

2011 AS THE IMPLEMENTATION YEAR

GERMANWATCH-REPORT ON THE 13TH MEETING
OF THE ADAPTATION FUND BOARD

By Alpha Oumar Kaloga and Sven Harmeling



Brief Summary

The Adaptation Fund (AF) was established under the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC) in order to finance concrete adaptation projects and programmes, which should support the adaptation of developing countries to negative impacts of climate change. This report highlights and summarises the key decisions taken during the 13th meeting of the Adaptation Fund Board.

As Germanwatch has been following all the previous meetings one can find elaborate information on the Adaptation Fund and some past meetings on our web page www.germanwatch.org/klima/af. Official background information and the preparatory documents for the 13th meeting can be found at www.adaptation-fund.org.

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Author: Alpha O. Kaloga and Sven Harmeling

Contact: kaloga@germanwatch.org

Publisher:

Germanwatch e.V.

Office Bonn

Dr. Werner-Schuster-Haus

Kaiserstr. 201

D-53113 Bonn

Phone +49 (0) 228 60492-0, Fax -19

Office Berlin

Schiffbauerdamm 15

D-10117 Berlin

Phone +49 (0) 30 2888 356-0, Fax -1

Internet: <http://www.germanwatch.org>

E-Mail: info@germanwatch.org

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Executive summary

From 17th to 18th March, the 13th meeting of the Adaptation Fund Board (AFB) took place in Bonn, Germany. 2011 marks the real start of the implementation phase of concrete adaptation projects under the Adaptation Fund with all challenges and expectations it spawns. The following key decisions were taken at the last meeting:

With regard to direct access, unfortunately no further National Implementing Entities (NIEs) were accredited, although it was expected that at least one NIE (1)¹ of them would master the accreditation process because of being subject of field visit. The findings out of the field visit were not reasonable enough for the Accreditation Panel (AP) to recommend its accreditation. The AP, however, advised the Designated Authority of the respective country to look for further potential NIEs. Another NIE (2) also has not been accredited. With respect to the applicants NIE (3)-(4), the Board found out that both may be mature enough for accreditation. The AFB decided accordingly to conduct a field visit, in order to investigate all the outstanding questions.

Given the remaining challenges the AFB discussed modalities for a "conditional accreditation. The Board requested the AP to prepare a study, which takes all modalities for conditional accreditation by not compromising the fiduciary standards as well as at the same time guarantee compliance with any associated procedure. Moreover, the Board established a working group to prepare guidance for the regional workshops to be held to help developing countries to familiarise with the accreditation process.

Three further projects were approved for funding: Eritrea, Solomon Islands, both having UNDP as their Implementing Entities, and the Project of Ecuador submitted by the World Food programme. In addition, the concept note submitted by Uruguay through its NIE, the National Agency for Research and Innovation ANII, also was endorsed.

Furthermore, the following two decisions should be highlighted :

a) After some discussions at previous meetings, the AFB now decided to improve the reporting on its project and programme decisions. Already the current official report of the 13th meeting includes detailed information on why projects were not endorsed, or where the project proposal needs to be improved when advanced to a full project proposal.² This decision not only strengthens the credibility of the AFB, but also allows interested and affected observers to engage in the preparation and revision of the project more effectively.

b) stakeholder consultation: the AFB decided to endorse proposed amendments to the Operational Policies and Guidelines, which will also strengthen the role of stakeholder consultation in the project review. An ad-hoc Committee was established to conduct further work on this and elaborate options how exactly stakeholder consultation should be improved.

*For the second time, there was the opportunity for a so-called **dialogue with civil society** at the very end of the session. Finally, the Board decided to reduce its ecological footprint and costs by saving a significant amount of paper copies.*

¹ Because of the sensitivity of the accreditation process, the Accreditation Panel decided to treat NIE submission anonymously through numbering of the application

² AFB 13 report: AFB/B.13/6; <http://www.adaptation-fund.org/system/files/AFB13%20Final%20Report.pdf>

This briefing paper highlights and summarises the key decision taken during the 13th meeting of the Board on the agenda of the 13th meeting of the AFB, and outlines some further actions to be taken by the Board.

1 Fifth meeting of the Accreditation Panel

1.1 No NIE but one further MIE accredited during the last meeting

For tackling the direct access path, developing countries should nominate domestic institutions, which could meet the fiduciary standards such as “sound financial management, including the use of international fiduciary standards.”³ of the Adaptation Fund Board, in order to be accredited. However, the identification of the suitable institution, its nomination and the accreditation process remain a great, but manageable challenge for the developing countries with the least institutional capacity. Three countries (Senegal, Uruguay and Jamaica) have so far mastered this process.

