

BRIEFING ON THE 12TH MEETING OF THE ADAPATION FUND BOARD

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Executive Summary

Just a few days after the CMP6, the members of the Adaptation Fund convene for its 12th meeting at the Universidad del Caribe, in Cancun (13 to 15 December 2010). At CMP6, the progress of the Adaptation Fund during the last year was formally appreciated by the Conference of the Parties, the Fund has not obtained its legal capacity from the German government, and the AFB members can focus on the next steps.

During this meeting, the Board will consider 15 project proposals of developing countries and likely approve at least some of them. Since 6 of these are fully developed projects (and not only concepts), implementation will be expanded after this meeting. However, project-related issues go beyond the approval. The Board will have to consider documents prepared by the Secretariat on issues such as project formulation costs and - very relevant - further guidance to ensure that the projects implemented contribute to the overall objectives of the Fund through approaches of Result based Management (RBM) and Knowledge Management (KM).

Furthermore, the currently available proposals show that, according to the author's view, further guidance is required in particular regarding the stakeholder consultation in the project preparation and implementation as well as how the special needs of the most vulnerable communities are being addressed, which is a strategic priority of the Fund. Currently the quality varies significantly. A laudable exception here is the Senegalese project already approved at the last meeting. Furthermore, the AFB should consider ways how it can report in a more transparent manner about the project decisions, while at the same time securing confidentiality where it is required.

Unfortunately, direct access will see little progress at this meeting. No further accreditation of National Implementing Entities will happen, since the applications considered by the Accreditation Panel do not (yet) provide sufficient evidence that all fiduciary management standards are being met. This underlines the importance of the steps undertaken by the AFB to facilitate the accreditation of NIEs.

A sign of further progress with regard to exchange with civil society is the first formal meeting between the AFB and observers, which will happen at the end of the meeting.

1 Projects and programmes

1.1 Projects considered at the 12th meeting

Since the last AFB meeting held in September 2010, 15 project applications have been submitted in time to be considered by the Board (see table on page 6ff).¹ All of these were submitted by MIEs, one from NIEs. Six out of these are full project applications, while the rest aim to overcome the first step in the two-step project cycle. Out of the six full projects three are based on project concepts which were endorsed by the AFB at its 10th meeting: Nicaragua, Pakistan and Solomon Islands. This means that there is a good likelihood that these projects, with a collective amount of funding of ca. USD 15 million, will also be endorsed. The rest of the project proposals considered sum up to ca. USD 80 million. Overall, 3 projects have been submitted from LDCs, 6 from Small Island Developing States and 3 from Africa (with overlaps in these categories). These projects cover a range of sectors. Reflecting the previous funding decisions, it is unlikely that all of these projects will be endorsed or approved.

The Projects and Programmes Review Committee (PPRC) will consider these projects based on the Secretariat's technical screenings on Monday, 13 December, to prepare recommendations to the whole AFB. Unfortunately, the screenings prepared by the Secretariat as input into the discussion are not publicly available, so no assessment of the quality of the projects can be given here and it will be interesting to see which projects have sufficient quality to be approved by the AFB. Nevertheless the AFB has to consider how to increase the information available on its projects decisions for the public interest with the need secure confidentiality where it is necessary.

However, some aspects are apparent independent of the specific quality of a project:

- Government actors (such as ministries) play the key role in executing projects; unfortunately, little attention is given by the project proponents to include non-governmental institutions as executing entities; Senegal's project, the first ever accredited direct access project, must be seen as the laudable exception here.
- The way that stakeholder consultation has happened in the preparation of projects and how it is described varies significantly; in some projects only Ministries are listed as part of the stakeholder consultation, which is not satisfying; more detailed guidelines prepared by the AFB, based on the example of Senegal and other experience, are required.
- A similar analysis holds for the strategic priority of the Fund to give special attention to the adaptation needs of the particularly vulnerable communities; also it is recommended to provide the applicants with more concrete guidelines.
- The Implementing Entities' fee cap of 8.5% introduced by the AFB has an effect, in particular since UNDP and UNEP previously charged 10%; the WFP only charges 7%.

