



Briefing on the 11th meeting of the Adaptation Fund Board

By Alpha O. Kaloga and Sven Harmeling¹, 14th September 2010

Summary

The 11th meeting of the Adaptation Fund Board (AFB) will take place from the 16th to the 17th of September in Bonn. It will be preceded by closed meetings of the Project and Programme Review Committee (PPRC) and the Ethics and Finance Committee (EFC). This meeting will be the last before the next COP in Cancún, where the AFB will also have to report on its progress since Copenhagen.

The following results may be achieved at the meeting:

- **Adoption of full projects and concepts:** the Board will have to consider 8 project proposals. Up to three fully-developed projects (Senegal, Egypt and Honduras) may be approved, with, however, the Senegalese project being the only one where the concept was already approved at the last meeting. The Egypt's project concept was rejected at the last meeting. It will be interesting to see whether the mariculture project has been sufficiently improved;
- In addition to Senegal, Jamaica and Uruguay are likely to become the **next direct access countries**, since approval of their nominations for National Implementing Entities is recommended.

Furthermore, the Accreditation Panel will present a strategy to support the accreditation of National Implementing Entities and thereby trying to help managing the challenges that more than 30 countries which have expressed their interest in direct access have identified. A draft communication strategy is expected to assist the Fund in its outreach.

However, the AFB will also have to consider progress on challenges which have not been resolved yet for several meetings. This includes the question of how to prioritise the allocation of funding among countries, regions and projects. Secondly, the AFB has to find clarifications for issues that emerged from the review of projects. One of these is that the consultation of stakeholders in the project preparation and implementation on the one hand lacks clearer guidance, and on the other hand is still missing in the project review criteria, despite its appearance in the project templates. There is no doubt that a meaningful stakeholder consultation should be part of any project funded, not the least to contribute to the strategic priority of the Fund to "give special attention to the particular needs of the most vulnerable communities.

Just a few weeks ahead of the CMP6 in Cancun, where the Board members will convene for its 12th Meeting, the Board can be satisfied with the progress it has achieved in 2010. Nonetheless challenges remain for the future work.

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General background to the Adaptation Fund under the Kyoto Protocol

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. 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 9th meeting can be found at www.adaptation-fund.org. Most of the session will also be webcasted at www.unccd.int/live/gef/index.php.

This briefing paper will highlight and summarise the key issues on the agenda of the 11th meeting of the AFB, and outline some further actions to be taken by the Board.

1. Issues relating to the work of implementing entities

The Accreditation Panel of the Adaptation Fund Board has the role to review accreditation applications for national implementing entities (NIEs), the key element in the AF's direct access approach, and for multilateral national implementing entities (MIEs).

Based on the initial review of the Secretariat, the AP in its meeting prior to the 11th meeting of the AFB had to consider a number of applications from NIEs and MIEs, of which two NIEs and one MIE were sufficiently developed to provide recommendations to the Board. It also reflected the current experience with the accreditation process, identified a number of barriers and proposes options to improve the situation.²

1.1 Accreditation of new implementing entities

Planning Institute of Jamaica (PIOJ, NIE application): Although the accreditation application of PIOJ was submitted in March this year, only during the 10th meeting the request has been considered and the Board authorized a field visit of one expert of the AP and one member of the secretariat in order to gain additional information and clarifications. During the field visit the AFB's messengers received a positive assessment of PIOJ to appropriately serve as Jamaica's implementing entity for the Adaptation Fund from the Inter-American Development Bank and the Canadian International Development Agency.

Agencia Nacional de Investigacion Innovacion ANII (National Agency of Research and Innovation of Uruguay, NIE application): The ANII submitted its application in June this year. The Panel noticed that although the ANII is a new entity it is managing funds of over US 120 million over the next four years period. Therefore it is not possible to find a demonstration or evidence of their work relating to recent and ongoing projects. However, the organization's competence and systems appear to be well suited for the role of a NIE³.

Based on the available information, the AP recommends to the AFB to approve both applications. If this recommendation would be followed, the total number of NIEs would rise to three, including the first one which is the Centre de Suivi Ecologique (CSE) from Senegal.

The **CSE from Senegal**⁴ is a public institution under the environment ministry which has decades of experience in implementing environment-related projects, including adaptation projects.

The **PIOJ from Jamaica**, according to the website description⁵, seems to be a central element in assisting the government in developing integrated and sector-specific policy and planning approaches, including, but going much beyond sustainable development research and data work.

² AFB/B.11/4

³ Report of the third Meeting of the Accreditation Panel (AP): AFB/B.11/4

⁴ <http://www.cse.sn>

⁵ <http://www.pioj.gov.jm/AboutUs/MissionVision/tabid/71/Default.aspx>

The **ANII from Uruguay**, according to the website⁶, envisages to execute political strategies in the area of innovation, research and development, with a view to advance the productive and social development of the country.