For the 13th meeting the Accreditation Panel (AC), which has the mandate to accredit, suspend and cancel the accredited Implementing Entities according to the Operational Policies and Guidelines, received two new applications for accreditation as a National Implementing Entity (NIE) and one for accreditation as a Multilateral Implementing Entity (MIE) in addition to the three other NIE applications that are still in the process. The AFB, having considered and deeply discussed the recommendations made by the AP, adopted the following decisions:

- a) Not in the position to accredited NIE 1 and 2⁴, and the AFB instructed the secretariat to forward its conclusion⁵ as well as the rationale of its decision to the applicant. The reasons for non-accreditation are contained in two Annexes in the meeting report and are quite helpful, but also raise the question whether the country should look for alternative and better suited institutions, given the significant barriers that were identified.
- b) That NIE 4 and 5⁶ are reasonable candidates for accreditation and the AFB therefore instructs the secretariat to conduct a field visit. It also approved an amendment in its fiscal year (ending June 2011), in order to provide resource for the field visit, which will cost US\$ 22,000 per countries.
- c) To submit a recommendation on the accreditation of the MIE intersessionally, in the case that the review of the additional documentation lead to make apposite recommendation⁷. This intersessional decision has been taken; accordingly the Board decided to accredit the Inter-American Development Bank (IADB) as a Multilateral Implementing Entity. The IADB is the eighth accredited MIE.

It is important, that the Board authorised the secretariat to publish the recommendation, conclusion and apprehension of the AP for non- and accreditation of NIE applicant, instead only sharing this information among a few people such as the NIE applicant and the Designated Authority. The information sharing among all relevant stakeholders within the country belongs to one of the often identified institutional shortcomings in and needs to be addressed. Therefore the decision of the Board to publish details about the

³ Decision 5/CMP.2

⁴ For the purposes of confidentiality the Accreditation Panel had used a numbering system to report of the status of each implementing entity's application. Decision B.13/2 for NIE1 and Decision B.13/3 for NIE2.

⁵ The conclusion of the AF regarding to the accreditation of NIE 1 and NIE2 are contained respectively in the Annex IV and V of the Report of the secretariat on the Adaptation Fund Board 13th meeting.

⁶ Decision B.13/4 for NIE3 and Decision B.13/5 for NIE4.

⁷ Decision B.13/6:

conclusion on accreditation process is an important milestone in terms of transparency.⁸ This information sharing should have the same significance as the toolkit, designed by the board for countries to conduct step by step through the accreditation process. With the still low rate of successful NIE applications, developing countries are actually resigned to tackle the direct access way, which seems to them as very difficult and time consuming. Publishing the rationale behind each accreditation decisions would directly enforce the capacity and understanding of developing countries. In doing so, NIE proponents based on the public documentation will avoid to replicate the same failure that led to the non accreditation, as well as get a great picture on the mean and range of the term used in the fiduciary standards.

1.2 Modalities for conditional accreditation

Taking into account the challenges developing countries are facing in order to accredit their NIEs, the Board considered the modalities for conditional accreditation according to the Terms of Reference of the AP⁹. Up to today the conditional accreditation was only mentioned in the Board in relation to its additional financial implication, which implicit more frequent evaluation and audits. According to the proposal of the AP, the conditional accreditation should be granted for the period of five years, with the possibility to delete the conditionality, if the sought information would be satisfactorily provided at any time.

Some members pointed out the necessity to ensure that any change pertaining to the conditional accreditation would not afterwards affect the project implemented by the conditional accredited Implementing Entity.

After a long discussion, during which certain members expressed their views and concerns, the Board requested the AP to prepare a study, which addresses all modalities for conditional accreditation by not compromising the fiduciary standards as well as at the same time guarantee compliance with any associated procedure. This document will be considered by the next meeting of the Board.

The conditional accreditation is surely an entry point to facilitate the accreditation of National Implementing Entities. The AFB understands itself as not to be a capacity building institution for NIE, but rather as a facilitator of the process. It therefore committed itself to explore ways and modalities to facilitate the accreditation to promote the direct access approach. Doing so, the conditional accreditation should be understood as a bridge towards full accreditation and hence should be treated with caution. On the one hand the Board is confronted with the imperative to show that the direct access works through the accreditation of several NIEs. On the other hand, the AF by accrediting NIEs with condition must not compromise with its fiduciary standards, while it ensures that the compliance with its agreed procedures are really taken into account.