¹ AFB/PPRC.2/3; see the Germanwatch Adaptation Fund Project Tracker for a full list of all projects submitted so far: <http://www.germanwatch.org/klima/afpt.htm>

Country	Project title	State of project proposal			Intended project duration	IE	Management fee requested	Executing Entity	Funds requested	LDC	SIDS	Africa
		AFB 12	AFB 11	AFB 10								
								in US \$				
Cook Islands	Enhancing resilience of communities of Cook Island through integrated climate change adaptation and disaster risk reduction management measures	Project concept consideration			June 2011 - July 2015	UNDP	8.5	National Environment Service, Office of the Prime Minister, Central Policy and Planning Division	4991000			
Ecuador	Enhancing Resilience of Communities to the adverse effects of climate change on food security, in Pinchincha Province and the Jubones River basin	Project concept consideration			July 2011 - Aug 2016	WFP	7.0	Ministry of Environment in coordination with Ministry of Agriculture, Livestock, Aquaculture and Fisheries, Commonwealth of the River Jubones Basin and Provincial Government of Pichincha	7449468			
El Salvador	Promoting climate change resilient infrastructure development in San Salvador Metropolitan Area	Project concept consideration			July 2011 - Sept 2015	UNDP	8.5	Ministry of Public Works	5425000			
Eritrea	Climate Change Adaptation Programme In Water And Agriculture In Anseba Region, Eritrea	Project concept consideration			Jan 2011 - Oct 2015	UNDP	8.5	Ministry of Agriculture, Anseba Region, Eritrea	6520850			
Fiji	Enhancing Resilience of Rural Communities to Flood and Drought-Related Climate Change and Disaster Risks in the Ba Catchment Area of Fiji	Project concept consideration			June 2011 - July 2015	UNDP	8.5	Department of Environment	5728800			

Georgia	Developing Climate Resilient Flood And Flash Flood Management Practices To Protect Vulnerable Communities Of Georgia	Project concept consideration			May 2011 - Sept 2015	UNDP	8.5	Ministry of Environment	5316500			
India	Integrating Climate Risks And Opportunities Into The Mahatma Ghandi National Rural Employment Guarantee Programme (MGNREGP)	Project concept consideration			Sept 2011 - May 2015	UNDP	8.5	Ministry of Rural Development	5425000			
Maldives	Increasing climate resilience through an Integrated Water Resource Management Programme in HA. Ihavandhoo, ADh. Mahibadhoo and GDh. Gadhdhoo Island	Project concept consideration			Nov 2011 - July 2015	UNDP	8.5	Ministry of Housing and Environment	8989225			
Mauritius	Climate Change Adaptation Programme In the Coastal Zone of Mauritius	Full project proposal consideration		Concept not endorsed	Feb 2011 - Nov 2015	UNDP	8.5	Ministry of Environment	9119240			
Nicaragua	Reduction of risks and vulnerability based on flooding and droughts in the Estero Real watershed	Full project proposal consideration		Concept endorsed	Feb 2011 - March 2015	UNDP	8.5	Ministry of Environment and Natural Resources	5500950			
Pakistan	Reducing risks and vulnerabilities from Glacier Lake Outbursts Floods in Northern Pakistan	Full project proposal consideration		Concept endorsed	July 2011 - March 2015	UNDP	8.5	Ministry of Environment	3906000			
Papua New Guinea	Enhancing adaptive capacity of communities in Papua New Guinea to climate change and disaster risks in the Coastal and Highland regions	Project concept consideration			June 2011 - July 2015	UNDP	8.5	Office of Climate Change and Development	8831900			

Solomon Islands	Enhancing resilience of communities in Solomon Islands to the adverse effects of climate change in agriculture and food security	Full project proposal consideration	Concept endorsed	Jan 2011 - June 2015	UNDP	8.5	Ministry of Environment	5610000			
Tanzania	Implementation of Concrete Adaptation Measures to Reduce vulnerability of Livelihood and Economy of Coastal and Lakeshore Communities in Tanzania	Full project proposal consideration		Jan 2011 – Jan 2017	UNEP	8.5	Vice President’s office (Department of Environment)	9814517			
Turkmenistan	Addressing climate change risks to farming systems in Turkmenistan at national and community levels	Full project proposal consideration	Concept not endorsed	Nov 2010 - Feb 2016	UNDP	8.5	Ministry of Nature Protection	2929500			

Furthermore, the AFB will have to discuss further guidance for the preparation and assessment of programmes, which includes the consideration which standards need to be applied for single projects under the umbrella of a broader programme.²

1.2 **Funding for Project Formulation Costs**

The present document prepared by the secretariat reflects the consensus that a project formulation grant is needed in order to facilitate and encourage the submission of project proposal.³ It is based on a survey of practices by other global funds to address the cost of project formulation. The eligible activities provided by other funds for project formulation grants differ from each other. Among the considered Funds are the Global Environment Facility (GEF), programmes under the Strategic Climate Funds, the Forest Investment Programme (FIP), Multilateral Fund for the implementation of the Montreal Protocol (MLF) and the Global Alliance for Vaccines and Immunization (GAVI).

The recently concluded GEF-4 (2006-2010) uses a two steps process: (a) submission of Project Identification Form (PIF) and (b) a full project document. As soon as the PIF of the country has been reviewed positively by the GEF Secretariat (and even before the Council Approval), the Implementing Agency can receive upfront a project preparation grant (PPG), which mainly finances consult services for the preparation of the project, including travel cost and excludes certain activities like cost of capital goods like offices, cars, etc. There is no ceiling defined, a 10% fee (10% of the amount of the PPG) is immediately granted to the Implementing Agency to oversee the preparation. If project and PPG are cancelled, any unused funding is returned to the Trustee. The funding that has already been used is not reimbursed.

