

# BRIEFING ON THE 21<sup>ST</sup> MEETING OF THE ADAPTATION FUND BOARD

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## Brief Summary

This briefing paper summarizes the key issues on the agenda for the 21st meeting of the Adaptation Fund Board, which governs the Adaptation Fund set up under the Kyoto Protocol. The meeting will be held in Bonn, Germany from July 1-4, 2013.

Among the key issues is the consideration of further project and programme proposals reviewed by the Project and Programme Review Committee (PPRC) to be approved by the AFB and the accreditation of one additional Regional Implementing Entity (RIE). Furthermore, the AFB will continue to debate the difficult financial situation of the Fund, review a disclosure and licensing policy to achieve compliance with the International Aid Transparency Initiative Standard and discuss a procedure to deal with project or programme delays. Other important agenda items include the debate on an environmental and social safeguard policy, the report by the Board to CMP 9 as well as the overall evaluation of the Fund.

## Imprint

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# Contents

<b>1</b>	<b>EXECUTIVE SUMMARY</b> .....	<b>4</b>
<b>2</b>	<b>REPORT OF THE ACCREDITATION PANEL</b> .....	<b>5</b>
<b>2.1</b>	<b>Accreditation of Implementing Entities</b> .....	<b>5</b>
2.1.1	The Sahara and Sahel Observatory (OSS).....	6
2.1.2	Non-Accreditation of NIE 028 .....	6
2.1.3	Non-Accreditation of NIE 035 .....	6
2.1.4	Other Cases Under Review .....	7
<b>2.2</b>	<b>Re-Accreditation Process</b> .....	<b>7</b>
<b>2.3</b>	<b>Providers of Capacity Building Assistance</b> .....	<b>7</b>
<b>3</b>	<b>ITEMS TO BE CONSIDERED BY THE PROJECT AND PROGRAMME REVIEW COMMITTEE (PPRC)</b> .....	<b>8</b>
<b>3.1</b>	<b>Report of the secretariat on initial screening/technical review of project and programme proposals</b> .....	<b>8</b>
<b>3.2</b>	<b>Joint Report by the Secretariat and the Trustee on the Status of the Pipeline</b> .....	<b>10</b>
<b>4</b>	<b>ITEMS TO BE CONSIDERED BY THE ETHICS AND FINANCE COMMITTEE (EFC)</b> .....	<b>11</b>
<b>4.1</b>	<b>Project/Programme Delays and Extension Procedures</b> .....	<b>11</b>
<b>4.2</b>	<b>Options for an Overall Comprehensive Evaluation of the Adaptation Fund</b> .....	<b>14</b>
<b>4.3</b>	<b>IATI Compliance</b> .....	<b>17</b>
4.3.1	Open Information Policy .....	18
4.3.2	Implementation Schedule for Publishing IATI Data .....	18
<b>4.4</b>	<b>Results Tracking</b> .....	<b>19</b>
<b>4.5</b>	<b>Financial Issues</b> .....	<b>21</b>
4.5.1	Adaptation Fund Trust Fund: Financial Report Prepared by the Trustee .....	21
4.5.2	CER Monetization: Additional Options and Recommended Amendments to the Guidelines.....	21
4.5.3	Amendments to the Administrative Budget of the Board and Secretariat for the Fiscal Year 2014 .....	22
<b>4.6</b>	<b>Issues Remaining from the 20<sup>th</sup> AFB Meeting</b> .....	<b>22</b>
4.6.1	Report of the Fundraising Task Force .....	22
4.6.2	Proposal of Environmental and Social Policy .....	22
<b>4.7</b>	<b>Report of the Board to CMP9</b> .....	<b>25</b>

# 1 Executive Summary

From July 3-4 2013, the 21<sup>st</sup> meeting of the Adaptation Fund Board (AFB), the operating body of the Adaptation Fund (AF) established under the Kyoto Protocol, will be held at Langer Eugen in Bonn, Germany. Two days prior to the meeting, the members of the two committees of the Board, the Ethics and Finance Committee (EFC) and the Project and Programme Review Committee (PPRC) will convene for the twelfth time respectively. In the course of the meeting, the AFB will discuss the following issues:

The Accreditation Panel (AP), carrying out the task of assessing applications by organizations willing to serve as implementing entities (IEs) to the AF, has concluded the review of three IE applications. In this context, the AP will recommend the accreditation of one further Regional Implementing Entity (RIE) – the Sahara and Sahel Observatory - , while also recommending not to accredit two National Implementing Entities (NIEs) - NIE028 and NIE035 - due to deficiencies in some areas of fiduciary standards. To address the fact that some NIE applications fail to gain approval despite receiving support by multilateral or non-governmental institutions, the AP will propose to the Board to explore possibilities to organize and fund one or more workshops where Panel members and participants can share experiences and know-how, to improve accreditation success and mitigate disappointments.

The Project and Programme Review Committee (PPRC) received seven proposals from implementing entities requesting funds from the AF. Among these, four originate from NIEs: one fully developed programme proposal from the Fonds National de l'Environnement (FNE) of Benin, one project concept for Costa Rica by Fundecooperación Para el Desarrollo Sostenible and two project concepts by SANBI on behalf of South Africa. The remaining three submissions come from Multilateral Implementing Entities (MIEs) and include: one project concept for Indonesia submitted by the World Food Programme, one fully developed programme submitted by the UNDP on behalf of Mali and a fully developed programme again by the World Food Programme for Nepal. In sum, the seven proposals request a total amount of US\$ 52,446,241 for their implementation - US\$ 28,958,633 for NIE proposals and US\$ 23,487,608 accountable for MIEs. In the course of the meeting, the secretariat and the trustee of the AF – the World Bank – will provide an update to the Board members on the status of the project pipeline that queues approved fully developed MIE projects and programmes exceeding the 50% cap that limits total funding of projects directed through MIEs to half of total resources of the AF.

The Ethics and Finance Committee (EFC), responsible for providing advice to the Board on issues of conflict of interest, ethics, finance and audit, has several issues on the agenda. First, the Board will debate on the adoption of a process to handle project delays and establishing an extension procedure. The EFC will also discuss on the overall evaluation of the Fund. The planned overall evaluation of the AF is broadly known as comprehensive evaluation and aims at assessing the overall performance, efficiency of a complete organisation or programme. Third, in order to complete the necessary steps towards achieving compliance with the International Aid Transparency Initiative (IATI), the secretariat will present a draft disclosure and licensing policy as well as an implementation schedule to begin publishing IATI compliant data. Also, the EFC will discuss a paper on Results Tracking. The results framework is structured to meet the objectives of reducing vulnerabilities and improving the adaptive capacity to face the impact of climate change as well as defining indicators to enable the comparison across projects/programmes.

One of the key discussions at the EFC and subsequently at the AF Board meeting will be on the environmental and social policy of the AF. The paper prepared by the secretariat as result of the request of the AF Board at the last meeting strives to present standards for the establishment of an Environmental Social Safeguard Policy, which is in line with the mission of the Fund of addressing the adverse effects of the climate change, but also aims at preventing any harms that may come from the AF-funded projects.