⁸ These can be found in Annexes IV and V of the 13th meeting report, AFB/B.13/6

⁹ [hier fehlen Infos]

1.3 Support for the accreditation of NIEs and MIE involvement in NIE Capacity Building

There is no consensus within the Board on how the accredited MIEs should facilitate and encourage the accreditation of NIE in the countries, where they implement projects. Certain AFB members pointed out that due to the scarce resources in the AF, there is a strong competition between NIE and MIE for the implementation of the projects, so that there is potentially a conflict of interest. Will the MIEs help the NIEs to success the accreditation process, so that they can substitute them in the implementation of the projects? Other members insisted that the future approval of projects submitted through MIE funded by the Board should contain a component of NIEs capacity Building. Although certain MIEs are actively accompanying developing countries in the accreditation of their NIEs – UNEP, UNDP and World Bank have jointly engaged in this -, it was acknowledged that so far no concrete proposition or identification of suitable institution of NIEs in developing countries has been suggested by the MIEs. Therefore, considering all these findings the Board decided to invite MIEs to present the result of their capacity-building activities for NIEs.

The assistance of MIEs in the accreditation of NIE in the project countries is indeed controversial but need to be addressed and the AF should assess appropriate measure to ensure that the MIEs in implementing their projects will commit themselves to assist developing countries to strengthen their capacity towards an accreditation of NIE. Furthermore, this seems indispensable since the AFB understand itself not as capacity building institution for NIE, but rather as a facilitator which deploys all efforts in order to enable the accreditation process. At a previous meeting it was also decided to invite bilateral development agencies, which are not accredited as MIEs, to engage in the capacity building for NIEs, but no stocktaking has yet happened whether this was taken up by any agency.

Regional workshops

Through decision 5.CMP.6 in Cancun, it was decided that the UNFCCC secretariat in consultation with the AFB will conduct three regional and sub-regional workshops with a fourth workshop if sufficient resources were available¹⁰. The workshops intends to familiarize Parties with the process and requirements of accreditation of NIEs as well as to help them to better understand the accreditation process as well as the fiduciary standards with particular focus on management of the complete project cycle. Based on suggestions of the AP regarding the scope and length of the workshop, the UNFCCC secretariat in its presentation estimated the cost up to \$US 420,000 for each workshop. It also indicated due to its full agenda being able to organise only two workshops this year, and has already sent a letter requesting funding for this purpose to the potential donors.

The AFB member Mr Matsuzawa (Japan Annex I Parties) announced that his government is ready to provide funding for a workshop in Africa prior to the “African COP” which will held in December this year in Durban, South Africa. This engagement was very much welcomed, in particular since Japan was just facing a set of tremendous catastrophes (earthquake, Tsunami, nuclear accident), and the offer was adopted by the Board, which also decided to accordingly change the timetable of the workshops

¹⁰ AFB/B.13/7

proposed by the AP¹¹. In addition the Board established a working group to prepare by April 2011 guidance modalities and other important documents for the workshop.

2 Fourth Meeting of the Project and Programme Review Committee

2.1 Decisions on project and programme proposals

The Project and Programme Review Committee (PPRC) is responsible for assisting the Board in tasks related to project/programme review in accordance with the Operational Policies and Guidelines, and for providing recommendations and advice to the Board thereon¹². Five project proposals – one submitted through an NIE and four through MIEs - stood for consideration at the AFB meeting. The Board after considering the recommendation of the PPRC and long discussion on the different proposals approved the following project concepts and projects:

Uruguay (project concept): Building Resilience to Climate Change and Variability in Vulnerable Smallholders, with a financial volume of US\$7,350,000. This project was submitted through the NIE Agencia Nacional de Investigación e Innovación (ANII). Furthermore, a Project Formulation Grant was approved (US\$ 30,000) to prepare the submission of a full project proposal;

Ecuador: Enhancing resilience of communities to the adverse effects of climate change on food security, in Pichincha Province and the Jubones River Basin, with its budget of US\$7,449,468 submitted through the World Food Programme.

Eritrea: Climate change adaptation programme in water and agriculture in Anseba Region, Eritrea, with its budget of US\$6,520,850 submitted UNDP;

Solomon Islands: Enhancing resilience of communities in Solomon Islands to the adverse effects of climate change in agriculture and food security, with its budget of US\$5,533,500 submitted through UNDP

The full project proposal from **Tanzania** (US\$ 9,814 517, submitted through UNEP) was, for a second time, not approved. Certain Board members wondered and asked after the rationale why it was not recommended for approval. They also pointed out whether the concern could be addressed during the implementation. In his clarification the chair of PPRC pointed out that the PPRC basically “had not discuss this per se”. He however explained that the issues should be addressed before the implementation. In its decision the AFB communicated some of the reasons which remain a barrier for approval, including a) the synergies and linkages between the activities within the activities, and b) how the consultative process has been undertaken and allow the participation of vulnerable groups, etc.¹³

For the first time the PPRC provided significantly more details on its deliberation. The report of the secretariat of the 13th meeting provides insights into the rationale behind its decision regarding the approval, endorsement or rejection of proposal. The report on the