Under the **Strategic Climate Fund**, three targeted programs are located with different approach of allocation of Project formulation Cost (PFC):

The **Pilot Programme for Climate Resilience (PPCR)** provides for a two-phase process for programming resources in pilot countries and regions:

(a) In the first phase a grant of up to 1.5 million could be disbursed to the Multilateral Development Banks, which in collaboration with the country prepare the Strategic Program for Climate Resilience SPCR.

(b) The second phase is the implementation phase of the SPCR. Basically, there is no ceiling set for preparation grants of the SPCR, although the PFC could be disbursed upfront. However funds for project formulation are included within the envelope requested for the SPCR (and thus in the country's envelope).

Also, the **Forest Investment Program (FIP)** has two steps processes:

(a) The development of an Investment Strategy (IS) with a joint mission process led by the government in collaboration with the MDB. At this stage, a grant of up to \$250,000 is disbursed upfront for analytical and assessment activities necessary to develop comprehensive IS. No ceiling has been defined for such a preparation grant, however, funds for project preparation should not extend the country envelope.

² AFB/PPRC.2/3

³ AFB/EFC.3/5

(b) The second step is the implementation phase, which should be consistent with the defined IS of the first step.

In like manner to the PPCR, the **Scaling-up Renewable Energy Program in Low-Income Countries (SREP)** provides for a two-phase process for programming resources in pilot countries:

(a) the first step consist of preparation of an Investment Plan that provides an investment framework based on country priorities for shaping new economic opportunities and augmenting energy access through renewables. Accordingly, governments may solicit upfront an advance grant of up to \$375,000 for early preparatory work.

(b) For the implementation of the Investment Plan, the average funds available per country range from \$ 25-50 million, with a reserve of \$60 million which countries may request funds from once all the investment plans have been endorsed .

In contrast, the **Multilateral Fund for the implementation of the Montreal Protocol (MLF)** allows countries to assess their needs to comply with the Montreal Protocol (Ozone depleting substances ODS). Basically the preparation grants were around \$100,000 and could reach up to \$1.5 million. The Fund uses a project-by-project approach and the disbursement of money occurs stepwise in tranches only if the agreed quantifiable and verifiable national target has been met. Interesting is here that the unused funds from project preparation must be paid back, the same for those not approved.

The **Global Alliance for Vaccines and Immunization (GAVI)** for instance screens projects for eligibility and completeness, and after each project is pre-assessed, the World Health Organisation prepares a report to the Independent Review Committee (IRC). The IRC recommendations are sent to the GAVI Board for decision. Here countries can request \$50.000 to prepare proposals on health system strengthening system.

What do all these approaches mean for the AF? The recommendations made by the consultant are the following:

“a. project formulation grant (PFG) can only be awarded if a project concept is presented and endorsed;

b. Project formulation grants will fund country costs for project preparation;

c. An implementing entity can receive an additional [8.5%] to manage the grant;

d. A flat rate of [30,000 USD] will be provided, in addition to the project grant amount;

e. If the final project document is rejected any unused funds should be returned to the AF; and

f. Once project grants are disbursed a fully developed project should come to the Board for approval within [12 months].”

However, it should furthermore be considered whether NIEs and MIEs should be treated differently, since NIEs often have less capacities and experience, despite fulfilling the accreditation standards. Doing so, the Board could upfront disburse an advance grant for early preparatory work only to NIE.

1.3 Result based Management (RMB) of the AFB

With the start of the implementation of projects funded by the Adaptation Fund, the issue of ensuring that projects and programmes and the Fund itself reach identified results becomes crucial. The AFB members, and in particular the members of the Ethics and Finance Committee, will have to consider for the next meeting, the suggestions made by

the consultant to change a few of the outcome and output indicators previously approved by the Board.⁴

Since Germanwatch has reported the state of debate on this matter in its previous briefing, the present document will only address the proposed changes to be considered by the Ethic and Finance Committee⁵.

The RBM contains high-level goals, information and objectives, appropriate indicators and targets, all essential for monitoring progress towards results and utilisation of resources. The results should then be measurable, verifiable and quantifiable. This is supposed to help the Board to steer the AF in the right direction, as well as provide the Parties with guidance for successful implementation of projects and programmes. Enabling this, the present document identifies three strategic levels for a better RBM strategy.

1.3.1 RBM on the level of the Adaptation Fund

Particularly for AF projects, there is a causal relationship between activities, output, outcomes and impacts over time. Many questions should be addressed, including

- How do project interventions and other activities contribute to the outcomes sought after?
- Why should meaningful performance expectations be set?
- How should results be measured and analyzed?

