Entities

As the AP did not receive any new applications, it resumed its review of fifteen submissions that had been under review before but required further analysis. These include nine applications from National Implementing Entities (NIEs), four from Regional Implementing Entities (RIEs) and two from Multilateral Implementing Entities (MIEs).

By the time of the finalization of the report, however, the AP only concluded the review of one RIE and two NIE applications.

2.1.1 The Sahara and Sahel Observatory (OSS)

The Sahara and Sahel Observatory (OSS)² is an independent intergovernmental regional organization officially established in 1992 based in Tunis, Tunisia. OSS - composed of 22 African³ and 5 non-African⁴ member countries, as well as 10 member organizations⁵ - acts as an initiator and facilitator of partnerships around common challenges related to the management of shared water resources and the implementation of multilateral environmental agreements, including those on desertification, biodiversity and climate change climate.

The AP first considered the application by OSS at its 10th meeting, requesting additional information and raising a number of issues that have been addressed satisfactorily by the RIE between then and now.

¹ see decision 5/CMP.2 paragraph 2(g); available at <http://unfccc.int/resource/docs/2006/cmp2/eng/10a01.pdf#page=28>

² See <http://www.oss-online.org/>

³ Algeria, Burkina Faso, Cape Verde, Chad, Côte d'Ivoire, Djibouti, Egypt, Eritrea, Ethiopia, Gambia, Guinea-Bissau, Kenya, Libya, Mali, Morocco, Mauritania, Niger, Uganda, Senegal, Somalia, Sudan and Tunisia

⁴ Canada, France, Germany, Italy and Switzerland

⁵ Arab Maghreb Union, CARI, CBLT, CELSAD, CILSS, IGAD, Intergovernmental Authority on Development, FAO, UNCCD and UNESCO

Having considered the comments and recommendations by the AP the AF Board decided to accredit the OSS as a RIE - the second one to date.

2.1.2 Non-Accreditation of NIE028⁶

The application by NIE028 has been reviewed and scrutinized by the AP since its 8th meeting. During the course of the assessment, that also included a field visit undertaken in March 2012, several issues were raised by the Panel, particularly in areas of the NIE's fiduciary standards and institutional capacity. To meet the requirements in this regard, the AP concluded that the NIE would still need a long time to demonstrate effective implementation of the systems needed, although already being under consideration for as long as 18 months.

Subsequently, the AP concluded that it was not in a position to recommend NIE028 for accreditation,⁷ which the AFB decided to follow.

2.1.3 Non-Accreditation of NIE035

The AP started reviewing the application from NIE035 at its 8th meeting in November 2011. Notably, an application from the same entity had already been received by the Panel, which then decided not to recommend accreditation of the NIE. However, the AP decided to consider the recurrent application as a "new" application, while referring to the obtained information during the previous application process whenever needed. Although some gaps have been addressed by the NIE, the Panel still identified some shortcomings in areas concerning the fiduciary standards. The proponent has not demonstrated enough capability to tackle all concerns raised by the Panel, leaving room for doubt if these will be adequately resolved in the near future.

Following the recommendation by the AP, the AFB decided not to approve the accreditation of NIE035.⁸

2.1.4 Other Cases under Review

For the remaining twelve entities in the accreditation pipeline⁹, the AP partially requested further information and explanation from the applicants on some outstanding issues, while some proponents already showed promising progress and strong profiles to serve as implementing entities of the Adaptation Fund. As a way forward, the AP will resume their consideration at its 14th meeting or intersessionally.

2.2 Providers of Capacity Building Assistance

During preparation and completion of accreditation applications, as well as in the process of developing policies and procedures to build the necessary capacity to comply with the fiduciary standards set by the AF, NIEs frequently obtain technical assistance from multi-

⁶ For purposes of confidentiality, only the assigned code is used to report on the status of each implementing entity's application.

⁷ A detailed rationale for the non-accreditation of NIE028 can be found in Annex II of the AP report.

⁸ A detailed rationale for the non-accreditation of NIE035 can be found in Annex III of the AP report.

⁹ 7 NIEs (NIE034, NIE038, NIE039, NIE42, NIE043, NIE044, NIE046), 3 RIEs (RIE002, RIE006, RIE007) and 2 MIEs (MIE011, MIE014)

lateral and non-governmental organizations. Despite the external support provided, the accreditation applicants often fail to comply with the accreditation requirements.

Therefore, in order to mitigate the disappointment among organizations providing support and NIEs in question, the AP proposed to hold one or more workshops where Panel members and participants would be encouraged to share experiences and know-how, while also reaching out to those offering assistance by building networking linkages. The relevance of this issue becomes even more apparent, as the PPRC also highlighted the importance of capacity building and the effort needed to address the matter, as will be outlined in detail in the following section.

Out of the fifteen considered applications nine originate from NIEs, which highlights once more the willingness by developing countries' institutions to choose the direct-access path offered by the AF's unique institutional setup. It is, however, unfortunate to observe that the Accreditation Panel has not received any new submissions by potential implementing entities.

Besides this, it is encouraging to perceive the AP's recognition of the need to further address cases of unsuccessful accreditation processes. The proposed workshops could therefore be a valuable addition to strengthen and enhance capacity building efforts by multilateral and non-governmental organizations. This joint initiative between the AP, potential applicants and organizations, providing support towards accreditation, could be a good forum to disseminate and gather useful information and to enhance the understanding of each others challenges in the accreditation process.

However, one of the big constraints lies within countries, as potential applicants for accreditation are often chosen according to a political rationale or agenda, rather than their suitability to easily comply with the fiduciary standards. According to some delegates, there might be some institutions with strong track records as well as experiences to be accredited, but not chosen, because of inter-ministerial jurisdiction fights, or simply because they do not fit in the political agenda. The discussion of identifying suitable institutions should also have due consideration in this new initiative.