The Senegal option appears to be the most-experienced in terms of specific adaptation projects and approaches, whereas the Jamaican option puts adaptation into a broader context of development policy and planning. It becomes apparent that all three organisations are quite different from each other, which shows that in order to perform the functions of an implementing entity under the AF different approaches can be suitable. While it is of course good that an implementing entity has experience in adaptation, it is not necessarily the key requirement, since the work on the ground will primarily be done by executing entities. It will be interesting to follow up with the implementation of the projects under these three first NIEs and to assess what role the type of institution plays in this regard.

United Nations Environment Programme (UNEP, MIE application): During the last meeting of the AF, the board granted the accreditation of UNEP as MIE with request for further frequent reporting for projects implementation. Thereupon UNEP provided additional information, which is supposed to resolve the underlying concerns of the Panel. Further teleconferences were also held with representatives of UNEP in order to demonstrate, that issues and concerns have been addressed and additional requirements imposed on projects by UNEP could thus be lifted.

However, after having considering the additional information provided by UNEP, the Panel recommends the Adaptation Fund Board to repeal the **requirement of more frequent reporting on projects** to be implemented by the United Nations Environment Programme.

In addition to these applications, two further accreditation applications, one for a potential NIE and one for a potential MIE, are still under review by the Panel. Further progress may be achieved here by the 12th meeting.

1.2 Strategy to support the accreditation of National Implementing Entity

As of the date of issuance of the present document AFB/B.11/4, the Secretariat has received about 30 accreditation applications and expressions of interest for potential NIEs of non-Annex I Parties. Out of that number, only four have been forwarded to the Accreditation Panel for review. The secretariat has identified several causes, which prevented it to forward the accreditation application to the Panel. Therefore, it initiated an awareness raising programme to promote and assist developing countries to successfully apply for accreditation.

It has become apparent that many countries face difficulties in **identifying an appropriate entity to serve as an NIE**, and there are different approaches as the three examples of NIEs show. Options range from adjusting existing institutions to establishing new ones. Barriers identified include a lack of clarity what supporting documentation is needed to demonstrate each standard, language difficulties, and an ineffective and time-consuming communication and coordination process with the Secretariat and the AP. Overcoming these barriers requires considerable efforts and time, which may result in delaying, or ignoring, the option of direct access to the resources from the Fund⁷.

On the Fund level the secretariat detected a lack of clarity regarding the fiduciary standards, including confusion over the addressee – implementing entity or executing entity -, too much attention on internal processes as opposed to activities relating to the project, and a too tight timeframe to respond to information requests from the Secretariat or the Panel.

Based on these shortcomings, the Panel reviewed possibilities to add resources to help the NIE. The Board has made it clear not to use resources of the Fund for capacity building purposes. Acknowledging the fact

⁶ <http://www.anii.org.uy/web/>

⁷ Report of the third Meeting of the Accreditation Panel (AP): AFB/B.11/4

that doing so would divert the Fund away from its core duties, namely the financing of concrete adaptation projects/programmes, the Panel recommends the Board to redouble its efforts by engaging bilateral and multilateral agencies with the objective to have them finance or provide assistance to the applicants and thereby increase the resource flow for capacity building.

In the authors' view it should be noted here that, in order to minimise conflicts of interest, such capacity building could be particularly valuable if it is offered by agencies which do not serve as multilateral implementing entities to the Fund: Because the latter ones would to some extent have to face the challenge that they are asked to capacitate a specific developing country to become independent from them. A recent example from the Philippines underlines that this concern is not just based on theory. There is evidence that the World Bank has difficulties in accepting the government's position to pursue direct access, when it proposes to the government to submit a specific project through the World Bank (with a 15% management fee of USD 2 million) although being aware of the government's decision.⁸

It furthermore has to be underlined that, while it is in principle possible to prepare an NIE application and submit a project through an MIE at the same time, it is likely that at least for the next 3 years the AFB will not approve more than one project per country, given the scarce resources. Submitting a project now through an MIE could mean that the NIE option will not result in further project funding for a country.

Furthermore the Panel proposes to the Board to establish a kind of **help desk or equivalent** in order to provide more and better organized assistance to the applicants. This helpdesk should also be the designated authority for identifying potential applicants as NIEs as well as being a tool to reduce the number of pending incomplete applications. According to the recommendation of the Panel it is important for the Board to conceptualize more user-friendly communication tools to facilitate the accreditation of NIE. In other words this means to expand the available documentations and to prepare an operational manual or step-by-step guide and a tool-kit to assist countries in the accreditation process.