Answering these questions should help the fund not only to enhance transparency and safeguard in the distribution of the money, but also ensure to avoid maladaptation. Through the establishment of its RBM, the Board has committed itself to achieve an overall goal and outcomes, which any project or programme funded through the AF must align with. In other words, the AFB's RBM envisions the development of the Strategic Result Framework (SRF), which should help the Fund to meet its commitment towards achievement of the overall goal and outcomes. Although any projects funded by the AF should align the objective fixed through the SRF, it should not be used as a blueprint for every project, but rather enabling the AF Board to translate its mandate into tangible results, to support ongoing planning, management and results monitoring, and measurement.

The development of an effective SRF assumes a clear definition of the intended effect and scale of interventions by using clear tools⁶ as well as a formulation of project objectives. Furthermore, a project logical framework is needed to ensure the achievement of the intended objectives. It is a kind of narrative summary of indicators means of verification of the set goal and expected outcome of the funded project, which contains an analysis of risks or assumptions susceptible to pressure the achievement of results.

On the other hand the SRF's supplies a structure around which project indicators as well core indicators of the AF are built. The consultant made clear in this regard, that there are neither ideal indicators nor perfect techniques to develop them.

⁴ AFB/EFC.3/3

⁵ Briefing on the 9th meeting of the Adaptation Fund Board, 18 March 2010.

<http://www.germanwatch.org/klima/afb2010-03.htm> or Briefing on the 10th meeting of the Adaptation Fund Board. <http://www.germanwatch.org/klima/afb2010-06.pdf>

⁶ For instance an analyse of stakeholders through the design of Problem analysis or problem tree, which enables a better understanding of the problem, or facilitate participatory brainstorming technique.

However, the best indicator remains the more realistic and comprehensive one covering all relevant aspects or dimensions of result. In addition, attention should be given not to use many indicators in order to avoid over-burdening monitoring systems.

1.3.2 Guiding principles for Project level baselines information

Every project will be submitted to the Fund with a baseline, which draws information and data captured from the vulnerability assessment, climate development and adaptive capacity, used to design the projects. A baseline is so far necessary, in order to capture the prevailing conditions for the intervention, it could also be seen as a tool for measuring of progress made in the implementation. A project baseline could be described by a set of qualitative and quantitative indicators. A good baseline requires the use of good data sources, trend analysis, vulnerability mapping as well as review synthesis of all available information in a comprehensive way.

It is crucial to bear in mind that the collection of accurate data both before and during the implementation of the project is important, because to the uncertainty associated with the improbability of the climate. This is also something where the inclusion of those stakeholders targeted by the projects early-on is crucial.

1.3.3 Knowledge Management

Knowledge is the understanding of the reality based on people's experience analysis and exchange⁷. The knowledge Management (KM) as part of the Result based Management is the critical session, according to the consultant. KM will be a challenge for the AF, not only because it is still relatively new and piloting the direct access to countries. However, the AF as well as its feature are in the ongoing process. Lessons learned there could be fed into the global knowledge on climate change in order to accelerate the process of understanding in terms of adaptation interventions.

Furthermore KM has a communicative dimension. Communication and knowledge are two poles, which are complementary. Both contribute synergistically to increase the effectiveness and impact of projects. The KM strategy therefore presumes the analysis of all existing information and data and the strong participation all involved stakeholders, a synergy of actions to be undertaken and the effective dissemination of lesson learned to the relevant stakeholders.

At the stage of implementation, the establishment of the RMB is needed now more than ever before. The AF should oversee all tasks relating to monitoring, evaluation and planning, which are carried out within the realm of AF. It will therefore take on a central role in the strict transformation of the guidelines and will take care that standards are introduced in order to guarantee a higher quality of projects. The AFB Secretariat is responsible for the evaluation on the level of the Fund. It is to provide a consolidated Adaptation Fund Annual Report, which indicates if all standards were adhered to. Furthermore it should maintain and update a Fund Level Database.

⁷ AFB/EFC.3/3 Project Level Results Framework And Baseline Guidance Document http://www.adaptation-fund.org/system/files/AFB.EFC_.3.3%20Project%20level%20Results%20Framework.pdf

While there is no doubt that such a RBM system is indispensable, it needs to be designed in a way that it does not pose a too large reporting burden before the project is adopted. It should rather seek to set incentives which maximise the effectiveness of a project. The function of a RMB is to compare “the planned” with “the actual” as well as to measure the progress made through the set baseline. In addition, a Knowledge Management with simple indicator will help to disseminate the lesson learned, both on the project level as well as on the fund level and facilitate the duplication of good practises. A complete RMB system needs to provide information about the use of resources, the activities implemented, the outputs produced and the results achieved.