3 Report of the 12th meeting of the Project and Programme Review Committee (PPRC)

The Project and Programme Review Committee (PPRC) is responsible for assisting the AFB in tasks related to project and programme review in accordance with the "Operational Policies and Guidelines" and for providing recommendations and advice to the Board thereon¹⁰. Thus, during the 21st meeting, the AFB debated the recommendations suggested by the PPRC on approval of the submitted project proposals, which are based on the technical review made by the secretariat.

3.1 Review of project proposals

Before the AFB engaged in discussions on the approval of submitted project and programme proposals, the secretariat presented its report on the initial screening and technical review of the respective submissions.

For the 21st meeting of the AFB, seven proposals were submitted to the AF secretariat by accredited implementing entities - four project concepts (US\$ 25,891,968) and three fully-developed proposals (US\$ 26,554,273) - amounting the total requested funding to US\$ 52,446,241. During the initial reviewing process, one additional proposal by the Indian National Bank for Agriculture and Rural Development was excluded from further consideration, as it had not met the required eligibility criteria of submitting the required letter of endorsement by the governments' designated authority in due time.

With four submissions originating from National Implementing Entities, this meeting marks the first time that NIE submissions outnumber those from MIEs (three).

3.1.1 Proposals from National Implementing Entities

3.1.1.1 Costa Rica

The first proposal presented by the PPRC for approval by the AFB depicted a project concept submitted by the Fundecooperación para el Desarrollo Sostenible, which had received accreditation just recently at the 19th meeting of the AFB in December 2012. The project itself seeks to reduce climate vulnerability by focusing on three critical sectors (agriculture, water resources, and coastal zones) in order to reduce the negative impacts of climate change and improve resilience of vulnerable populations. Aside from the funding of US\$ 9,970,000 for the concept, the NIE also requested a Project Formulation Grant (PFG) with a budget of US\$ 30,000.

The PPRC raised some concerns, i.e. a missing focused description on specific programme activities; unclear declaration of cost effectiveness and sustainability of the investment; and uncertainty about the adaptation benefits of the project in the longer term. Thus, having considered the recommendation provided by the PPRC, the AFB decided

¹⁰ see document AFB/B.6/6 on the Adaptation Fund Board committee

not to endorse the project concept, encouraging the NIE to reformulate the proposal taking into account the made observations.

3.1.1.2 South Africa (I)

The second submission from NIEs came from the South Africa National Biodiversity Institute (SANBI). Besides monitoring and reporting on the state of biodiversity, the institute also provides knowledge and information, gives planning and policy advice and pilots best-practice management models in partnership with stakeholders¹¹. The NIE gained accreditation at the 15th AFB meeting in September 2011.

The reviewed project concept, requesting US\$ 7,947,625 in funds alongside a PFG of US\$ 30,000, seeks to reduce climate vulnerability and increase the resilience and adaptive capacity of rural and peri-urban settlements and small-scale farmers in productive landscapes in the uMgungundlovu District Municipality (UMDM), that were threatened by climate variability and change.

Following the recommendation by the PPRC, the AFB decided to endorse the project concept, inviting the Government of South Africa to submit a fully-developed project proposal that would also address some made observations.

3.1.1.3 South Africa (II)

The third NIE submission for consideration by the AFB also depicted a project concept from SANBI on behalf of South Africa. Its second proposal strives to increase resilience of vulnerable communities by facilitating grassroots adaptation responses to climate variability and change which was already affecting both of the targeted Districts of Mopani and Namakwa. The proposed establishment of a "Small Grants Facility" within the scope of the project, requesting US\$ 1,985,007.50 and a PFG of US\$ 30,000, was well received by the PPRC and the AFB alike. Therefore, the AFB decided to follow the recommendation by the PPRC to endorse the project concept, encouraging the NIE to develop and flesh out a full project proposal incorporating some reflections and comments made by the PPRC.

The Small Grants Facility proposed by SANBI has the potential to lend out the whole debate around direct access a new dimension, as the facility will allow devolution of implementation to the ground, but also endowing SANBI with additional funding and oversight. For us, this is an interesting evolvement of the whole direct access modality. Direct access modalities should not be reduced to direct access of national institutions to international funds, but rather, as a modality that strives to devolve to the extent possible not only regarding the funding decision, but also the execution function to the ground level.

3.1.1.4 Benin

The last NIE submission constituted a fully-developed project proposal by the National Environment Fund (Fonds National pour l'Environnement) of Benin, with a budget of

¹¹ see <http://www.sanbi.org>

US\$ 9,056,000. As a follow-up on a project concept endorsed at the 17th AFB meeting, the project aims at reducing the vulnerability to climate risk of Cotonou's lagoon, which was already subject to major environmental problems that are likely to worsen with climate change and climate variability.

In the course of its assessment, the PPRC encountered some issues, leading the Committee to the conclusion not to recommend the approval of the project proposal. Therefore, the AFB decided not to grant the implementation of the project, encouraging the NIE to address the raised issues and reformulate the project proposal for re-consideration at the future AFB meetings.

3.1.2 Proposals from Multilateral Implementing Entities

3.1.2.1 Indonesia

The World Food Programme (WFP) submitted a project concept on behalf of Indonesia, requesting US\$ 5,989,335, and aiming to secure community livelihoods and food security against climate change- induced rainfall variability leading to more intense and frequent climate events. The project focused on Lombok Island's Dodokan watershed, where it was planned to target up to 20,000 households and hundreds of community, local and national officials¹².