¹¹ The Accreditation Panel previously suggested to hold the first workshop in the Asian and Eastern European region, the second in Latin American and Caribbean region during 2011; and during 2012 a third workshop would take place in Africa with the possibility of a fourth workshop in the Pacific region, if resources were available

¹² Adaptation Fund Board, AFB/B.6/6 p.4

closing meeting of the PPRC will indeed strengthen the credibility of the Board, as well as enables the interested NGOs within the country to have a more active role in designing the proposal. This is a further milestone. The Board of the AF broadly requested for instance the ANII acting as NIE for Uruguay to explain and expand information in its fully developed proposal, as well as to include in it recent data provided through the project implemented by the Food Agriculture Organisation on livestock and vulnerability. Furthermore, the fully developed should contain an elaborated risk/mitigation table as well as to quantify the expected results.

Now, it remains to ensure that the provided information actually reaches the interested stakeholders within the project country. The dissemination of such information in project countries within ministries and among stakeholders and targeted people is the remaining challenge to be addressed.

2.2 Other matters addressed by the PPRC

The PPRC identified in its deliberation a number of cross-cutting issues, which require further clarification. For example, what is when projects' resubmissions address, issues that had not been mentioned initially? It was also acknowledged that there is a need to compile the relevant decisions of the Board. The PPRC requested the secretariat to prepare such a compilation and to enable its chair and vice-chair to get engaged in the review of the technical review criteria and the project cycle in order to facilitate the review of the Operational Policies and guideline (OPG). The Board decided to:

- Authorise the PPRC to get involved in the review process.
- Approve an allocation of US\$7000 in the secretariat fiscal year Budget of 2011, to cover the expenses related to the vice chair visit¹⁴

The review of the OPG is an important opportunity to address the shortcomings detected in it as well as to harmonise the work of both committee of the AFB. However, a consultative process from design until the last stage of the final evaluation should also be tackled (see 4.2).

3 Report of the fourth meeting of the Ethics and Finance Committee (EFC)

According to its terms of reference, the EFC is responsible for providing advice to the Board on issues of conflict of interest, ethics, finance and audit. The EFC also met a day prior to the 13th meeting of the AFB for the fourth time. As usual the agenda of the Ethics and Finance Committee was tight. In his report to the Board during the 13th meeting the new chair, Mr Mirza Shawkat from Bangladesh, summarised the main topics addressed by the EFC as following.

¹³ Decision 13/14 in the report on the 13th meeting

¹⁴ Decision B.13/16

3.1 Desk Review on execution cost

The starting point was the fact that several members recognised during the 12th meeting that the executive costs were not adequately itemized. The execution cost is defined as the main items, supported by the Adaptation Fund, for project management including consultant services, travel and office facilities. It was also recognised that project funding was awarded to a country for the design of a project and that administrative costs included fees and execution costs.

Upon request of the Board, the Secretariat undertook a desk study analysing the approaches used by other funds on executive cost.¹⁵ Thus, after considering the recommendation made by the EFC the Board decided to:

- Insert in the Project/Programme monitoring and evaluation (M&E) framework a break-down of how implementing entity (IE) fees will be utilized in the supervision of the M&E function;
- Set a cap of 9,5% of the project budget for the execution cost and to obtain the approval of the Board, for the case that the successful implementation of the project requires an additional budget beyond that limit;
- Endorse the template table contained in Annex II of the document AFB/EFC.4/7 to be later shared with the accredited implementing entities. In addition the decision highlighted that the standardized template should be used as guidance in breakdown project execution cost.¹⁶

The execution cost consists of all administrative costs related to the project such as a Project Formulation Grant, Project Activities Budget, Project Cycle Management Fees. Moreover it remains important to bear in mind that the whole cost relating to the management of the project – including the implementing entities fees 8.5%¹⁷ and execution cost 9,5% - amounts to 18% of the project budget.

This percentage of the whole requested fees is reasonable compared to the fees disbursed by other funds for the implementation of the project. It is important to maintain these fees in balance in comparison to the magnitude of the project activities. Even if the fee requested is less than the aforementioned percentage, the IE could be permitted to use the rest to enhance project development, implementation, evaluation and monitoring. Otherwise, a reduction of this fee could negatively impact the overall results of the project. In addition the introduction of the standardized template table contained in the document AFB/EFC.4/7/Rev.1 is meant to distinguish, define and clarify all activities covered as Implementing Entities' fees and such observed as execution cost.