In terms of financial issues, the AF trustee will, as usual, present its report on the financial status of the Adaptation Fund Trust Fund, complemented by an elaboration of options to amend the guidelines of the AF CER Monetization Programme. To conclude the financial issues, the Board will be requested to approve amendments to the administrative budget for the operation of the Board and the secretariat for fiscal year 2014. To address the difficult financial situation of the AF, the Board established a task force to work on outreach, strategy and other efforts to achieve the preliminary fundraising target of US\$ 100 million by the end of 2013. For this meeting, the task force is expected to deliver a report on their intersessional activities concerning this urgent matter.

Last but not least, the AF will discuss the report it will be sending to the Conference of Parties to the Kyoto Protocol (CMP). This report is annually sent to the CMP to report back on all activities undertaken by the AF in the course of each year, with the view of getting further guidance of the CMP for the next years.

## 2 Report of the Accreditation Panel

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

At its 13<sup>th</sup> meeting on May 20-21, 2013, the AP continued to exert its scrutiny function reviewing both new and existing applications, as well as discussing other matters in regard to the accreditation process, e.g. the establishment of a re-accreditation procedure and issues concerning capacity building.

In the following, the key results of the 13<sup>th</sup> AP meeting are outlined.<sup>1</sup>

### 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. These are as follows:

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<sup>1</sup> See [https://www.adaptation-fund.org/sites/default/files/AFB.B.21.4 Report of the Accreditation Panel.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.B.21.4%20Report%20of%20the%20Accreditation%20Panel.pdf)

### 2.1.1 The Sahara and Sahel Observatory (OSS)

The Sahara and Sahel Observatory (OSS)<sup>2</sup> is an independent intergovernmental regional organization officially established in 1992 based in Tunis, Tunisia. OSS - composed of 22 African<sup>3</sup> and 5 non-African<sup>4</sup> member countries, as well as 10 member organizations<sup>5</sup> - 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 10<sup>th</sup> meeting, requesting additional information and raising a number of issues that have been addressed satisfactorily by the RIE between then and now. Therefore, at their recent meeting, the AP concluded to recommend to the AFB the accreditation of the RIE, as it sees in OSS a strong organization with expertise in the field of adaptation.

### 2.1.2 Non-Accreditation of NIE 028<sup>6</sup>

The application by NIE 028 has been reviewed and scrutinized by the AP since its 8<sup>th</sup> 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 decided that it was not in a position to recommend the NIE for accreditation.<sup>7</sup>

### 2.1.3 Non-Accreditation of NIE 035

The AP started reviewing the application from NIE 035 at its 8<sup>th</sup> 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. Therefore, the AP concluded not to recommend the accreditation of the NIE.<sup>8</sup>

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<sup>2</sup> See <http://www.oss-online.org/>

<sup>3</sup> 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

<sup>4</sup> Canada, France, Germany, Italy and Switzerland

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

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

<sup>7</sup> A detailed rationale for the non-accreditation of NIE028 can be found in Annex II of the presented document.

<sup>8</sup> A detailed rationale for the non-accreditation of NIE035 can be found in Annex III of the presented document.

### **2.1.4 Other Cases Under Review**

For the remaining twelve projects in the accreditation pipeline, 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 14<sup>th</sup> meeting or intersessionally.

## **2.2 Re-Accreditation Process**

At the 20<sup>th</sup> AFB meeting, the Board began discussing the design of a re-accreditation process, having in mind that the accreditation of some implementing entities reaches the five-year mark in the near future<sup>9</sup>. At the current AP meeting, the Panel exchanged ideas and reflections on the matter, planning to flesh out and develop a full proposal for the AFB to consider at its 22<sup>nd</sup> meeting.

## **2.3 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-lateral and non-governmental organizations. However, the intended outcome of receiving recommendation for accreditation from the Panel is often not achieved.

Therefore, intending to mitigate the disappointment among organizations providing support and NIEs in question, the AP perceives as necessary to reach out to those offering assistance by build networking linkages. In the Panel's view one way to achieve that would be to hold a workshop where the Panel members and participants can share experiences and know-how, covering all important aspects.

Against this backdrop, the AP will recommend to the Board to explore possibilities of organizing and funding one and more workshops and authorizing AP members as reference persons.<sup>10</sup>

*Out of the fifteen considered applications nine originate from National Implementing Entities (NIE), 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, troubling to observe that the Accreditation Panel has not received any new submissions by implementing entities. It would be interesting to hear the thoughts of the AP on this and maybe even providing an attempted explanation.*

*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.*

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<sup>9</sup> As established by paragraph 36 of the "Operational Policies and Guidelines", accreditation of an implementing entity will be valid for the period of 5 years.

<sup>10</sup> See [https://www.adaptation-fund.org/sites/default/files/AFB.B.21.4 Report of the Accreditation Panel.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.B.21.4%20Report%20of%20the%20Accreditation%20Panel.pdf), p. 10

### 3 Items to be considered by the Project and Programme Review Committee (PPRC)

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

#### 3.1 *Report of the secretariat on initial screening/technical review of project and programme proposals*

This document provides an overview on received submissions from implementing entities (IEs) to be considered by the PPRC for the 21st meeting of the Adaptation Fund Board, and highlights the initial screening process and technical review conducted by the AF secretariat, with assistance by the GEF secretariat technical staff.

For the current meeting, eight project proposals were forwarded to the secretariat for initial screening and technical review. In the course of the technical review process, one 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, hence reducing the total number of proposals to seven.

Among these, four proposals originate from National Implementing Entities (NIEs) - one fully developed project proposal for Benin by the Fonds National de l'Environnement (FNE), one project concept for Costa Rica by Fundecooperación Para el Desarrollo Sostenible (FPDS) and two project concepts for South Africa by the South African National Biodiversity Institute (SANBI). The three remaining proposals were submitted by Multi-national Implementing Entities (MIEs), namely two by the World Food Programme - one fully developed project for Indonesia and one project concept for Nepal - and one by the United Nations Development Programme (UNDP) on behalf of Mali.

All project proposals are in compliance with Board decisions limiting management fees by implementing entities to 8.5%<sup>11</sup> and cap execution costs at 9.5%<sup>12</sup> of the total project budget estimated. The combined budget requested by SANBI for their two proposals (US\$ 9,932,633) is consistent with decision B.13/23 that caps the total amount of funding for each country at US\$ 10 million.

In sum, the seven proposals request the total amount of US\$ 52,446,241 for their implementation - US\$ 28,958,633 for NIE proposals<sup>13</sup> and US\$ 23,487,608 accountable for MIEs.