The PPRC raised some concerns, inter alia, due to weak reasoning for the project and unclear outlining of specific activities. Consequently, the AFB decided to follow the recommendation of the PPRC, not to endorse the concept, inviting the entity to reformulate the proposal.

3.1.2.2 Nepal

The third and last submission from Multilateral Implementing Entities also came from the World Food Programme on behalf of Nepal. The project, with a proposed budget of US\$ 8,964,925, strives to increase the adaptive capacity of the climate vulnerable and food insecure poor by improved management of livelihood assets in the Karnali mountain districts of Nepal, by enhancing agro-ecosystem services that increase production, reduce food insecurity and directly generate income and energy for rural people¹³. The project had been submitted at each of the last two AFB meetings, but was withdrawn by the proponent each time following the initial technical review.

For the first time, the secretariat also received comments from civil society on this project, which identified some issues regarding the project design. In this context, also reflecting the comments within the PPRC, the AFB was recommended not to approve the project due to concerns regarding project reasoning, capacity building co-benefits and the alignment and avoidance of duplication with other projects, such as the Pilot Program for Climate Resilience (PPCR) and the Nepali Climate Change Support Program (NCCSP). In line with these observations, the AFB decided to follow the recommendation and invited the World Food Programme to reformulate the proposal, addressing the outlined issues.

¹² see AFB/PPRC.12/12, page 9

¹³ see AFB/PPRC.12/12, page 14

3.1.2.3 Mali

The United Nations Development Programme (UNDP) forwarded a fully-developed project proposal for Mali to the AF for approval. The project, requesting US\$ 8,533,348, was initially submitted as a project concept at the 15th meeting of the AFB, but not endorsed by the Board at that time. The UNDP resubmitted the project as a fully-developed proposal at the 18th meeting, again not gaining approval by the AFB. The project seeks to implement concrete measures for water control and retention in vulnerable water buffer zones and promote a range of climate resilient practices in the agro-pastoral, fisheries and forestry sectors, to reduce the vulnerability of those sectors and the communities involved in them, to the adverse effects of climate change¹⁴.

Having heard the recommendation by the PPRC, the AFB decided to approve the project proposal.

In accordance with limiting total funds being directed through MIEs to 50% of overall resources, the project for Mali was queued in the project pipeline awaiting additional financial means.

3.2 Capacity Building and Readiness

As briefly addressed in the previous section above, both the Accreditation Panel and the PPRC highlighted the vital importance of capacity building in their reports, addressing the fact that many NIEs fail to obtain accreditation even after spending several months and years in the accreditation pipeline, and despite receiving support from multilateral and non-governmental organizations in the process. In addition, the projects and programmes implemented by NIEs remain rather low (4 of 28), although 15 NIEs have already been accredited as of now.

A quite substantial discussion evolved on this issue among AFB members. One Board member, although describing the accreditation of 15 NIEs, especially in light of the high fiduciary standards the AF sets, as a success, reiterated the rather low percentage of proposals converted to full proposals. The Party representative also pointed to the fact that Small Island Development States (SIDS), although highly affected by climate change, are so far underrepresented with only one accredited NIE (Planning Institute of Jamaica). In this context, the Japanese representative drew attention of Board members to a capacity building programme of the Japanese Ministry of Environment aimed at supporting countries and increasing the number of NIEs in the Asia/Pacific region. Unanimously, the Board agreed that workshops alone, as proposed by the AP, would not suffice to achieve ongoing capacity building progress and that rather a defined process would be necessary. One Party representative pointed out the need to launch a programme that is integrated into the core business of the fund, seen as a sort of an "investment" by the AF to improve its work and results. Furthermore, it was also indicated that capacity building needs may vary from one country to another, i.e. considering the fact that countries are at different stages of the overall capacity building process, and that structuring a generic programme matched to every country would be difficult. Therefore, the programme must be tailored to the needs of the proponents.

¹⁴ see AFB/PPRC.12/12, page 13

Reflecting the views of the Board members, the AFB decided to launch a programme aimed at and covering two main elements¹⁵:

- (1) increasing the preparedness of applicant NIEs seeking accreditation by the Adaptation Fund, and
- (2) increasing the number of high quality project and programme proposals submitted to the Board within a reasonable time period after accreditation.

As a way forward, the secretariat was requested to prepare a document with options for such a programme for the 22nd AFB meeting.

Assisting developing countries to develop their capacity either technically or institutionally, as to have a sound framework that adequately responds to the international demand, has been one of the great challenges of international cooperation. Often, the capacity development provided to developing countries consists of organizing an one-off event, where several inputs are given to those countries suffering from a specific lack of capacity. This wide spread approach has shown its limit over time, particularly when it comes to the transfer of useful inputs into domestic realities. Also, often the capacity building is provided to meet some needs detected at the international level and implemented to follow this specific shortcoming, instead of addressing the reason why this deficiency in term of capacity exists.

Capacity building is a cross-cutting issues that touches upon several fields and sectors that should be approached in a very holistic manner, as to enable the coordination and work needed. A top down identification of capacity needed such as to help developing countries to succeed in the accreditation process or to submit good proposals, could run the risk of failing, if it tries to apply the failed tools used so far, or if it has not been provided, as a consequence of a comprehensive capacity building needs assessment within the recipient country. In our view, the AF is best placed, for the time being, to encourage or to undertake by its own, a long-term capacity building process that should strive not only for endowing developing countries with sound capacity needed, but also aims at implementing the theory provided in the workshops. It is obvious that the reality is often far from the theory. For the time being, the AF could start with some pilot countries, chosen for instance according to their engagement - e.g. numbers of direct exchange or response of request of the AP recommendation - and accompany them in a comprehensive process, that ends up with building a strong institution that can not only satisfy the AF accreditation requirements, but more importantly, becomes capable by its own to tap and succeed the growing financial opportunities in the climate finance landscape.