In addition to these technical elements of the RBM, NGOs and CSOs also could play an important role in the evaluation as well as in monitoring and verification of the whole process due to their intense experience with project implementation. With the establishment of the public comment facility on the AF website, an additional mechanism was achieved in order to allow not only transparency and accountability, but furthermore an informal evaluation by third parties.

1.4 Project Performance reporting process, structure and content

The secretariat is currently designing a comprehensive Project Performance Report (PPR) template, which each project/programme will have to submit to the Ethics and Finance Committee through the secretariat on a yearly basis.⁸ The PPR is a kind of safeguard that permits to track the good advancement of the funded project. The present document of performance and monitoring reporting system for the Adaptation Fund outlines the goals of the system, and the requirements for project/programme level reporting. It consists of three main components:

- (a) The Project/Programme Performance Report (PPR) as an annual performance report is once needed when the first funds are allocated,
- (b) the Project/Programme Terminal evaluations, which arises from the Operational Policies and Guidelines of the Fund and can be seen as an additional non-recurring task to be undertaken separate from the annual report; and
- (c) the Adaptation Fund Annual Performance Report (AFAPR), which occurs also annually to track information through the lifecycle of projects/programmes as well as the progress made towards reaching intended outcomes.

The status of portfolio monitoring will be presented annually at the Board meetings, through an Adaptation Fund Annual Performance Report (AFAPR). Individual project/programme reports will be analyzed and reported on through the AFAPR.

⁸ AFB/EFC.3/4

Figure 1: Reporting Process⁹

To contrive this, the Board needs a solid transparent information management system. The used database needs to be comprehensive and publicly accessible in order to enable the integration of elements, which allow a proper monitoring of baseline data, milestones, targets, indicators, etc, based on the information provided by the project managers in an agreed template.

⁹ AFB/EFC.3/4

2 Direct access and Implementing Entities

Implementing entities are a key element in any international fund, since they are tasked to oversee project implementation. The opportunity for developing countries to ask for accreditation of domestic institutions, so-called National Implementing Entities (NIE) has opened up the new avenue of direct access. So far, 3 NIEs and 6 Multilateral Implementing Entities have been accredited.

2.1 Further countries to make direct access?

According to the report by the AF Secretariat released prior to the AFB meeting, in total 12 applications from non-Annex I Parties and two from regional organizations have been screened by the Secretariat, nine of which were forwarded to the Accreditation Panel (AP) for further consideration.¹⁰ The report of the Accreditation Panel was published just a few days prior to the AFB meeting and, unfortunately, confirms the difficulties that developing countries have with the direct access procedure.¹¹

In its report the AP stated that it has reviewed 5 NIE and one MIE applications in time for the 12th meeting. However, only for one NIE and one MIE the review was concluded and results in concrete recommendations. The AP recommends to the Board to accredit the World Meteorological Organisation (WMO) as the 7th MIE.

With regard to the NIE which is not named, while most of the fiduciary managements standards were met, the AP could not recommend accreditation at this time. Arguments for this decision include that the application did not demonstrate that the fiduciary standards relating to requisite institutional capacity was met and that there is also not sufficient evidence that a zero tolerance policy would be applied in case of fraud and mismanagement. More details are given in Annex I to the AP report.

Table 1: overview of Implementing Entities reviewed by the AP

IE	Date of application	Institutional characterisation	Decision/Comments by AP
NIE 1	February 8, 2010	National ministry	Review concluded through several communications between AP/Secretariat and NIE 2, but accreditation could not be recommended
NIE 2	June 8, 2010	Government ministry	Reasonable candidate for accreditation, field visit envisaged to compensate for the absence of written policies and guidelines
NIE 3	October 8, 2010	Newly established government fund on environment	Further review and documentation required, decision envisaged at AP first meeting in 2011

¹⁰ AFB/B.12/3/Rev.1

¹¹ AFB/B.12/4

NIE 4	September 28, 2010	Autonomous body set up by the government in 1999, oversees environmental concerns, think tank and advisory body	Major gaps in the demonstration of capability to adhere to the fiduciary standards, additional evidence has been required
NIE 5	May 15, 2010	Ministry responsible for environment and natural resources	Further review of documents needed to determine if adherence to the standards demonstrated, review at first AP meeting in 2011
NIE 6	June 22, 2010	National ministry overseeing and executing financial management for the government	No demonstration of who or what government unit would be responsible and accountable, ministry to reply to written request by AP
MIE	September 20, 2010	MIE	Further information awaited from MIE, expected in time for next AP meeting

Source: own compilation based on AFB/B.12/4

Thus, this meeting will not deliver progress on direct access in terms of accreditation of further NIEs, which is unfortunate.

What is important in the AP's report is that, despite the anonymisation of the applications, it provides important information on what types of NIEs have been proposed by several governments. The AP thereby tries to be very transparent to provide lessons learnt while at the same time addressing reasonable confidentiality concerns.