The following table provides a detailed overview of submitted project proposals<sup>14</sup>:

<sup>11</sup> See decision B.11/16

<sup>12</sup> See decision B.13/17

<sup>13</sup> the submissions by Costa Rica and South Africa (both proposals) also entail a project/programme formulation grant of US\$ 30,000 each

<sup>14</sup> See document AFB/PPRC.12/3, p. 5

**Table 1: Project proposals for AFB 21**

Country	IE	Financing re- quested (USD)	Stage	IE Fee (USD)	IE Fee (%)	Execution Cost (USD)	EC (% of Total)
<b>NIE proposals</b>							
Benin	FNE	9,056,000	Full project	709,000	8.49	792,000	9.49
Costa Rica	FPDS	9,970,000	Project concept	780,000	8.49	860,000	9.36
South Africa	SANBI	7,947,625	Project concept	622,625	8.50	695,875	9.50
South Africa	SANBI	1,985,008	Project concept	155,508	8.50	146,400	8.00
<b>NIE Total</b>		<b>28,958,633</b>		<b>2,267,133</b>		<b>2,494,275</b>	
<b>MIE proposals</b>							
Indonesia	WFP	5,989,335	Project concept	469,210	8.50	520,125	9.42
Mali	UNDP	8,533,348	Full project	668,511	8.50	682,337	8.68
Nepal	WFP	8,964,925	Full project	702,321	8.50	122,000	1.48
<b>MIE Total</b>		<b>23,487,608</b>		<b>1,840,042</b>		<b>1,324,462</b>	
<b>Overall Total</b>		<b>52,446,241</b>		<b>4,107,175</b>	<b>8.50</b>	<b>3,818,737</b>	<b>7.99</b>

*According to the document, this AFB meeting marks the first time that the number of NIE proposals exceeds the amount of those from MIEs. This is inherently a good sign, as it shows the continued relevance of the direct-access modality for developing country institutions. However, as discussed during the last AFB meeting, the decreasing number of MIE project proposals may also be accounted to the ever-growing MIE project pipeline and the respective awareness thereof by potential proponents.*

*The Costa Rican Fundcooperación Para el Desarrollo Sostenible submitted a project concept in no more than six months after receiving accreditation, which demonstrates the institutional capacity that is already present in some developing countries. On the contrary, the submissions by the Fonds Nationale de l'Environnement of Benin and the South African National Biodiversity Institute arise from two NIEs that have been accredited for quite some time, which clearly shows the continued effort and determination by accredited NIEs to develop a project programme or concept, while also revealing the fact that some developing countries are still faced with capacity constraints.*

*Taking into account the current NIE submissions, 10 out of 15 accredited NIEs have forwarded a fully developed project or project concept proposal to the AF. It may therefore be advisable to approach some of the long-accredited NIEs that have not yet submitted a proposal, to check on their current status of development and offering some assistance if needed.*

*The one proposal of South Africa to establish a small-grants facility is particularly noteworthy, since it would devolve part of the decision-making to the country level and since it puts more attention to the self-defined adaptation needs of the local communities. It will be interesting to see what kind of projects will be identified when it comes to the detailed planning. However, maybe this can serve as a model also for other countries, including those that have only fewer resources left before reaching their US\$ 10 million cap.*

### 3.2 Joint Report by the Secretariat and the Trustee on the Status of the Pipeline

At its 17<sup>th</sup> meeting, the AFB decided to establish a pipeline queuing fully developed projects and programmes that have been approved by the Board but exceed the 50% cap<sup>15</sup> that limits total funding of projects directed through MIEs to half of total resources of the AF, complemented by a set of criteria according to which projects are prioritized within the pipeline<sup>16,17</sup>. This 50% cap of total funds requested has been exceeded for the first time at the 19<sup>th</sup> meeting of the AFB, causing the creation of the pipeline with MIE projects awaiting additional funding resources.

In the course of the present AF Board meeting, the secretariat and the trustee of the AF – the World Bank – will provide an update to the Board members on the status of the project pipeline, outlined in the corresponding document<sup>18</sup>.

As at the previous AFB meeting, the pipeline has grown to a total amount of US\$ 45.57 million comprising seven projects, dominated by the UNDP, which submitted six of them. Assuming the current proposals by Mali and Nepal achieved approval, the pipeline would look like illustrated in the following table<sup>19</sup>.

**Table 2: Pipeline of MIE Projects**

	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 potentially added at the 21st Meeting</i>						
8	<b>Mali (UNDP)</b>	?	<b>4/24/2013</b>	<b>7.86</b>	<b>8.53</b>	<b>54.01</b>
9	<b>Nepal (WFP)</b>	?	<b>4/29/2013</b>	<b>8.14</b>	<b>8.96</b>	<b>63.06</b>

<sup>15</sup> See decision B.12/9

<sup>16</sup> See decisions B.17/19 and B.19/5 respectively

<sup>17</sup> The criteria are sequentially applied as follows: date of recommendation by the PPRC, date of submission, and the lower “net” cost

<sup>18</sup> See [https://www.adaptation-fund.org/sites/default/files/AFB.EFC\\_.12.Inf\\_.1\\_ Joint report by the secretariat and the trustee on the status of the pipeline.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.EFC_.12.Inf_.1_ Joint report by the secretariat and the trustee on the status of the pipeline.pdf)

<sup>19</sup> See [https://www.adaptation-fund.org/sites/default/files/AFB.EFC\\_.12.Inf\\_.1\\_ Joint report by the secretariat and the trustee on the status of the pipeline.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.EFC_.12.Inf_.1_ Joint report by the secretariat and the trustee on the status of the pipeline.pdf)

Accordingly, the total amount of additional resources required to implement all projects in the pipeline would increase to about US\$ 126 million, since only 50 cents of every dollar can be allocated to projects from MIEs.

The document also makes reference to a projection on the overall funds of the AF available up to 2020, contained in the financial report by the trustee. Therein, the estimated amount of resources available by end-2020 is projected at US\$ 146-152 million, equivalent to less than US\$ 20 million annually for the next eight years. Further, the document 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.

*A potential loosening or even abolition of the MIE project cap is an extremely sensitive matter that requires careful consideration. In conjunction with the deteriorating financial situation of the AF an abandonment of the cap regulation could render the direct access modality meaningless, if funding MIE projects exhausts the increasingly scarce resources. Being one unique feature of the AF - enabling country-driven development and building institutional capacity - it appears questionable to jeopardize its viability.*

*Therefore, the only way to tackle the issue outlined above is to actively engage donors, on the one hand raising the awareness of the dire financial situation the AF finds itself in, while on the other hand continuing to praise the value added by the Fund and the good work that has been done so far.*

## **4 Items to be considered by the Ethics and Finance Committee (EFC)**

The Ethics and Finance Committee (EFC) is responsible for providing advice to the Board on issues of conflict of interest, ethics, finance and audit. The EFC will hold its 12<sup>th</sup> meeting prior to the current AFB meeting, to examine the following documents before providing recommendation to the Board for adoption.

### **4.1 Project/Programme Delays and Extension Procedures**

At the 20<sup>th</sup> AFB meeting, the Board discussed the matter of possible delays that may occur over the course of the project and programme cycle. As was highlighted during the last session, there exist no clear procedural rules as of now, on how to handle such occurrences. Therefore, the Board requested the secretariat to develop a procedure on how to address project delays to be discussed at the current EFC meeting.