¹⁵ see Decision B21/28

Table 1: AFB 21 Funding Decisions (July 4, 2013)

	Country/Title	IE	Document Ref	Project	Fee	NIE	RIE	MIE	IE fee %	Total Amount	Decision
1. Projects and Programmes:											
	Benin	FNE	AFB/PPRC.12/8	8,347,000	709,000	9,056,000			8.5%		Not approved
	Mali	UNDP	AFB/PPRC.12/9	7,864,837	668,511			8,533,348	8.5%	8,533,348	Placed in Pipeline
	Nepal	WFP	AFB/PPRC.12/10	8,262,604	702,321			8,964,925	8.5%		Not approved
Sub-total				24,474,441	2,079,832	9,056,000		17,498,273	8.5%	0	
2. Project Formulation Grant:											
	Costa Rica	Fundecooperación	AFB/PPRC.12/4/Add.1	30,000		30,000					Not approved
	South Africa (I)	SANBI	AFB/PPRC.12/5/Add.1	30,000		30,000				30,000	Approved
	South Africa (II)	SANBI	AFB/PPRC.12/6/Add.1	30,000		30,000				30,000	Approved
Sub-total				90,000		90,000				60,000	
3. Concepts:											
	Costa Rica	Fundecooperación	AFB/PPRC.12/4	9,190,000	780,000	9,970,000			8.5%		Not endorsed
	Indonesia	WFP	AFB/PPRC.12/7	5,520,125	469,210			5,989,335	8.5%		Not endorsed
	South Africa (I)	SANBI	AFB/PPRC.12/5	7,325,000	622,625	7,947,625			8.5%	7,947,625	Endorsed
	South Africa (II)	SANBI	AFB/PPRC.12/6	1,829,500	155,507.5	1,985,007.5			8.5%	1,985,008	Endorsed
Sub-total				23,864,625	2,027,342.5	19,902,632.5		5,989,335	8.5%	0	
4. Total (4 = 1 + 2 + 3)				48,429,066	4,107,174.5	29,048,632.5		23,487,608	8.5%	60,000	

4 Report from the 12th meeting of the Ethics and Finance Committee (EFC)

According to its terms of reference, the Ethics and Finance Committee (EFC) is responsible for providing advice to the Board on issues of conflict of interest, ethics, finance and audit¹⁶.

The EFC met for the 12th time one day before the 21st meeting of the AFB to discuss several topics as follows.

4.1 Projects Delays Policy

Having reviewed and approved the Annual Performance Report for fiscal year 2012 at its 19th meeting in December 2012, the AFB had requested the secretariat to present a document at the 20th meeting entailing an in-depth analysis of project cycles and subsequent delays¹⁷.

Accordingly, projects on average started the implementation well within the 6 month period (from first disbursement of funds to project start) set as a target by the AFB in the past. Furthermore, project delays were mostly caused and associated with country-related issues and not due to specific project design¹⁸. Up till now, however, it has not been clarified how the AF should deal with project delays that exceed the envisaged 6 month period and what measures need to be undertaken thereupon. This issue also applies to delays during project implementation or the final closure of projects and programmes. Therefore, the secretariat was requested to develop a procedure on how to deal with project delays throughout the project cycle for consideration by the EFC at its 12th meeting prior to AFB 21.

As instructed, the secretariat compiled a document in preparation for this meeting, outlining the constitution of a policy on project and programme delays. In concrete terms, the policy divides the lifespan of a project or programme into four different stages (signing of the legal agreement between the Fund and the IE; start of project implementation; annual project performance reports; and project completion and final evaluation), defining the corresponding timelines that must be adhered to within each stage, along with provisions when deadlines are or cannot be met by the implementing entities¹⁹.

Without further discussion, the AFB adopted the proposed project delay policy.

It is somewhat surprising and unfortunate that the AFB did not engage into some discussion on this issue. As stated in our Briefing Paper in advance of the Board meeting, it is important that the AFB takes up this issue, not only because at the last meeting the Senegalese project requested a significant extension in a more ad-hoc manner. The document provided by UNDP regarding the state of project implementation points to significant delays in a number of projects. Looking beyond the AF it seems that such delays and as-

¹⁶ see [https://www.adaptation-fund.org/sites/default/files/Ethics and Finance Committee.pdf](https://www.adaptation-fund.org/sites/default/files/Ethics%20and%20Finance%20Committee.pdf)

¹⁷ see decision B.19/22

¹⁸ see document AFB/EFC.11/3 for comprehensive information and a detailed list of AF projects

¹⁹ for more details please refer to the Germanwatch Briefing Paper on the 21st AFB Meeting

sociated project extensions seem to be rather the rule than the exception. A recent report by the GEF Evaluation Offices has assessed that in 80% of the projects extensions are requested. The median extension phase is 14 months, 40% of the projects experience an extension of more than a year. The World Bank performs slightly better than UNDP or UNDP.²⁰ The performance of the NIEs can hardly be assessed in this early stage. It would be interesting to understand whether there are systemic reasons for these constant delays.

The proposed policy defines a good basis to provide a clear and transparent guideline to manage emerging project or programme delays. There are, however, some areas that must be improved in order to be as comprehensive as possible. For instance, the provision in regard to the start of project or programme implementation seems to be rather vague, as the proclaimed six months time frame is only based on an average target the Board makes reference to. Furthermore, the policy does not provide sufficient clarity on how the Board comes to a decision when confronted with a delayed start of a project. According to the policy, a "significant" start-up delay can justify the cancellation of a project or programme. However, it is not clear what "significant" means. As the consequence may be severe, this notion requires much more elaboration to avoid arbitrary judgements.