The fact that among the proposed NIEs there are several government ministries has resulted in a compilation of specific difficulties that the AP has encountered (see Annex II of the AP report). A key observation which other countries should carefully consider is the following:

“These applications provided a wealth of references to their national legislation and systems and directed the accreditation process into relying on various different government authorities. At the same time it provided minimal information and demonstration of how the national systems and legislation interlink in practice to provide assurances that there will be adequate accountability for each and every Adaptation Fund project.”¹²

As a consequence of the encountered problems, the AP recommends to the AFB to adopt guidelines to assist designated authorities to select appropriate NIEs. This reasonable proposal, based on lessons learnt, would be another element of facilitation of the direct access process, and hopefully spurs the successful application of NIEs, which is crucially needed in order to make direct access a success.

2.2 Facilitation of NIE accreditation

Already in previous meetings the AFB has debated how to assist those developing countries who would like to go for direct access but who have not yet been able to either achieve full accreditation or to submit a complete accreditation application. As a consequence, the AFB at its 11th meeting in September requested the AFB Secretariat to

¹² AFB/B.12/4: Annex II

prepare a toolkit which would assist governments from developing countries in this accreditation process. It was presented in a side event held in Cancun and well perceived by the audience.

Interestingly, this issue was also intensively debated in the Conference of the Parties to the Kyoto Protocol (CMP6) in Cancun prior to the meeting of the AFB. It was agreed by the Parties that in addition to the toolkit, which was introduced during a well-attended side event in Cancun, the Secretariat of the UNFCCC is requested to organize three to four regional or sub-regional workshops during 2011 to facilitate NIE applications.¹³ These can become an important element to facilitate the exchange of experience between, inter alia, the accredited NIEs and those institutions from other developing countries. For that it will be important that in particular representatives from potential NIEs will participate in the workshops.

2.3 Expand the list of MIEs?

So far six MIEs have been accredited, with the WMO probably receiving accreditation as the 7th MIE at this Board meeting. These were invited by the AFB to submit their applications. However, there are four additional multilateral institutions which have requested to be invited, which are the UN Capital Development Fund, Organisation of American States (OAS), United Nations Office for Project Services, and Global Water Partnership.¹⁴

Reflecting the already great mismatch between projects submitted through NIEs on the one hand and MIEs on the other hand, there is no obvious need to have more organizations eligible to serve as MIEs. This would only be the case if they clearly demonstrate a comparative advantage. This might be the case for the Global Water Partnership due to its specific focus on water issues. However, since the AF does not prioritise a specific sector there is no convincing argument for this specific institution.

A good argument for the OAS may be that they are an umbrella for 35 countries from North, Central and South America, and some countries may have good experience with the organization from which they would also like to benefit. The request for accreditation has been endorsed by the member countries of OAS and thus should be seen as a strong signal of country-driven action.¹⁵

¹³ FCCC/KP/CMP/2010/L.6

¹⁴ AFB/B.12/2

¹⁵ Personal conversation with OAS from 9 December 2010.

3 Further issues

3.1 Initial funding priorities

The discussion on initial funding priorities has been going on since the 8th meeting of the AF. It links into the debate of defining which countries are to be seen as particularly vulnerable, and when this debate started in the AFB it was exactly about such a definition. In the end it was agreed to refer to the definition contained in the Convention, which, however, is so broad that it allows nearly every developing country to count itself as particularly vulnerable. Thus, it does not have a practical relevance for guiding the funding decisions of the AFB, which would have been different if the AFB had adopted the definition contained in the Bali Action Plan/Copenhagen Accord (LDCs, SIDS and Africa).

Afterwards different options of setting priorities have been debated, including at the last meeting, and there is the aim to result in a decision at the 12th meeting. It is of course time to take such decision, since already more than 20 projects have been submitted to the AFB, since it will now have legal capacity and thereby be able to enter into funding contracts, and at a certain point such decision could no longer be called *initial* funding priorities. Furthermore, setting such priorities may also be relevant for potential donors who require a clearer picture how the resources of the AF will be allocated, in particular to which countries.

The document presented to the AFB (AFB/B.12/5) basically lists all the options that were contained in previous versions, from country caps to prioritization by projects to options for regional allocations, and thus does not really provide new information compared to the previous meeting.

Still a key shortcoming is the ignorance towards the strategic priority contained in para 8 that “in developing projects and programmes, special attention shall be given by eligible Parties to the particular needs of the most vulnerable communities.” How well this priority is addressed in the project proposals could be a prioritization criteria on its own.