3.2 Evaluation Framework

The project evaluation is a methodical approach for assembling, investigating, and exploiting information to answer questions about actions undertaken in frame of one project, particularly about their effectiveness and efficiency as well as their validity, creditability, and reliability. Evaluation is the assessment of actual project impacts compared to the agreed strategic plans. It seeks evidence, whether the project is on track

¹⁵ Germanwatch explained the content of this study in more depth in the briefing on the 13th meeting of the AFB, which compared the approach used by other funds: www.germanwatch.org/klima/af

¹⁶ Decision 13/14 in the report on the 13th meeting

¹⁷ Decision B 11/16 See the report of the 11th meeting of the AF.

with the expected outcome through assimilating lessons learned and managing decisions into the performance. Germanwatch previously analysed, reported back as well as accompanied the process of evaluation since beginning the establishment of this Evaluation Framework¹⁸.

The discussion entered mostly on the Evaluation Framework. In this regard, the Board identified three strategic directions: the performance monitoring, the report system and the evaluation. The relevant document was considered by the EFC, which bears both monitoring and evaluation responsibilities of the performance of the Fund and the IE by using both internal and external evaluations and reports as appropriate. The document was - according to the recommendation of the EFC - discussed within the Board and it was decided to:

- Endorse the evaluation framework and request the secretariat to present a revised version, which takes into account both the discussion made during the meeting and all additional comments received from any board members by April 30.
- Furthermore, according to the decision of the Board, a mid-term evaluation should be planned for projects with longer time frames as well as for those which exceed a certain dollar amount. The revised version should clearly delineate Mid-Terms Evaluation and Mid-Terms Reviews¹⁹.
- The Evaluation Framework identified three layers of level for evaluation, project level, implementing entities level, and fund level.²⁰ It was, however, decided to postpone the overall evaluation of the fund by the seventeenth meeting of the Board, because the first projects under implementation are still in their initial stage.
- In addition it was also decided that the disclosure of the final evaluation should be public and take into account all sensitive issues. For its issuance, an inclusive participation of civil society as well as relevant stakeholders are encouraged according to the international best practice.

However it is crucial for the fund to consider possibilities of undertaking evaluation beyond the implementation of its project. Such evaluation could provide useful information which can be fed in the policies of the Fund and the implementation of the project. Since adaptation is an ongoing process, it is essential to evaluate the impact of the project in term of adaptive capacity or add value of the adaptation action both on the adaptive capacity of the people as well as their level of vulnerability.

3.3 Result Based management

The discussion on the Result Based Management (RMB) of the Fund has been going on since the AFB's 10th meeting and aims at enhancing the management effectiveness of the Fund and accountability by setting realistic goals.²¹

One particular subject in the discussion was the submission by Anton Hilber, AFB member from Switzerland, on the "Introduction of impact indicators and ideas for their further utilization" (Annex I and II of the document AFB/EFC4/3). This contains proposals for indicators and sample calculations how these would translate into a ranking

¹⁸ See Germanwatch Briefing paper prior to and after the meeting on: www.germanwatch.org/klima/af. The first step towards an evaluation framework was taken during the 10th meeting of the Board, when the Board started to discuss the Result Based Management (RMB) of the AF.

¹⁹ Decision B.13/20

²⁰ See Kaloga and Harmeling: Briefing on the 13th meeting of the AF

²¹ Germanwatch has also deeply analysed this agenda item since the first issuance: see please for information www.germanwatch.org/klima/af.

of proposed projects. This ranking is included here just for illustrative reasons (Table 1) and would require a more in-depth discussion.

The three indicators used in this proposal are:

The **Saved Wealth** for instance includes both economic and vulnerability indicators, which could impact the level of wealth savings. The **Saved Health** is applied in order to reduce the impact of climate change on people's health in the project region, while the **Environmental Benefit** takes into account such environmental benefits that are not considered in the **Saved Wealth**.

Table 1: Ranking of project pipeline in the illustrative example prepared by Swiss AFB member

Project no.	Country	Saved wealth/funding	Saved Health/funding (DALYs/million \$)	Combined impact indicator
7	Fiji	0.50	200	$0.17 + 2.16 = 2.33$
1	Guatemala	2.00	100	$0.69 + 1.08 = 1.77$
8	Bolivia	1.25	75	$0.43 + 0.81 = 1.24$
6	China	1.75	50	$0.61 + 0.54 = 1.15$
4	Jamaica	1.33	56	$0.46 + 0.61 = 1.07$
3	Kiribati	2.00	33	$0.69 + 0.36 = 1.05$
10	China	1.50	40	$0.52 + 0.43 = 0.93$
9	Chad	1.50	25	$0.52 + 0.27 = 0.79$
5	Egypt	1.43	21	$0.50 + 0.23 = 0.73$
2	Comoros	0.50	25	$0.17 + 0.27 = 0.44$
∅	NA	1.44	46.2	1