As instructed, the secretariat compiled a document in preparation for the forthcoming meeting, outlining the constitution of a policy on project and programme delays. In concrete terms, the document divides the lifespan of a project or programme into four different phases, defining the corresponding timelines that must be adhered to within each phase, along with provisions when deadlines are or cannot be met by the implementing entities. These phases are:

- I. Signing of the legal agreement between the Board and the implementing entity after approval by the Board
- II. Start of the project or programme implementation
- III. The annual project or programme performance reports (PPRs)
- IV. Project or programme completion and final evaluation

The following section summarizes the proposed policy.<sup>20</sup>

*Phase I:*

After successfully receiving approval by the AF Board for a proposal, the project or programme cycle begins with the signing of the legal agreement between the Board and the implementing entity. Here, the Operational Guidelines and Policies (OPG) already provide clear terms of reference in regard to the timeframe. Accordingly, the legal agreement must be signed by the implementing entity within four months after being notified of the approval of their project or programme. Should this term be exceeded, the corresponding funds for the project or programme will not be disbursed<sup>21</sup>.

*Phase II:*

As each implementing entity has their own time schedule for the implementation of a project, it is important to agree on the definition of a set of certain milestones within the project cycle, to allow for an accurate assessment whether or not deadlines have been met accordingly. A crucial milestone in this context is the official start of the project. Therefore, to provide clarity, the AFB decided at its 18th meeting that the official start date of the project would be equivalent to the first day of the project or programme's inception workshop<sup>22</sup>.

In the Annual Performance Report (APR) for 2012<sup>23</sup> the AF Board set an average target of six months from the first transfer of funds to the project or programme start. As there may be circumstances beyond the influence of the implementing entity that could prevent a timely project start, there exists some scope as how to deal with looming delays. Therefore, an implementing entity expecting to exceed the six months time limit must notify the AF secretariat clarifying the reasons for the delay along with a planned alternative start date. After receiving report back from the secretariat, the Board will decide on a case-by-case basis whether or not to grant the postponement of the project start, or to cancel a project entirely, e.g. when start-up delays are significant.

*Phase III:*

Once a project is up and running, the implementing entities are required to compile an annual Project or Programme Performance Report (PPR) which covers a wide set of areas, including relevant financial and procurement information, project risk, implementation progress and progress toward project output and outcomes. The PPR is due, on a rolling basis, one year after the start of the project implementation but no later than two months after the end of the reporting year. A belated or incomplete PPR by the implementing entity will consequently result in a delayed disbursement of subsequent funding tranches, as decided by the Board at its 16th meeting<sup>24</sup>.

<sup>20</sup> See [https://www.adaptation-fund.org/sites/default/files/AFB.EFC\\_.12.3.Rev\\_.1 Project delays policy.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.EFC_.12.3.Rev_.1%20Project%20delays%20policy.pdf)

<sup>21</sup> See Operational Policies and Guidelines, "Transfer of Funds", paragraph 54

<sup>22</sup> See decision B.18/29 and document AFB/EFC.9/4/Rev.1, paragraph 3

<sup>23</sup> See [https://www.adaptation-fund.org/sites/default/files/AFB.EFC\\_.10.4 Annual Performance Report 2012.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.EFC_.10.4%20Annual%20Performance%20Report%202012.pdf)

<sup>24</sup> See decision B.16/21

Phase IV:

One component of a project or programme proposal is the indication of a tentative date envisaged for the project completion. As this may depend on the eventual start of the project, the implementing entity is required to update the expected closure date in its first PPR. This will then be the relevant date to which the project completion will be accountable to. Any delays experienced during project or programme implementation must be reported through the PPR. Should the implementing entity, however, perceive that more time is needed to bring a project to a conclusion; the proponent can submit an official request for extension<sup>25</sup>, indicating reasons and providing justifications for the delay. This must occur as soon as the proponent obtains knowledge that the project may not close on time and no later than six months prior to the expected completion date. Given that the Board grants the extension, the implementing entity may request up to eighteen months beyond the initial closure date, when it concerns a no-cost extension.

The concluding final reports (project completion report by the implementing entity, audited report and final evaluation report by an independent evaluator) are due within six or nine months (final evaluation report) after project closure, respectively. The implementing entity will only be permitted to apply for new project funding by timely submitting all corresponding reports to the secretariat.

*It is really 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 associated 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.<sup>26</sup> 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 (phase I) 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 document does not provide sufficient clarity on how the Board comes to a decision when confronted with a delayed start of a project. What exactly is considered a "significant" start-up delay? As the resulting ruling might be as grave as the cancellation of a project or programme, this notion requires much more elaboration to avoid arbitrary judgements.*

*On project completion, the document only determines an additional time allotment if the requested extension is a "no-cost" extension. However, the document 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.*

<sup>25</sup> Through the official template in Annex I of document AFB/EFC.12/3/Rev.1

<sup>26</sup> [http://www.thegef.org/gef/sites/thegef.org/files/documents/APR%202012\\_0.pdf](http://www.thegef.org/gef/sites/thegef.org/files/documents/APR%202012_0.pdf)

## 4.2 Options for an Overall Comprehensive Evaluation of the Adaptation Fund

This paper is prepared by the AF Evaluation Office. Background to this issue originates from the discussion around the Evaluation Framework (EF) of the AF. The AFB has decided to delay the evaluation of the Fund, because at the time the EF was set up, only one project was under implementation. At the last Board meeting, the secretariat was requested by the AFB to prepare a document on how to proceed with the overall Evaluation of the AF and to explore options for commissioning the evaluation.

Foremost, it is important to recall that the Board has decided, at its fifteen meeting, not only to adopt its Evaluation Framework (EF), but also to entrust its evaluation function to the GEF evaluation office for an interim period of three years. The purpose of the EF is clear. It aims at explaining concepts, roles and use of evaluation within the Fund as well as defining the role and responsibility of the entities engaged in the business of the AF. The Evaluation Function, which is entrusted to the GEF Evaluation Office, is to develop the annual evaluation work programme as well as conducting the evaluation as outlined in the Evaluation Framework. The main function of the Evaluation Office consists of: **i) the evaluative function**, which is the evaluation of the effectiveness of the fund supported projects; **ii) the advisory function**, which is the exercise of setting minimum standards, within the AF, in order to ensure improved and consistent measurement; and **iii) the oversight function**, which is the ability to provide quality control of the minimum of evaluation requirement in the AF, as well as to track the implementation of the AFB decision.

The planned overall evaluation of the AF is broadly known as a comprehensive evaluation and aims at assessing the overall performance and efficiency of a complete organisation or programme. This overall evaluation of an organization has been broadly called Comprehensive Evaluation (CE). Basically, the CEs are independent from the institution subject of evaluation, but the used approach often varies from institution to institution and is undertaken throughout the life cycle of agencies. The CEs tend to be more complicated than regular programme, policy, thematic or portfolio evaluations.