To select among the different approaches is of course easy, and AFB members might look for a combination of e.g. the following ones:

- **Project prioritization:** Of course it is crucial that the projects submitted are of good quality and perform well in the criteria set up by the Board. No bad application should be endorsed only because it comes from a poor country, for example. The strategic priority mentioned before (most vulnerable communities) should be a key guidance here.
- **Country cap:** setting a preliminary country cap of USD 10 million would be reasonable, given the fact, that so far only 2 out of 23 submitted projects have exceeded this amount.¹⁶ In order to incentivize the submission of programmatic approaches, the cap could be raised for programmes, e.g. to USD 15 million.
- In addition, a **regional allocation approach** could help to have a more or less equitable regional distribution. The calculations used in the AFB paper are based on the population and number of eligible countries. These would set a limit on the number of countries per region and thereby would still allow to apply the two other criteria.

¹⁶ See Germanwatch Adaptation Fund Project Tracker: <http://www.germanwatch.org/klima/afpt.htm>

Previously, there were also discussions to take the vulnerability of countries as the key country, possibly in a kind of ranking. However, the debates in the AFB and the exchange with scientists has shown that a scientific analysis can not provide the answer, since any ranking would have to be based on judgments of specific indicators, which undeniably would in the end be a political debate. The background paper prepared by the Secretariat and compiled based on the IPCC 4th Assessment Report is not really helpful in this regard, since it is just “copy and paste” and lacks adjustment to the specific AFB debates.¹⁷

A probably politically sensitive approach is whether, at least for the first phase of the AFB, not to consider projects from countries which receive substantial amounts of funding from other multilateral funds. While the LDCF also only funds projects in LDCs, the Pilot Programme for Climate Resilience under the World Bank will channel up to USD 50 million of grants into the nine countries and two regions selected. This will also finance priority projects. Even if the recipient countries are particularly vulnerable, which was one key basis for their selection, one could argue that this amount is so much higher than other countries can receive from any other Fund, so that these countries should not be among the prioritized. None of the nine priority countries has so far submitted a project, so it is still time to consider this aspect.

3.2 Formalising exchange with civil society

At its 11th meeting, the AFB decided to include in the agenda a meeting with civil society observers. Now a meeting is scheduled for the end of the 12th AFB meeting, for 15th December. This opportunity is of course much appreciated, since so far civil society engagement was limited to the informal exchange with AFB members during the coffee and lunch breaks. It is also an expression of the appreciation for the contributions of civil society to the development of the Fund.

However, it is only a further step into the right direction. Although in many regards innovative, the AF has a comparative disadvantage compared to the Pilot Programme for Climate Resilience under the World Bank. This is governed by a sub-committee comprised of government representatives. However, there are additional seats for observers with the right to speak (but not to vote).¹⁸ Five seats are reserved for civil society from developing country Africa, Asia and Latin America, and one for developed countries NGOs and one for an alternate.

3.3 Improving gender balance

While not formally on the agenda of this meeting, the rotational shift of the chair of the AFB from non-Annex I country to Annex I country representatives will have to be decided on at the first meeting in 2011. So far, three male AFB members have served as chairs: Richard Muyungi representing LDCs served in 2008 in the first year, Jan Cedergren representing Western European and Others Group served in 2009, and Farrukh Iqbal Khan in 2010 for non-Annex I Parties. Now it is time for the AFB to strengthen its gender performance and select a female chair, which has to be from Annex I countries. This is in particular necessary, since 26 out of the 32 Members and Alternates are male.

¹⁷ AFB/B.12/Inf.6

Of course, in addition all Parties should start to identify women who could be accepted as AFB members at COP17 in South Africa when this two-year term of office will end.

3.4 Status of resources and pledges

As part of the deliberations of the Ethics and Finance Committee, the Trustee World Bank will report on the state of the AF Trust Fund. Now, as the AF has started the phase of releasing funds to concrete project activities, it is even more important to reflect the state of the available resources. Key information is contained in AFB/EFC.3/7.

Compared to the last Trustee report from July 2010, the resources in the Trust Fund have increased by ca. 30 million to USD 190 million (October 2010). Around USD 18 million have been generated through the sale of 1.03 million CERs. At the moment (October 2010), the AF holds another 1.3 million CERs in its account, with a value of ca. USD 25 million. The total pledges made to the AF now accumulate to around USD 89 million, including the pledge by Australia announced in Cancún. Table 2 gives an overview of the pledges.

Table 2: Pledges made to the AF

Country	Resources pledged/Paid (USD)
Spain	57,055,000
Australia	15,000,000
Germany	13,883,000
Sweden	13,883,000
Monaco	12,197

Source: own compilation based on AFB/EFC.3/7Rev.1

According to the Trustee report, the funding decisions for the fully approved projects in Senegal and Honduras, amount to USD 14.3 million. This results in funds available to support new funding decisions of USD 158 million. If all six full projects submitted for consideration at the 12th AFB meeting would be approved, this would sum up to an amount of USD 37 million definitely approved. If in addition all project concepts would be endorsed which shows a high likeliness for full project submission once they are submitted, this would result in an additional USD 53 million.