Source: AFB/EFC.4/3, Annex II

Some members expressed their concern regarding their inclusion in the project selection process. However, it was also recognised that the introduction of impact indicators and ideas for their further utilization could help the Board to capitalise its mandate in tangible results. Furthermore it is also clearly due to the scarce financial resource of the AFB, it should introduce such indicators to ensure that its projects funded are needed and encompass all relevant aspects for enhancing the resilience. The discussion also revealed that, it is a need to further research and explore of adequate impact level indicators before taking decision. The chair of the AFB established a working group composed of five members to prepare a revised recommendation on this matter for the next meeting.²²

A country allocation cap of US\$ 10 million

The above mentioned selection procedure based on impact indicators is linked with the initial funding priorities discussion.²³ The impact indicators as well as the initial funding priorities aim at enabling the fund to allocate its resources as equitable as possible to the vulnerable countries as well as to integrating wealth, health, and environmental integrity safeguard, which surely underscore the sustainability of the projects.

The discussion around the initial funding is still ongoing and several options - a) uniform cap per country, b) variable caps taking into account the specific circumstances of certain groups of countries have been explored and deeply discussed or c) variable caps taking

²² Decision B.13/22

²³ See previous Germanwatch briefings

into account the specific circumstances of each country - have also been plumbed. Due to the controversial aspect of this issue in the climate debate - since it could directly be interpreted as the mean to identify countries particularly vulnerable to the negative effects of climate change - it was “still a disagreement in the Board on the desirability of establishing of variable caps, which takes into account the specific circumstance of certain group of countries.”²⁴

It was also acknowledged that the Board could not yet consider regional, multi-country projects as well as programmes so that it is not clear how this cap would be applied to them. After a long discussion the Board decided to²⁵:

- Introduce a uniform cap of US \$10 million for each country funded by the AF as a temporary measure;
- Request the secretariat to present a proposal to the EFC on how regional projects or programmes would be considered within the cap of US \$10 million per country funded for support.

The set cap on the one hand acknowledges, the size of previously submitted projects, since most of them were under US\$ 10 million. On the other hand, it de facto means that each country only has one “shot”, at least for some time. Since the set cap will be just applied to countries not to project and programmes, this could also mean that one country could submitted several time several projects, which cumulative amount should not exceed US \$10 million a country. One concern raised in the discussion was that this could reduce the incentive to accredit NIEs, given there would only be one project to receive funds for. Furthermore this decision could eventually clash with the mandate of the AF, which is to finance adaptation project and programmes. Taking the fact, that programme are large scaled than project in terms of scope,space and time the adopted country cap could only allow the implementation of very small-scale programme. However, it is clear that this is only a temporary measure and will be reviewed, also in light of the available resources. However, it has not yet been decided when this decision would be reviewed.

It also means that there will be no distinction of caps according to the different degree of vulnerability of countries, but it of course remains one of the issues to consider in the project review. It remains to be seen what the real implications will be.

3.4 Performance Study on the secretariat and trustee:

As the Adaptation Fund Board was established in Bali in 2007 as the operating entity of the Adaptation Fund, its institutional arrangements were set up on an interim basis. The World Bank act as Trustee and the Global Environmental Facilities (GEF) provides the secretariat services. According to CMP decisions, these arrangements and all matters on the AF should be reviewed in 2011, at the seventh meeting of the Conference of the Parties serving as the meeting of the Kyoto Protocol in Durban. Prior to the review, the CMP agreed on the Term of Reference (ToR²⁶), which explicitly aims at enhancing the effectiveness and adequacy.

Based on the ToR and having considered the recommendations of the Ethics and Finance Committee, the Board decided:

²⁴ Report of the thirteenth meeting of the Adaptation Fund Board.

²⁵ See Decision B.13/23

²⁶ See Annex VIII: TOR for Performance Study in the report of the AFB on in13th meeting

- To hire a suitable consultant to undertake a study reviewing the performance of the Secretariat and the Trustee, which should be submitted to the Board before its 15th meeting (September 2011).
- To approve US\$ 50, 000 to cover the costs of the desk study;
- To establish an ad hoc committee²⁷ in order to evaluate the expression of interest and to develop a short list of people to be interviewed;
- To approve the term of reference contained in the Annex VIII in the report of the secretariat of the Board on its 13th meeting.

The performance review should encompass both arrangements with the interim trustee and secretariat. It should detect weaknesses and strengths, opportunity and risk and should contain recommendation on how to address the findings or improve the existing arrangement.

Although the mandate of the World Bank as a trustee has been extended until the eighth session of the CMP, the forthcoming review should evaluate inter alia the adequacy and effectiveness of all services rendered by the trustee. On the other side the Fund has been conferred a legal capacity with the seat in Bonn, which raises a couple of questions regarding the future role of secretariat. Should the secretariat move over to Bonn and how can this decision impact the current institutional arrangement? In addition, the review of secretariat service nonetheless should inter alia include the cost effectiveness and necessity of maintaining the secretariat against a truly independent secretariat.