At the very beginning, the CEs are perceived as donor driven evaluations<sup>27</sup>, before governing bodies of international funds of institution - in the case of AF, the AFB - take the lead to provide insight, either on how to better reform the organisation or as an instrument to send strong signals to donors in terms of a replenishment process. The CE is often implemented by external teams of evaluators (hired through procurement processes) or by evaluation offices that are operationally independent of the management. Where an evaluation office or the evaluation function was not in charge of the evaluation, they have still taken an important role in terms of providing (logistical) support to the external evaluation team. In turn, where evaluation offices implemented the CE, quality assurance was made external, for example by appointing a high level advisory panel.<sup>28</sup> There are several pros and cons to be considered, when it comes to decide, whether the evaluation should be undertaken by an independent internal office or be outsourced to an external one, e.g. time constraints: external bodies always need more time than internal ones to get

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<sup>27</sup> The last multi-donor implemented CE that was undertaken was the evaluation of the WFP in 2005. This evaluation encountered follow-up problems when the governing body of the WFP refused to consider many of its findings and recommendations as donor-biased.

<sup>28</sup> AFB/EFC.12/4, para 7 p.2

familiar with the organization, which is subject of evaluation. On the other hand, external teams have a "fresh perspective" in the evaluation approach, while internal ones, may sometimes be prisoner of their own approach and so, narrowing down the scope or scale of evaluation. In addition, the credibility of external teams is higher than internal ones, which is "often perceived to be biased to some extent". However, the management of external teams could be a challenge for the governing body. In our view, the pros and cons of hiring an external or internal evaluation team could be minimized through appropriate terms of service for the CE, set by the governing body.

In doing so the AFB has two options; an overall comprehensive evaluation of the Fund:

- 1) Board management of an external evaluation team (or consultancy firm) hired through a procurement process. This option could be resources and time consuming. The CE by an external evaluation office has been recognized in the past as being in-depth and holistic. On the other hand, there are also being criticized as being not integrated in the overall process of the evaluated institution;
- 2) A Board-initiated CE implemented by the Evaluation Function of the Fund. In the case of the AF this means the GEF Evaluation Office. It should then ensure that the Evaluation Function to the Adaptation Fund has extensive experience and the adequate toolbox at its facility to address CE-type of questions. The cost of a comprehensive evaluation undertaken by the GEF Evaluation Office will amount between US\$ 0.3-0.6 million depending the ToS being set by the AFB for the evaluation.

After presenting the different options combined with their respective pros and cons, the document contains certain elements for draft terms of reference for the overall comprehensive evaluation of the Fund.

Accordingly, the main objective of the overall CE is to provide the Board with evaluative evidence on what the Fund has so far achieved since it was established, as well as to identify key lessons that can be drawn for the future. The evaluation should cover both levels (Fund and project level). In addition, in assessing the performance, the evaluation should harness "aggregated data along five standard evaluation criteria: relevance, efficiency, effectiveness, and results (outcomes and impact) and their sustainability". Thus, these findings will be critical in the determination of the way forward.

In terms of approaches to better tackle the evaluation, a mix of methods, tools and procedures, will be suitable for the AF, because of the short history of the AF and its concrete mandate. For instance the findings of the last review of the effectiveness of the AF undertaken in 2010 could be a good starting point for the CE of the AF. It is also important to organize a workshop with the relevant stakeholders involved in the AF, to discuss the findings of the evaluation and to formulate to the extent possible the recommendation for the AF, based on the findings.

For credibility and transparency sake, a quality test should also be undertaken and run by two senior advisors. The overall comprehensive evaluation of the Fund is expected to take 10 months.

As the AF has chosen the GEF Evaluation Office to undertake the evaluation function of the AF, it has blocked the budget of the office until a terminal evaluation of an implemented project will be available. The Evaluation Office has then appealed to the AF that

the Evaluation of any fund requires specific preliminary work. In addition, it has also cautioned to provide its budget directly to the Evaluation Office rather through the secretariat, as it is an internal practice of ensuring the independence of an evaluation unit.

It is expected that the AF will adopt a decision requesting the Evaluation Function of the Fund to prepare detailed terms of reference and budget for the next meeting in October 2013, as well as an amendment of the FY 2014 budget approved for the Evaluation Function at the 20<sup>th</sup> AFB meeting to reflect this new activity. Moreover, the AF should also approve the disbursement of US\$ 17,000 approved for the Evaluation Function as a part of the administrative budget, to allow the start of the work on the overall comprehensive evaluation; and to prepare an amendment.

With regard to timing, an important input for the evaluation would be to draw from as many as possible project mid-term evaluations, since they provide more objective insights than only the annual project progress reports. However, the background paper misses to be consistent or aligned with other information provided in relation to the projects implemented by UNDP (AFB/EFC.12/Inf.3) (information provided by UNDP on the projects). The latter document describes a number of project delays for different reasons, but some of them seem so significant that they would for sure lead to a delay in the mid-term evaluations (or if these would be undertaken they would come much earlier in the project logic than planned).

The following observations are based on the UNDP table in AFB/EFC.12/Inf.3, with the estimation regarding the delays in the evaluations purely my own judgement:

- Cook Islands: project manager not yet filled (or just in May 2013), delay in mid-term evaluation beyond October 2014 likely
- Eritrea: significantly delayed, mid-term evaluation in August 2013 probably not possible
- Maldives: description reads as if mid-term evaluation in October 2013 also unlikely (or not effective)
- Pakistan: on track for mid-term evaluation in July 2014? unclear, since project started delayed
- Samoa: project manager post not yet filled, mid-term evaluation by October 2013 highly unlikely
- Solomon Islands: significant delay in filling key positions, mid-term evaluation by January 2013 obviously not possible
- Turkmenistan: significant delays with filling or maintaining key staff, mid-term evaluation in June 2013 highly unlikely

If one combines this with the timeline proposed in the paper on the overall evaluation, then it might be that only 4 to 6 mid-term/terminal evaluations (Senegal, Honduras, Nicaragua, Ecuador, maybe Pakistan, maybe Georgia would be covered, assuming February 2014 at the "deadline" for inclusion (adding 7 months from now before field visits would start). Doing the field visits before the mid-term evaluations seems inefficient.

*The AF is at a critical corner and all steps taken by the Fund may have impacts on the future of the Fund. The CE should be regarding, as a stocktaking exercise, to provide useful recommendations on how to fine-tune the AF as to be more efficient. On one hand,*

*transparency has been a benchmark of the AF in the last year. However, as it has become a common practice by international funds to use their internal independent evaluation office to evaluate the adequacy of the action towards its mandate and the effectiveness of the action, it is advisable for the AF to apply a mixed approach taking advantage of its evaluation office, while sending the signal that the evaluation is as independent as possible.*

*Having said this, the AF should at this meeting initially request the GEF Evaluation Office, providing the Evaluation Function of the AF through the Secretariat, to elaborate the Terms of Reference (ToRs) of the Evaluation of the Fund to be considered by the Board at its next meeting. The rationale of doing so is to ensure that the evaluation is integrated in the overall process of the AF.*

*It should furthermore try to generate an updated timetable with the expected evaluations taking into account the delays, in order to benefit as much as possible from this important source of information.*

*As a second step, and based on the ToRs to be adopted by the AFB at the next meeting, request to hire a consultant firm that should be selected through a transparent competitive process to undertake the evaluation of the AF. As a main criterion, the ToRs should have a paragraph on cost effectiveness. An updated timetable could take into account the information related to the timing of the evaluations.*

*This approach is important to us, to avoid any conflict of interest with the GEF providing the secretariat service, from which the Evaluation Office originates. But also, this should help to avoid any perception that the evaluation may be biased, because the GEF as secretariat will also be subject of the evaluation. Furthermore, the findings of the evaluation of the AF along with the guidance from the second review of the AF are seen as key input for any decisions on the AF in Lima at COP20 (2014).*

*The timing for the release of the CE, which is planned by the end of 2014, is an important one, because at this time the second review of the AF will be concluded and could give sufficient thoughts that could be harnessed when determining arguments for the resource mobilization process of the AF.*

### **4.3 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 poverty<sup>29</sup>. At the 20<sup>th</sup> 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 forthcoming 21<sup>st</sup> AFB meeting and will be presented to the Board for review and approval.