On project completion, the policy only determines an additional time allotment if the requested extension is a "no-cost" extension. However, the policy fails to indicate how to address project extensions that may incur costs. Are such project extensions ruled out per se? Or are they subject to a Board decision? One way or the other, additional explanation is necessary.

4.2 IATI Compliance

IATI is a voluntary multi-stakeholder initiative that seeks to improve the transparency of aid in order to make information more accessible and comparable, increasing effectiveness in tackling poverty²¹. At the 20th AFB meeting in April 2013, the Board decided to join IATI, underlining the Funds ambition towards full transparency and accountability. On April 17, 2013 the Adaptation Fund became a signatory to the International Aid Transparency Initiative (IATI) - the first climate fund to do so.

To achieve compliance with the IATI Standard, however, the Fund is required to undertake a certain set of activities, including the development of a disclosure and licensing policy and outlining an implementation schedule for publishing IATI compliant data. Both activities were concluded prior to the 21st AFB meeting and were presented to the Board for review and approval.

4.2.1 Open Information Policy

Although already promoting transparency through a myriad of practices and decisions, e.g. the publication of nearly all relevant documents or the deployment of a specific project mapping tool on its website, the AF does not possess an official disclosure and li-

²⁰ http://www.thegef.org/gef/sites/thegef.org/files/documents/APR%202012_0.pdf

²¹ See <http://www.aidtransparency.net/>

censing policy on paper, inherently defining to what extent information is released and available to the public and how the information may be used.

In essence, the AF's *"Open Information Policy"*²² exhibits the approach to disclose all available information ("Proactive Disclosure"), mainly through its website, unless there is a compelling reason for confidentiality. In this context, the policy outlines five criteria that may justify non-disclosure. These include personal information that may intrude the privacy of staff members; commercially sensitive information that are proprietary to AF project participants; information that affects the AF's relations with international governments and institutions, such as non-anonymized data obtained by the Accreditation Panel in course of an implementing entities' accreditation process (e.g. on fiduciary standards or other sensitive information); deliberative information, i.e. on proceedings held in closed sessions; and generally information that may pose a risk to the security and safety of any individual working for the AF.

In terms of licensing, the policy defines that obtained information may be arbitrarily used and processed by others, under the only condition that credit must be given to the AF when data or other information is used publicly.

4.2.2 Implementation Schedule

One further activity the AF must undertake towards achieving compliance with the IATI Standard is the elaboration of an implementation schedule, outlining by when information data will be published. In concrete terms, the implementation schedule is intended for countries and organizations to specify what information they already report and publish and to present a timetable, based on their specific situation, of the feasibility of publishing more information²³ required. For the Adaptation Fund, the latter applies in particular to the publication of even more detailed information at the Fund's activity level.

The secretariat included a draft timetable addressing the matter, indicating that the Fund would be able to publish IATI compliant data by September 2013.

The AFB took note of the report by the EFC on the issues in regard with achieving IATI compliance and decided to adopt the proposed policy as well as the outlined time schedule for implementation without further debate.

4.3 Results Tracking

At the 10th meeting of the AFB, the Board approved the "Strategic Results Framework for the Adaptation Fund"²⁴. The results framework is structured around the overall objective "to reduce vulnerability and increase adaptive capacity to respond to the impacts of climate change, including variability at local and national levels". The Fund-level framework includes seven key outcomes and associated outputs to facilitate aggregation and present Fund level results that contribute to the overall goal and objectives of the Fund.²⁵

²² See [https://www.adaptation-fund.org/sites/default/files/AFB.EFC_.12.5.Rev_.1 Open Information Policy.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.EFC_.12.5.Rev_.1%20Open%20Information%20Policy.pdf)

²³ See [https://www.adaptation-fund.org/sites/default/files/AFB.EFC_.12.6.Rev_.1 Implementation schedule for publishing IATI data.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.EFC_.12.6.Rev_.1%20Implementation%20schedule%20for%20publishing%20IATI%20data.pdf), p. 2

²⁴ See decision B.10/13

²⁵ See AFB/EFC.12/7, para 1

With over two years of practice and an increasing demand for Fund-level results, it has become evident that the Fund would benefit from a modification to its approach for collecting results as well as examining ways to add impact-level indicators that a majority of the Fund's projects could report on.²⁶

Therefore, the secretariat was requested to present at the present meeting, a proposal for improving the Fund's results tracking system²⁷. Without any debate, the Board agreed to approve the proposal by the secretariat requesting to proceed with the following steps²⁸:

Step 1: the secretariat will improve the current Fund-level results framework focusing mostly on units of measurement and methodology for measuring indicators.

Step 2: Based on changes to the Fund-level results framework, the secretariat will produce (i) a modified guidance document to project/programme proponents on how to select, measure, and report on key indicators; (ii) a modified results tracker, in particular with regards to the units used; and (iii) a modified PPR screening process to ensure that the results tracker is being completed accurately.

Step 3: The secretariat will develop a set of 3-5 core indicators and guidance on the definition and methodology for calculation for each indicator.

Step 4: The secretariat will circulate changes to the Fund-level results framework, results tracker, PPR screening process, and proposed core indicators to the Board for an intersessional decision. The secretariat is proposing to undertake this work inter-sessionally so that data can be collected from projects/programmes currently under implementation and included in the FY 2013 Annual Performance Report (APR 2013).

4.4 Financial Issues

4.4.1 Financial Status of the Adaptation Fund Trust Fund and CER Monetization

As usual, the trustee of the AF – the World Bank – presented an update report on the financial status of the Adaptation Fund Trust Fund to the AFB.