Without doubt, the AF stands at the early stage of implementation of its funded projects. It could therefore be difficult to make an overall review of the fund. However, this doesn't exclude the review of the existing institutional arrangements. It is important to highlight that the cost effectiveness should play a key factor of this review.

Among the other matters addressed in the EFC, the Board requested the trustee to progress with implementing a procedure to facilitate private donations by card or debit card.

4 Issues remaining from the 12th meeting of the AFB

Regarding the vulnerability issues to climate change, which has been often discussed in the Board, it was decided to postpone further discussion on this matter until the UNFCCC or other relevant bodies would come with clearer guidance on the definition of which countries are seen as particularly vulnerable.

4.1 Implementation of the Communication Strategy (CS)

Another issue remaining was the communication strategy of the Board, which has been designed by a consultant, in order to help the Board to clearly communicate and present to all interested stakeholder its work, challenge and features. The CS should increase

²⁷ See decision B.13/24: The committee consists of Ms. Ana Fornells de Frutos (Spain, Annex I Parties), Chair of the AFB; (ii) Mr. Anton Hilber (Switzerland, Western European and Others Group); Mr. Zaheer Fakir (South Africa, Africa); and Mr. Luis Santos (Uruguay, Latin American and Caribbean Countries).

awareness of the Fund, encourage donors to increase their support to the Fund and at the same time developing countries to apply for accreditation of their National Implementing Entity as well as all interested stakeholders to get more involved in the process. At the last meeting the Board decided *inter alia* to:

- To use specific messages developed in the communication strategy when delivering presentation;
- To explore the use of innovative communication tools such as Facebook, twitter, newsletter, etc.

A communication strategy is needed to regularly send to all interested stakeholders a clear smart message on the AF in order to encourage them to get more involved in the process. The Chair of the Fund and those Board members who often represent the AF at international meetings should also participate or be involved in the interaction with the consultant, in order to prepare them to better reach their audiences with clear smart message prepared by the consultant.

4.2 Operational Policies and Guidelines (OPG)

As the OPG was adopted it was also decided that the Board should keep the Operational Policies and Guidelines under review and will amend them as deemed necessary²⁸. The OPG is the key document with regard to how Parties can apply for funds for adaptation projects and programmes, how the project cycle works, what the accreditation of National Implementing Entities requires et²⁹ At its 12th meeting the Board requested its secretariat to present a preliminary draft of revision of the OPG, which takes into account potential decisions and amendments raised over the past months.

Accordingly the secretariat has identified three categories of amendment:

- **The decisions already adopted by the Board that amend the OPG** such as an entry into force of the legal capacity of Germany on the AF (*Decision B.7-8/I, decision 4/CMP.5*); or the possibilities for the Multilateral Entities to resubmit their accreditation applications (*Decision B.11/2*);
- **Issues discussed by the Board that may require amendments to the OPG or their related templates:** on which no Board decision was adopted yet. Among these issues are the consultative process around the projects as well as the consideration of gender aspects.
- **Additional amendments that the Board may want to consider,** in light of the lessons learned during the accreditation process and the project cycle. The Board will consider whether a MIE and NIE of the same countries are allowed to implement or submitted the same project.

In Germanwatch's briefing paper prior to this meeting, the proposed and to be considered amendments³⁰ have been analysed in more depth, based on document AFB/EFC.4/9. Therefore this part contains only the decisions taken as well as the further steps towards the finalisation of the review of the OPG. Accordingly the Board decided to:

²⁸ See para 71 of the Operational Policies and Guidelines of the Adaptation Fund Board.

²⁹ Harmeling and Kaloga (2010): ECBI: Adaptation Fund under the KP Mature for concrete implementation of projects and direct access

³⁰ See Germanwatch e.V. Briefing paper on the 13th meeting of the adaptation Fund: www.germanwatch.org/klima/af

Approve all the proposed amendments to the OPG contained in the documents, except for the deletion of the word "ministries" in footnote 12 of that annex by taking into account the comments made in the Ethic and Finance Committee at its fourth meeting;

- To establish an ad-hoc committee consisting of two members of both committees of the Board as well as the chair and vice chair of the Accreditation Panel and two other members at large;
- Establish an ad-hoc committee to produce proposals for amending the OPG addressing the issues identified above. The ad-hoc committee, supported by the secretariat, should produce proposals for amending the operational policies and guidelines addressing the issues identified above in the categories of amendments.

The review of the OPG is indeed a crucial step towards capturing experience that has been made with the existing rules of the AF and further advancing them. However, the amendments under discussion could be extended or enhanced taking into account some further lessons learnt around the Fund. Particularly the issues discussed by the Board that may require amendments to the OPG or their related templates such as the amendment on the consultative process are quite crucial.