3.5 Activities of the AF at the CMP6

3.5.1 Report of the chair to the CMP

As usual, the chair of the AF made its report back to the CMP 6. The chair was proud to announce that “the Fund is fully operational despite resource constraints and its relatively young age as compared to many other players dealing with climate finance, including in

¹⁸ http://www.climateinvestmentfunds.org/cif/directory#ppcr_sub_comm

the area of adaptation".¹⁹ The chair also pointed out all progress made this year: the issuance of the first project proposal, the accreditation of the first NIEs, the approval for funding project proposal, the signature of the MoU between the Board and CSE for the implementation of the programme in Senegal and the disbursement of the first tranche of the grant to the first ever accredited NIE the CSE of Senegal implementing entity. In closing the chair indicated that the resources available are far from being sufficient to tackle the adaptation needs of developing countries, and encourage other countries to make further contributions in addition to the 2% CERs.

The report has generally met positive approval and all Parties agreed that the AFB has done a good job. The CMP takes note with appreciation of the work carried out by the Adaptation Fund Board. Some Parties mostly from developing countries praised the progress made and reminded that challenges remain in order to better capitalise the direct access approach. Therefore they called for the necessity to hold regional workshop in developing countries in order to familiarise Parties with the process and requirements of the accreditation of national implementing entities.

3.5.2 Decision by CMP 6

Executive Summary

Just a few days after the CMP6, the members of the Adaptation Fund convene for its 12th meeting at the Universidad del Caribe, in Cancun (13 to 15 December 2010). At CMP6, the progress of the Adaptation Fund during the last year was formally appreciated by the Conference of the Parties, the Fund has not obtained its legal capacity from the German government, and the AFB members can focus on the next steps.

During this meeting, the Board will consider 15 project proposals of developing countries and likely approve at least some of them. Since 6 of these are fully developed projects (and not only concepts), implementation will be expanded after this meeting. However, project-related issues go beyond the approval. The Board will have to consider documents prepared by the Secretariat on issues such as project formulation costs and - very relevant - further guidance to ensure that the projects implemented contribute to the overall objectives of the Fund through approaches of Result based Management (RBM) and Knowledge Management (KM).

Furthermore, the currently available proposals show that, according to the author's view, further guidance is required in particular regarding the stakeholder consultation in the project preparation and implementation as well as how the special needs of the most vulnerable communities are being addressed, which is a strategic priority of the Fund. Currently the quality varies significantly. A laudable exception here is the Senegalese project already approved at the last meeting. Furthermore, the AFB should consider ways how it can report in a more transparent manner about the project decisions, while at the same time securing confidentiality where it is required.

Unfortunately, direct access will see little progress at this meeting. No further accreditation of National Implementing Entities will happen, since the applications considered by the Accreditation Panel do not (yet) provide sufficient evidence that all fiduciary management standards are being met. This underlines the importance of the steps undertaken by the AFB to facilitate the accreditation of NIEs.

¹⁹ Speech of the Chair to the CMP

A sign of further progress with regard to exchange with civil society is the first formal meeting between the AFB and observers, which will happen at the end of the meeting.

Regarding the review of the Fund, the CMP invited Parties and interested international organizations and stakeholders to submit to the secretariat, by 19 September 2011, their views on the review of the Adaptation Fund based on the terms of reference annexed to the decision.²⁰ The decision to the ToR contains *scope, methodology and objectives* to ensure the effectiveness and adequacy of the Adaptation Fund and its interim institutional arrangements, with a view to the CMP adopting an appropriate decision on this matter at its seventh session.

Concerning the report decisions, the CMP agreed to “to conduct up to three regional or subregional, as appropriate, workshops, with the possibility of another, as circumstances permit and as warranted.”²¹ This decision is so far important because there is an urgent need of capacity building of potential identified NIE within developing countries in order to enable the mastering of the accreditation Process.

Further activities undertaken by the AFB during the CMP were to host a side event in which the respective heads of the three accredited NIEs shared their experiences towards the successful accreditation as well as their challenge at the drawn of the implementation phase. In this side event the AFB secretariat presented its toolkit to assist countries to understand the accreditation process as well as to guide them step by step to prepare and submit an accreditation application. Furthermore, in a signing ceremony with the German government the legal capacity for the AFB was sealed.

²⁰ Review of the Adaptation Fund
http://unfccc.int/files/meetings/cop_16/conference_documents/application/pdf/20101204_cop16_cmp_review_afb.pdf

²¹ Report of the Adaptation Fund Board
http://unfccc.int/files/meetings/cop_16/conference_documents/application/pdf/20101204_cop16_cmp_report_afb.pdf

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