Accordingly, as of May 31, 2013 the total resources received amount to US\$ 325.05 million, consisting of US\$ 188.24 million originating from CER sales, US\$ 134.50 million on the part of donations and US\$ 2.3 million in interest revenue on undisbursed resources. Out of the total US\$ 325.50 million received, US\$ 207.93 million have either already been transferred (US\$ 79.61 million: US\$ 58.47 million for projects and programs; US\$ 21.14 million for operational expenses) or constitute funding decisions where disbursement is pending (US\$ 128.32 million in total). Considering the above outlined commitments to this date leaves the total amount to support new funding decisions at US\$ 114.11 million.

In addition to the financial status report of the AF Trust Fund, the trustee also presented alternative approaches for CER monetization in light of current market conditions and low prevailing CER prices. Accordingly, the trustee recommended: to continue monetiza-

²⁶ See AFB/EFC.12/7, para 2

²⁷ for more details and comments please refer to the Germanwatch Briefing Paper on the 21st AFB Meeting

²⁸ See AFB/EFC.12/7, para 12

tion of CERs at a modest pace with the objective of reducing the CER inventory by March 2015; to consider removing the conditions applicable to the sale of CERs to governments (limited to CERs derived from industrial gas projects and at a premium price only²⁹) to stimulate demand; and to permit the trustee to undertake over-the-counter sales to other institutional carbon market participants in addition to dealer banks.

Following the recommendations by the trustee, the Board decided to adopt the proposed Amended CER Monetization Guidelines³⁰, reflecting the aspects highlighted above and requested the trustee to share and include its experience with the additional CER sale provisions in its report to be presented at the next AFB meeting.

4.4.2 Status of the MIE Project/Programme pipeline

Before closing the agenda item on the financial issues the Board discussed the status of the project pipeline. For this purpose, the secretariat and the trustee presented a joint report on the matter.

At its 17th meeting, the AFB decided to establish a pipeline queuing approved fully developed projects and programmes, but exceed the 50% cap³¹ that limits total funding of projects directed through MIEs to half of total resources of the AF. Additionally, a set of criteria was defined according to which projects are prioritized in the pipeline. In line with this decision³², the order in which projects are funded – when resources allow – is determined by the following:

1. Date of recommendation
2. Date of submission
3. Net cost (i.e. excluding the IE management fee)

The 50% cap of total funds requested has been exceeded for the first time at the 19th meeting of the AFB, causing the actual creation of the pipeline with MIE projects awaiting additional funding resources.

Table 2 displays the MIE project pipeline as of July 3, 2013, already reflecting the funding decision elucidated in the PPRC section above. Remarkably, the UNDP manifests its predominant role among implementing entities, with 7 out of 8 projects in the pipeline (in addition to 15 of 28 approved AF projects overall).

²⁹ See decision B.18/37

³⁰ See https://www.adaptation-fund.org/sites/default/files/AFB.EFC_.12.10 CER Monetization - Additional options and amendments to the guidelines.pdf

³¹ See decision B.12/9

³² See decisions B.17/19 and B.19/5 respectively

Table 2: MIE Project Pipeline as of July 3, 2013

	Country	Recommendation date (Criterion 1)	Submission date (Criterion 2)	Net cost, US\$ Million (Criterion 3)	Request, US\$ Million	Cumulative, US\$ Million
<i>Projects added at the 19th Meeting</i>						
1	Guatemala (UNDP)	12/14/2012	10/8/2012	5.00	5.43	5.43
2	Cuba (UNDP)	12/14/2012	10/8/2012	5.59	6.07	11.49
3	Seychelles (UNDP)	12/14/2012	10/8/2012	5.95	6.46	17.95
4	Myanmar (UNDP)	12/14/2012	10/8/2012	7.29	7.91	25.86
<i>Projects added at the 20th Meeting</i>						
5	Uzbekistan (UNDP)	4/4/2013	1/28/2013	4.99	5.42	31.28
6	Belize (WB)	4/4/2013	1/28/2013	5.53	6.00	37.28
7	Ghana (UNDP)	4/4/2013	1/28/2013	7.64	8.29	45.57
<i>Projects added at the 21st Meeting</i>						
8	Mali (UNDP)	7/3/2013	4/24/2013	7.86	8.53	54.10

As evident from the table above, the total amount of additional resources required to implement all projects in the pipeline has increased to about US\$ 108 million, since only 50 cents of every dollar can be allocated to projects from MIEs. In their report, the trustee and the secretariat also referred to a projection on the overall funds of the AF available up to 2020. Therein, the estimated amount of resources available by end-2020 is projected at US\$ 146-152 million (depending on an assumed "low", "medium" or "high" CER price in the future), equivalent to less than US\$ 20 million annually for the next eight years, without considering operational expenses. This implies that without further donor contributions or a substantial increase in the price of CERs - while also maintaining the 50% cap limit - it may not be possible to implement any additional MIE project for several years to come. Besides, when looking at proposals by MIEs that have already been endorsed as a concept or fully-developed projects that have been reviewed once without approval (see table 3), it is likely that the project queue will increase in the near future.

On a more positive note, the secretariat announced that the contribution of 100 million Swedish krona (about US\$ 15 million), pledged by the Government of Sweden on May 22, 2013, would enable the AF to fund the first project in-line in the pipeline - to be implemented by the UNDP on behalf of Guatemala.