<sup>29</sup> See <http://www.aidtransparency.net/>

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

The document prepared by the secretariat presents a comprehensive draft policy, informed by existing disclosure and licensing policies of international institutions such as the World Bank, the Global Environment Facility, the UK Department for International Development as well as following guidance by IATI.

In essence, the AF's *"Open Information Policy"*<sup>30</sup> 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 document 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, 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.

### 4.3.2 Implementation Schedule for Publishing IATI Data

As elucidated above, 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. Therefore, the annex of the document prepared by the secretariat includes a draft timetable addressing the matter. 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 information<sup>31</sup> required. For the Adaptation Fund, the latter applies in particular to the publication of even more detailed information at the Fund's activity level.

As for a fixed timeframe for final publication of IATI compliant data, September 2013 is envisioned in the document.

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<sup>30</sup> 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)

<sup>31</sup> 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

## 4.4 Results Tracking

Given the growing portfolio and the increasing number of projects under implementation, the AF would benefit and track its own involvement, if it amends its approach of collecting data as well as adding new impact criteria to its own standards, as done in most of the funds. The rationale of introducing this document is to improve the process currently in place and allow the AF to steadily adjust and improve its practices as it evolves.

Background to this discussion commenced at the 10<sup>th</sup> meeting of the AFB, as the Fund introduced a results framework, structured to meet the objectives of reducing vulnerabilities and improving the adaptive capacity to face the impact of climate change. The Fund's current results framework consists of seven key outcomes, covering a broad range of activities from improving physical infrastructure or restoring natural habitats to raising awareness or diversifying livelihoods.

Hence, there is a need for results tracking that foremost introduces indicators to enable the comparison across projects and programmes. Currently, for two projects having similar outcomes, it remains quite difficult to aggregate their indicators, as well as to holistically contrast them. In addition, there is a need to improve the reports, as the indicators having the same outcomes or their associated outputs are reported in a format that allow to aggregate them, with the view of an in-depth comparison. The second purpose of tracking the results of the AF is based on the finding by the secretariat of the lack of accurate results tracking, as well as the incompleteness of the information when it comes to screening the Project/Programme Performance Report.

Tackling the two steps would require i) a modified guidance document to project/programmes proponents, particularly on how to measure, select and report key indicators as well as ii) a modified results tracker, in particular with regards to the units used and last but not the least iii) a modified PPR screening process to ensure that the results tracker is accurate and complete.

The secretariat has noticed that although all approved projects align with fund-level outcomes, it is difficult to aggregate these indicators at the portfolio level, because of the diverse nature of projects financed and the myriad of activities undertaken on the ground. In addition, the flexible nature of the AF's results based framework, which only requires reporting on fund-level outcomes. In order to address this, the secretariat is now proposing to use three to five core impacts as follows:

- a. Reduction in vulnerability, increased adaptive capacity of the communities (Indicators: No. of direct beneficiaries; No. of early warning systems developed)
- b. Increased ecosystem resilience (Indicators: km of coastline protected; ha of restored natural habitats)
- c. Strengthened policies that integrate climate resilience strategies into local and national plans (Indicators: No. of policies introduced or adjusted to address climate change risks; No. of regulations that promote or enforce resilience measures)

There are many assumptions or methodologies, used by the project proponents, to size households or population estimates of communities that can be provided. However, because of the lack of definition, it is quite difficult for the secretariat to aggregate and

compare the direct beneficiaries across portfolios. This is similar for all of the indicators above. By focusing on a few selected quantitative indicators, these can be tracked and reported on the portfolio level.

The fund-level outcome and output indicators could serve as a basis to analyze sub-sections of the portfolio or to undertake qualitative analyses. The AF is well advised to request this information for approval of any proposals and check them during the first year of the implementation.

*First, it is most important that the AFB takes a new development, such as the environmental and social standards of the Fund, and integrate them in its results tracking system, when it updates the existing practices. In addition, there should be clear distinction between qualitative - such as fund-level outcome and output indicators - and quantitative - such as number of communities, households, or individuals - standards. While the quantitative standards are easier to track, the qualitative standards require a clear definition and description in the project proposal to allow better understanding and tracking them. As adaptation is local-specific, the AF is well advised to set its criteria as flexible as to allow the proponents to truly reflect the local-specific needs. It is important that the annual Project Programme Report includes the advancement of the implementation against the set indicators and informs on the amount reached and plans on how to comply with the remaining indicators. The implementing entities should strive to achieve these standards to ensure a high quality process and associated outputs, in the design stage of the CBA project cycle.*

*The three impact areas are good starting points, as they are broad and could be generic according to the specific local adaptation needs. For instance, for*

***a) Reduction in vulnerability, increased adaptive capacity of the communities***

*One needs some clear and achievable goals for reducing vulnerabilities and increasing adaptive capacity of target groups to climate change. The number of target communities, households and individuals that have been identified are particularly vulnerable to climate change. The indicators should also include an approach that takes into account different vulnerability of gender, children, elderly as well as other relevant social, political and economic differences.*

***b) Increased ecosystem resilience:***

*For this, one needs indicators for how the ecosystem services protected through the project have, for instance, improved the livelihoods of the targeted people; or indicators for the impacts of current and future climate hazards on livelihoods of different groups and on the ecosystems upon which they depend.*

***c) Strengthened policies that integrate climate resilience strategies into local and national plans:***

*For this, one needs Indicators on existing (local/regional/national) government policies and programmes that may represent opportunities or barriers for adaptation.*

## **4.5 Financial Issues**

The following section outlines the financial issues that are on the agenda during the upcoming AFB meeting.

### **4.5.1 Adaptation Fund Trust Fund: Financial Report Prepared by the Trustee**

As is customary at each AFB meeting, the trustee of the AF - the World Bank - will present a report on the financial status of the Adaptation Fund Trust Fund to the EFC.

Accordingly, as of March 31, 2013 the total resources received amount to US\$ 324.94 million, consisting of US\$ 188.24 million originating from CER sales and US\$ 134.50 million on the part of donations. Since 2013, the CER monetization programme brought about US\$ 250,000 in new additional resources. Deducting the funding decisions to this date leaves the total amount to support new funding decisions at US\$ 123.91 million.