For example, the description of the consultative process in the submitted project proposals varies from project to project and usually doesn't include sufficiently substantial information on how the process has been undertaken, how often the targeted community has been consulted in the process etc. Yet, most of them only provide a list of stakeholders to be consulted. The AFB should therefore a) harmonise the review criteria with the template and make the stakeholder consultation an explicit review criterion, and b) decide to prepare clearer guidelines (with a view for adoption at the next meeting) for the project proposals and for the implementation. Minimum aspects that should be addressed in the amendment are:

- *address multiple stakeholders (e.g. not only government institutions);*
- *give particular attention to the inclusion of the communities in the project region that are being targeted;*
- *highlight not only quantity of consultation (e.g. number of people or organisations consulted), but also address qualitative aspects, such as which comments were seen as particularly relevant and taken on board, which were addressing specific concerns etc.;*
- *not only refer to previous consultation processes (e.g. referring to NAPA consultations) but provide the key information within the proposal to the AF.*

This could also help warranting for the ownership of the most vulnerable communities as well as the sustainability of the project beyond the implementation. Also, strengthening gender considerations in the procedures of the AF, in particular in project identification and implementation, is important.

Furthermore, although the options enabling the submission of the same project through a MIE and NIE of the same country are not mutually exclusive, there is in the process a preference of the substitution of MIE through NIE, which represents the innovative benchmark of this fund.

5 Other matters

5.1 CER Monetization

During its report to the Board, the trustee mentioned the impact of thefts in the carbon market, which led to the temporary closure of the BlueNext carbon market and the Swiss national Registry. Although the CERs of the AFB were not affected, it was highlighted that the CERs are at risk prior to their monetization. It was also revealed that altogether 2.82 million tonnes of CERs are available for monetization and that only 85,000 and 35,000 thousand CERs were currently at the BlueNext and the Swiss Registry. After a long weighting and consideration on the potential implication of this situation for the AF itself and its available money, the Board took note of the presentation.

5.2 Financial Status

According to the trustee's report on the Financial Status of the Adaptation Fund Trust Fund as at 31 January 2011 (AFB/EFC.4/10), US\$ 186,98 million are available to support the Board's funding decisions. The Trustee also indicated that it had undertaken its first fund transfer to Honduras. Furthermore the presentation on the financial status of the Adaptation Fund is further described in the report of the trustee (AFB/EFC.4/10/Rev.2), which also contained information on Board approvals to date broken, down by Implementing Entities: MIEs (64%) and NIEs (36%).

5.3 Dialogue with civil society

For the second time, there was the opportunity for a so-called **dialogue with civil society** at the very end of the session. Sven Harmeling Germanwatch gave a brief input commenting on the key outcomes of this meeting, congratulating the AFB on the progress in transparency around project decisions and stakeholder consultations and highlighting the strategic priority on most vulnerable communities as a potential unique feature for the future role of the AF. Emmanuel Seck from ENDA, Senegal, and Indi Mclymont-Lafayette from PANOS Caribbean, Jamaica on behalf of the Adaptation Fund NGO Network, gave some civil society views from those countries where AF projects will soon be implemented or have already started.

5.4 The AFB and the Transitional Committee to set up the Green Climate Fund

The Adaptation Fund under other matters decided to send a letter to the President of COP16/CMP6 and to the executive secretary of the UNFCCC requesting that the AF and its secretariat be invited to participate in the work of the Transitional Committee pursuant to the decision 1/CP. 16. Interestingly, two former AFB chairs, Farrukh Khan from Pakistan and Jan Cedergren from Sweden, are also members of the Transitional Committee and thus can feed in their experience with the AFB development.

5.5 New chair and vice-chair

At this meeting, Ana Fornells de Frutos from Spain representing Annex-I Parties, was elected as the new chair of the AFB, for the first time being a female chair. The good outcomes of this meeting were a promising start of her work. Also, Luis Santos from Uruguay, representing Latin America and the Caribbean, was endorsed as vice-chair.

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IBAN: DE33 1002 0500 0003 212300

For further information, please contact one of our offices

Germanwatch - Berlin Office

Schiffbauerdamm 15
10117 Berlin, Germany
Ph.: +49 (0) 30 - 28 88 356-0
Fax: +49 (0) 30 - 28 88 356-1

Germanwatch - Bonn Office

Dr. Werner-Schuster-Haus
Kaiserstraße 201
53113 Bonn, Germany
Ph.: +49 (0) 228 - 60492-0
Fax: +49 (0) 228 - 60492-19
E-Mail: info@germanwatch.org

or visit our website:

www.germanwatch.org