Table 1: Potential projects entering the pipeline after AFB 21³³

MIE proposals endorsed as concepts or submitted earlier as fully-developed proposals but not approved by the 21st meeting as fully-developed proposals				
	Country (MIE)	Endorsement date / AFB meeting of submission	US\$ Million	Submitted as full proposal
	<i>Endorsed concept</i>			
1	El Salvador (UNDP)	12/15/2010	5.43	Yes
2	Fiji (UNDP)	6/22/2011	5.73	Yes
3	Paraguay (UNEP)	6/29/2012	7.13	No
4	Peru (IDB)	6/29/2012	6.95	No
	<i>Total (endorsed concepts)</i>		25.24	
	<i>Not endorsed, submitted as full proposal</i>			
1	Mauritania (WMO)	first submitted at AFB 18	2.16	Yes
	<i>Total (non-endorsed full proposals)</i>		2.16	
	Total (all)		27.40	

The pipeline status has been an important point for discussion at the previous AFB meeting, where the Board debated whether or not the AF should continue to accept submissions from MIEs or close the project pipeline until further notice. This time around, the discussion evolved around the question whether or not the AF should actively consider external funding or co-financing opportunities.

In concrete terms, one Board member suggested to actively engage donors by raising their awareness of the MIE pipeline, encouraging them to co-finance projects they are particularly interested in. By this, the amount requested from the AF could be lowered to allow for a swifter clearance of the pipeline. In the Board members' view, projects would still carry the label of being AF projects - just the share taken from the Fund's own resources would be reduced. As one way forward, one representative suggested to arrange a dedicated meeting and approach donors at COP 19 in Warsaw to further explore this possibility. A rationale for donors to agree to pursue this funding approach may be that the purpose and beneficiary of their donation is more visible and may convince potential donors that may have reservations towards the Adaptation Fund for any reasons whatsoever. Considering questions for clarification by other Board members in regard to the implications this proposition would have on the hierarchy of projects established by the pipeline, the Board member highlighted that projects would remain in the order determined according to the prioritization criteria.

The proposal, although appreciated for outlining a possibility to ease the pipeline quandary, raised some concerns in regard to maintaining the provisions of country ownership, as donors may tie their donation to claims to exert influence on the project implementation. Furthermore, the issue in regard to keeping the established project hierarchy remained rather unresolved, as several Board members expressed their concerns on the matter. Recognizing the importance of the matter, the Board requested the PPRC to continue elaborating the issue by discussing options for funding the pipeline at its 13th meeting.

³³ see document AFB/EFC.12/Inf.1

Some debate emerged among the Board on how to deal with projects once the necessary resources for funding have been accumulated. This goes back to a discussion at the previous AFB meeting, where the Board pointed out that some projects in the pipeline might not have the time to await additional funding before the situation described in the project proposal is aggravated³⁴. In the same context, the state of affairs depicted in the project proposals might change over time calling for an adjustment, be it the estimated budget needed or other relevant details.

As a result, the Board decided to request the MIEs in line to receive funding, to reconfirm the validity of their proposal and the adequacy of requested funding, within 60 days, once resources become available. In addition, MIEs that come to the conclusion that a removal of their project from the pipeline becomes necessary should notify the secretariat, indicating the reason for such a request.

4.4.3 Report of the Fundraising Task Force

To attend to the challenge of a virtually collapsed market for Certified Emission Reductions (CERs), the AF finds itself at a critical juncture of its existence. With its main source of financing drying up, the AF needs to find innovative ways to attract and scale-up resources.

At its 19th meeting, the AFB decided to form a task force to work in conjunction with the secretariat on outreach, strategy and other efforts to achieve the preliminary fundraising target of US\$ 100 million by the end of 2013³⁵.

During this meeting of the AFB, the Chair of the Fundraising Task Force, reported briefly on the activities undertaken during the intersessional period. Among other things, the Task Force, with assistance from an external consultant, gathered information and conducted research on potential revenue streams, leading to a draft Fundraising Strategy distributed to Board members with the request for comments and views by July 31, 2013.

4.5 Environmental and Social Safeguard Policy

In the process of fulfilling its mandate of enabling developing countries adapt to the adverse effects of climate change, the AF has to ensure to prevent negative side effects that may harm people or the environment during the implementation of its funded projects. To underscore this general principle, environmental and social safeguards are a matter that has been brought up by some parties and especially the civil society organizations in the past, i.e. as a critical issue to avoid maladaptation.

In accordance with this, the Board discussed at its previous meeting, the necessity for the AF to formulate and define a safeguard policy to serve as a guideline for both the Fund itself but also for recipient IEs. Therefore, the Board requested the secretariat to draft an environmental and social policy for consideration by the Board at its 21st meeting.

³⁴ e.g. the project proposal from Belize that seeks to strengthen the resilience of the Belize Coral Reef system

³⁵ See decision B.19/29

To complement the document presented by the secretariat outlining an official Environmental and Social Safeguards Policy³⁶, the Board also received a presentation by an external consultant explaining purpose and design of the proposed AF policy.

Following the presentation, the Board engaged in some discussions on the proposed policy. Generally, the Board members appreciated the efforts by the secretariat, also welcoming the work by the consultant. There was clear consensus among Board members that such a policy was long overdue and that the AF should spearhead international institutions in terms of applying sound environmental and social safeguards. However, it was emphasized that having a stringent environmental and social safeguard policy should not create any additional obstacle for NIEs, who already face the substantial challenge of complying with the Fund's rigorous fiduciary standards. In addition, Board members identified some shortcomings that would require some rework of the proposed policy, including the absence of a reference to the preservation of cultural heritage and the need to ensure compliance with international law. Additionally, one board member urged to also consider transborder social and environmental impacts, that may originate from projects or programmes implemented outside the affected country.