The document presented by the trustee also contains a projection of funds available up to December 31, 2020 based on analytic estimates of CER issuance and current level of pledges. Depending on the underlying scenario regarding CER proceeds (low, medium, high), the total amount of resources available for the period up to end-2020 thus ranges from about US\$ 146 million to US\$ 152 million.

As stated, the available document captures the financial status of the AF Trust Fund up to March 31, 2013. However, the trustee will also hold a presentation at the Board meeting revealing a revised and updated status report that also entails recent financial developments. For instance, on May 22, 2013 the Government of Sweden announced a contribution of yet another 100 million Swedish krona (about US\$ 15 million) that have not been reflected in the report as of now. The same applies to the contribution of US\$ 1,586,400 made by Brussels Capital Region on June 6, 2013.

### **4.5.2 CER Monetization: Additional Options and Recommended Amendments to the Guidelines**

Besides presenting the financial status of the AF Trust Fund, the trustee will also present to the EFC alternative approaches for CER monetization, in light of current market conditions and low prevailing CER prices. As requested by the AF Board at its 20<sup>th</sup> meeting, the trustee therefore considered several options, culminating in a recommendation to the Board 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 only) to stimulate demand; and permitting the trustee to undertake over-the-counter sales to other institutional carbon market participants in addition to dealer banks.

The available document prepared by the trustee includes an annex comprising a marked copy of the CER Monetization Programme Guidelines of 2012, highlighting the changes that require approval by the Board in order to pursue these options.<sup>32</sup>

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<sup>32</sup> See [https://www.adaptation-fund.org/sites/default/files/AFB.EFC\\_.12.10 CER Monetization - Additional options and amendments to the guidelines.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.EFC_.12.10 CER Monetization - Additional options and amendments to the guidelines.pdf)

### **4.5.3 Amendments to the Administrative Budget of the Board and Secretariat for the Fiscal Year 2014**

At the 20<sup>th</sup> AFB meeting the Board collectively agreed on the budget to cover the costs of the operations for the Board and the secretariat over the period July 1, 2013 to June 30, 2014. Furthermore, the Chair of the AFB was requested to communicate with the Head of the Adaptation Fund secretariat to discuss the percentage of her time charged to the AF budget, intending to reducing it by a minimum of five percentage points<sup>33</sup>. In the ensuing meeting, it was agreed to reduce the share from fifteen to ten per cent, resulting in a revised budget for FY 2014 of US\$ 3,338,761 (previously US\$ 3,360,613).

To become final, the AFB is requested to approve the amendments to the administrative budget at this meeting.

## **4.6 Issues Remaining from the 20<sup>th</sup> AFB Meeting**

### **4.6.1 Report of the Fundraising Task Force**

Given the current financial situation 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, in order to fulfil its mandate of supporting developing countries in their efforts to adapt to the adverse effects of climate change.

To attend to this challenge, the AFB decided at its 19<sup>th</sup> meeting 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 2013<sup>34</sup>.

For the forthcoming meeting of the AFB the Fundraising Task Force is expected to present a report on the activities undertaken during the intersessional period.

*At the time of this report, a document containing the Task Force's report was not available on the AF website. The Task Force will therefore most likely report orally to the AFB in the course of the meeting.*

### **4.6.2 Proposal of Environmental and Social Policy**

At the last Board meeting, the new chair of the AF pointed out, as key objective of his mandate, to endow the AF with Environmental and Social Safeguards, as it is good practice at several funds. He mentioned that the AF secretariat addresses the Environmental and Social Safeguards as part of the technical review of the submitted projects during the project/programme screening process. However, the Fund still does not have an overall policy framework on Environmental and Social Safeguards that assesses in a holistic manner environmental and social risks that may emerge from the implementation of projects.

Following the discussion, the Board at the last meeting requested the secretariat to examine the safeguards used by other funds, with the view of identifying elements that could

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<sup>33</sup> See [https://www.adaptation-fund.org/sites/default/files/AFB.EFC\\_.12.9 Amendments to the administrative budget FY14.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.EFC_.12.9%20Amendments%20to%20the%20administrative%20budget%20FY14.pdf)

<sup>34</sup> See decision B.19/29

match with the AF policy and guidelines. The paper described in this chapter, contains standards for the establishment of Environmental and Social Safeguards, which are in line with the mission of the Fund of addressing the adverse effects of climate change. This Environmental and Social Safeguards should strive to prevent that AF funded projects do not result in unintended environmental and social harms. To prepare this paper, the secretariat consulted the Environmental and Social Safeguards applied by most of the international funds, leading to the recommendation of a suggested Environmental and Social Safeguards policy (see below). It is now important to note that the identified standards are meant to be integrated within the AF existing policies, practices, and project cycles and would therefore be needed to be taken up in the Operation Policy and Guidelines of the AF. Accordingly, the Implementing Entities (IE) in charge of the implementation of projects will remain responsible of addressing risks associated with a project. Along this responsibility, IEs should then prove upfront - in the accreditation process - that they have policies that meet the AF Environmental and Social Safeguards.

It is clear that the scope of Environmental and Social Safeguards vary from projects to projects. This means, the robustness of the Environmental and Social Safeguards should be proportionate with the gravity of potential risks that may occur. In the best case scenario, the findings of the environmental and social risk assessment should be already included in the project proposal submitted to the AF. In turn, when an adequate risk assessment of social and environmental impacts could not be concluded prior to the submission of the proposal, the AF could still approve the proposal, provided the IE commits to timely address the environmental and social risks.

Social and environmental policies are essential to ensuring that the Adaptation Fund (AF) supports only those activities that would not harm the environment, public health or vulnerable communities. In doing so, all IEs receiving funds from the AF should commit to address the risks identified in frame of the impact assessment as early as possible, with the view of either avoiding the harm, or to minimize the risk during the implementation of the project. Furthermore, the Fund should strive to ensure that IEs have an environmental and Social Management System that is appropriate to thoroughly assess the risks and harms and address them adequately, and that the implementation of measures of addressing these risks are monitored and reported throughout the life of projects. The findings of the environmental and social safeguards shall be disclosed as to allow consultations that are timely, effective, inclusive and held free of coercion and in a cultural appropriate way for communities affected by the project proposal<sup>35</sup>.

All proposals submitted to the AF should comply with the Environmental and Social Safeguards to be set by the AF. In preparing a project, the IEs shall develop the proposal, as to determine all harms that may arise in undertaking the project in light of the AF Environmental and Social Safeguards. The screening process should inform whether further assessments are required for implementing a process and as how it would be addressed. Where the environmental and social assessment foresees significant environmental or social risks, there should be an environmental and social management plan that includes measures necessary to avoid, minimize or mitigate the potential environmental and social risks.

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<sup>35</sup> AFB/B.2.1/16 page.6

Environmental and Social Principles:

Projects funded by the AF are subject of the Environmental and Social Principles as follows:

- They should be in compliance with both national and international law;
- All activities funded by the AF shall be fair and accessible to the targeted people in the way that it would not impede national or local benefits.
- They should not impact the basic human rights of marginalized and vulnerable communities, by empowering the gender equality and women
- All projects funded by the AF should meet the core labour standard as acknowledged by the International Labour Organization, as well as be consistent with the UN Declaration on the Rights of Indigenous Peoples and other applicable international instruments relating to indigenous peoples
- The principles promote to avoid any involuntary resettlement. In the case that resettlement should not be avoided, displaced persons shall be informed of their rights, consulted on their options, and offered technically and economically feasible resettlement alternatives or fair and adequate compensation.
- Natural habits shall be protected, and any significant reduction of biological diversity as well as any increase of greenhouse gases should be avoided.
- Projects should aim at maximizing energy efficiency and avoid any negative impacts on public health.
- Last but not the least, activities shall be designed to avoid any alteration, damage and removal of any physical cultural resources.

*Basically, most of the projects submitted to the AF have multiple objectives, often containing environmental and social benefits. The Environmental and Social Safeguards to be set by the AF should strive to combine the core project objectives with environmental values and needs of particular groups. In order to achieve this, special assessments of environmental and social safeguards are needed that guarantee that social and environmental side effects are sound and promote multiple benefits, both environmental and social. In addition, it is important to ensure that the safeguards applied for the project fit into the country national strategic plan. 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 take an in depth assessment. This is important to consider, because adaptation actions often address future impacts. 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 strong, but should be handled with some flexibility, because every project has its own circumstances and the range of standards depends on the type of projects and risks.*

*The social standards should be defined by taking into account the environmental reality and should encompass all groups, particularly gender, children and elderly, who are the most vulnerable within a vulnerable group. The operational principles guiding the standards 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 diligence in managing and addressing potential risks.*

*It is important to observe the projects implemented, also in order to assess whether the assumption made in the background paper that "it is expected that many AF-supported projects will entail few, if any, environmental and social risks, and thus no environmental assessment may be required", holds true. The AF is funding concrete projects, which may have environmental and social risks.*

*Regarding the issue of involuntary resettlement, the proposed solution seems relatively weak and in problematic cases probably not acceptable. If involuntary resettlement is unavoidable, one has to question whether the project can then be approved at all, depending on the severity of its implications. Only "offering" technically and economically feasible resettlement alternatives or fair and adequate compensation, as suggested, is not enough. What if the people still do not want to resettle, e.g. for cultural reasons or for whatever reasons? Can the AFB really afford to approve projects, also from a reputational point of view, where this may happen?*

*In terms of looking forward, we would definitely encourage the AFB to get a broader set of views through a call for submissions from civil society and other organisations, as suggested by the paper.*

*Furthermore, the Board needs to consider the elaboration and provision of further guidelines, including on the categorisation of risks. For example, often the term "significant" is referred to, but it seems to be in the decision of the IEs to judge what is significant. Another question which arises is whether and how the costs for the identification of risks etc. could be covered in the project proposal phase (e.g. by the Project Formulation Grants in the case of direct access projects).*

## **4.7 Report of the Board to CMP 9**

The document summarizes the progress made by the AF in the course of 2013, in particular on the implementation of its mandate from the CMP, and recommends actions to be taken by the CMP, as appropriate. It covers the period from November 30, 2012 to July 31, 2013.

In this time frame, the AFB has accredited 15 NIEs. The Accreditation Panel has met three times during this reporting time: Due to the increasing request from developing countries for direct access, the Panel decided to increase the number of experts from three to four.

Also, its two committees, the Ethics and Finance Committee (EFC) and the Project and Programme Review Committee (PPRC) of the AF Board met three times during this reporting time. During the reporting time, the EFC debated and recommended to the AFB decisions regarding investigative procedures, fundraising campaign and strategy, implementation of a 50% cap for MIEs, the annual report, performance reports, the standard legal agreement between the Board and the implementing entities for the implementation of projects and programmes funded by the AF; CER monetization, and the budget of the AFB and its secretariat. With regard to the 50% cap, the Board decided to keep it, but not to apply the 50% cap to concept proposals. Furthermore, the Board has set up a pipeline for approved projects submitted by MIEs. The funding priority for approved proposals by MIEs retained in the pipeline is subject to the following criteria: i) the date of recommendation by the PPRC, ii) the submission date; iii) and the lower "net" cost. Currently there are seven proposals in the pipeline.

Moreover, in the course of the reporting year, the Board received the second set of Project Performance Reports (PPR) of its funded projects under implementation. During this report year, nine projects have started the implementation and four projects were under implementation over the year. Currently, 22 out of 28 funded projects for a total of US\$ 55 million have begun the implementation. The geographic allocation of the money is the following: ten projects in Asia (36 percent of total funding), eight in Africa (32 percent) and Latin America and Caribbean (28 percent). The document also contains cumulative receipts into the Adaptation Fund Trust Fund, the cumulative receipts, containing the amount of resources from the monetization and the cumulative projects/programmes into the AFB Trust Fund.<sup>36</sup> The paper also mentioned that the Board has met three times in the course of 2013.

In terms of recommendation for actions by the CMP: The AF Board is of the view that the CMP shall consider spelling out the time and procedures/responsibilities for the levy of 2 per cent on the first international transfers of Assigned Amount Units (AAUs) and the issuance of Emission Reduction Units (ERUs) for Article 6 projects, in relation to conversion of ERUs as per Decision 1/CMP.8, paragraph 21.

Another milestone achieved by the AF, is its official signature to the International Aid Transparency Initiative (IATI) Standards. The IATI had ranked the AF as the 17<sup>th</sup> out of 72 assessed funds and first among climate funds. This is a strong signal that the AF is not only on track with its mandate, but also promoting and implementing the best transparent standards for disclosure and working methods. The AFB also regularly convened a CSO Dialogue, in order to exchange views and take note of civil society's concerns.

In terms of outstanding issues emanating from the last CMP meeting, it is noteworthy mentioning that the CMP extended the terms of services to be provided by the trustee for fourteen months to June 2015 (Decision 4/CMP.8).

One of the key issues at the AFB is the lack resources to respond to the growing demand of finance for urgent concrete projects in developing countries. Along the fund raising strategy of the AFB, the Board established a task force that works jointly with its secretariat, on outreach, strategy and other efforts to achieve the interim US\$ 100 million goal fundraising target set by the Board by end 2013.

The report also contains a passage highlighting the cooperation with civil society, in particular through the regular CSO dialogue.

*At the last meeting of the Subsidiary Bodies of the UNFCCC, although the agenda of the Subsidiary Body on Implementation was not adopted, parties on the floor discussed in depth the prospect of the AF after the extension of the Kyoto Protocol. Parties were of the view, that the CMP should request the trustee of the AF to issue the levy of 2 per cent on the first international transfers of AAUs and ERUs, but expressed their concerns with regard to the scarce resources of the AFB. Several options were discussed on how to ensure predictability, scalability and adequacy of the AF by having the AF either under the Convention as an Operating Entity, but also exploring ways on how to link it with the GCF. It is important that the CMP sends a strong signal to all countries in the position to do so, to support the AF as to meet its fund raising goal of US\$ 100 million.*

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<sup>36</sup> The accurate amount is not provided in the document, but rather has placeholders, to be filled as soon the accurate resources are available

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