On a more technical note, Board members highlighted the need to establish a grievance mechanism - as exhibited by most other institutions with environmental and social safeguard policies - to ensure that voices from affected people are being heard; and finally, assessing the incurring costs for the operationalization of such a policy.

Reflecting the comments and views expressed by AFB members, the Board decided to launch a public call for comments on the environmental and social safeguard policy proposal by interested stakeholders by September 23, 2013. Building on this, the Board requested the secretariat to incorporate the input received by Board members at this meeting (and eventual future comments), as well as views from stakeholders into a revised proposal; draft a suggestion on how to operationalize the aforementioned policy; as well as undertaking an assessment of the related costs of operationalization for the next AFB meeting respectively.

The discussion at this meeting shows how important it is for the AF to set a formal policy on environmental and social issues. These safeguards to be set by the AF should strive to combine the core project objectives with environmental and social values and needs of particular groups, as well as take into account cultural realities in the project areas. In order to achieve this, the AF should set, on one hand, a special assessment mechanism of environmental and social safeguards both in the accreditation of future NIEs, but also in approving projects. This policy should be ambitious enough to prevent any harm, but also be consistent that it will not constitute an extra burden for the implementing entities, particularly the national ones. In addition, it is important to ensure that the safeguards applied for the project fit into the country's national strategic plan. It is therefore critical that the AF sets some criteria or provides tools and procedures that project proponents could use for preparing a proposal. These minimum criteria should be as flexible as possible, because every project has its own circumstances and the range of standards depend on the type of projects and risks.

There are a range of environmental risks that occur, such as those related to land degradation, loss of biodiversity, that may even trigger severe impacts, when a project does not

³⁶ for a more in-depth analysis of the proposed Environmental and Social Safeguard Policy please refer to the Germanwatch Briefing Paper on the 21st AFB Meeting

take an in depth assessment. Therefore, in our view, any environmental and social safeguard presupposes, that prior to a project submission, an environmental and social impact assessment has been undertaken and is considered, at latest, in the fully developed proposal. In doing so, the AF should consider whether to scale up the amount of money allocated to the project formulation grant, as to encourage, but also ensure that the impact assessment undertaken is as comprehensive and holistic as possible. This is important to consider, because adaptation actions often address future impacts which have profound environmental and social consequences.

The operational principles guiding the safeguards of the AF should, inter-alia; (i) be inclusive in terms of institutional arrangements framing the given society and should promote shared benefits for all. (ii) be cohesive, by covering all groups and taking into account societal reality and constraints, (iii) promote accountability throughout the project as to allow some adjustments in the proposal if deemed as necessary.

The goal of social standards are to enable social inclusion, empowerment and assure security for all. As said before, the AF needs not only to adopt an environmental and social framework, with the view of ensuring due diligence in managing and addressing potential risks, but also needs a framework or kind of redress mechanism, that allows stakeholders to continuously bring to the attention of the AF Board any potential harms that can lead to environmental and social problems.

4.6 Report of the Board to CMP 9

The secretariat prepared a draft report³⁷ of the AFB to the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP) to be presented at the CMP's 9th session in Warsaw in November 2013.

To complement the draft report, two representatives of the UNFCCC held a presentation focussing on the implication that arise from paragraph 21 of decision 1/CMP.8 - the Doha amendment of the Kyoto Protocol (KP) - which decided to augment the AF "through a 2 per cent share of the proceeds levied on the first international transfers of AAUs and the issuance of ERUs for Article 6 projects immediately upon the conversion to ERUs of AAUs or RMUs previously held by Parties"³⁸.

The Board took note of the draft report by the secretariat and the presentation of the UNFCCC representatives and decided to request the secretariat to revise the document according to comments put forward by the Board and circulate it for an intersessional approval.

4.7 Date and Venue of Meetings in 2014

At the conclusion of the 21st AFB meeting, the Board discussed dates and venues of upcoming AFB meetings in 2014. In line of the current financial situation of the Adaptation Fund, the Board elaborated on reducing the number of Board meetings, which according to the secretariat incur costs of about US\$ 200,000 per meeting.

³⁷ for more details please refer to the Germanwatch Briefing Paper on the 21st AFB Meeting

³⁸ See decision 1/CMP.8 at <http://unfccc.int/resource/docs/2012/cmp8/eng/13a01.pdf#page=2>

After some debate on the matter, the Board decided to provisionally reduce the number of AFB meetings to two per year, while continuing to consider the number of meetings per year on a periodic basis, taking into account the expected workload of the Board. In this regard, one Board member also stressed the high importance of having more in-depth strategic discussions in the near term, regarding the future of the Adaptation Fund in light of developments at the UNFCCC level, e.g. the Fund's relationship with the Green Climate Fund.

5 Dialogue with Civil Society

As the last item on the agenda for the first day, the Board held its regular dialogue with representatives from civil society organizations.

To begin with, the participants reflected on the AF NGO Network Conference that took place the previous day (July 2) with around 90 stakeholders, including many AFB members and alternates, webcast viewers, etc. The conference addressed aspects such as adaptation in the area of food security, urban areas, and discussed experience and prospects of direct access, in the AF as well as beyond it. In general the Conference was well received and the high number of participants exceeded expectations.

After this introductory remarks, Mr. Alpha Kaloga from Germanwatch, highlighted issues that required more elaborate discussions, including the Environmental and Social Safeguard Policy, Results Tracking, the Overall Evaluation of the Fund and the Report of the Board to CMP9. The Board took note of the comments and engaged in some discussion. Also with other representatives from civil society organizations, that attended the AFB meeting in an unusually high number.

The Chair of the Board underlined the importance of civil society engagement and highlighted the value of having the regular dialogue with CSOs in the margins of the Board meetings of the Adaptation Fund.

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