1.3 Fees of implementing entities

The first round of project concepts has shown that there is a significant variance in the fees charged by the implementing entities. As a consequence, the Board requested the MIEs - UNDP, UNEP, WFP - to provide explanation on their fee structure, which is contained in document AFB/B.11/Inf.6.⁹ None has provided a definite cost breakdown, but instead, offered a general idea of fees by using specific examples. The difference of their fees – between 9 and 10% - to the one charged by CSE from Senegal (5.1%) remains decisive. It will be interesting to see the fee charges by future NIEs. The Secretariat's paper does not give a specific recommendation how to handle the matter. Right now it is difficult to take a general conclusion that the work of the NIEs is less expensive. However, one way to respond could be to set a cap for management fees, which should not extend more than for instance 2% of the fee requested by the NIEs. If NIEs would perform the same functions with the same quality than MIEs, but with less costs, this would be an interesting comparative cost advantage for the direct access approach.

2. Issues related to projects and programme proposals

AFB 11 is now the second meeting where concrete project and programme proposals are being considered by the Projects and Programmes Review Committee (PPRC) and the Adaptation Fund Board as a whole. The PPRC will hold its closed meeting in advance of the regular AFB meeting on 15 September and will likely predefine much of the outcome of the AFB decisions.

⁸ Information based on http://www.senate.gov.ph/press_release/2010/0825_enrile2.asp and personal communication

⁹ http://www.adaptation-fund.org/system/files/AFB.B.11.Inf_.6%20Implementing%20entities%20fees.pdf

2.1 Overview of project and programme proposals

Key information is contained in the Secretariat's reports AFB/PPRC.2/2-11. For consideration at this meeting, the accredited Implementing Entities submitted 10 proposals to the secretariat, with the total requested funding amounting to **USD 60,991,487**. Two proposals were withdrawn by their proponents after the Secretariat has carried out its initial technical review. The 8 latter remaining proposals amounted to USD 52,057,000 of requested funding, including USD 4,230,326 or 8.1% (on average) in implementing entities' management fees..

Based on the Secretariat's report and the last AFB meeting, the authors developed an Adaptation Fund project tracker which can be seen in Annex I. It gives a full overview of the state of the project debate, which can be summarised as follows:

- so far, 14 projects have been forwarded in total for consideration by the Board,
 - 5 from LDCs,
 - 3 from Small Island Developing States and
 - 6 from African countries.¹⁰
 - out of the 4 project concepts approved at the last meeting, only Senegal (so far the only country with direct access) now submitted a full project proposal;
 - for the AFB 11 meeting, in addition Egypt (with the concept rejected at AFB 10) and Honduras have submitted full proposals.¹¹
- Thus, this meeting might result in processing in first project grants for up to 3 countries.

Furthermore,

- the submitted proposals cover a range of concrete adaptation projects , from mariculture as an Adaptation Strategy to Sea Level Rise till in Egypt to Ecosystem Based Adaptation Approach to Maintaining Water Security in Critical Water in Mongolia just only to mention this.
- the way that certain aspects are addressed, in particular the need to pay particular attention to the needs of the most vulnerable communities and to meaningfully consult stakeholders, vary significantly, with some projects performing better and some weaker (the majority of projects);
- a simple listing of consulted stakeholders without highlighting their input to the proposal
- A lack of expertise on negative impact - potential maladaptation- of the submitted projects.

A remarkable change in the transparency policy of the AFB has to be noted here, which has been the result of an intensive debate at the previous AFB meeting.¹² Before the last meeting, the Secretariat published all the technical screenings, including the recommendations for approval or non-approval, before the PPRC meeting. This presented to the public analyses of strengths and weaknesses of projects. Afterwards, this also allowed the public to compare the recommendations made by the PPRC (and decisions taken by the AFB) with the independent Secretariat review.

Of course, this policy change will make it much more difficult for observers to assess the quality of projects. It remains unclear which project characteristics or weaknesses need to be treated confidential, and why there are reservations to defend them in a public debate, although the proponents expect to be funded in the order of several millions of dollars. However, the concrete implications of this policy change regarding the quality of the projects and also potential conflicts of interests can not be judged right now and will have to be observed.

For this, it will be crucial that the reports from the PPRC will be as comprehensive and transparent as possible, including identifying the weaknesses for which further information will be requested from the project proponents, for example when project concepts are not approved upon their first submission. Fortunately, this was the case in the report from the 10th meeting. If even this would be kept away from the public, it would have to be regarded as a major step backwards in terms of transparency.

Furthermore the secretariat identified the following issues in its screening/ technical review process, which the PPRC will have to address:

¹⁰ This regional list includes double-counting.

¹¹ One for the concept for Egypt, which the Board decided to defer in the previous meeting, and another for Honduras, which is submitted for the first time following the one-step approval process

¹² See the 10th meeting's report: http://www.adaptation-fund.org/system/files/AFB%2010%20Rev.1%20final%20report_9_7_10.pdf

- The necessity to review and extend the project review timeline in order to enable the proponent to provide timely the requested clarifications as well as to allow the PPRC enough time to consider the recommendations by the secretariat. Therefore the secretariat suggested that the whole review cycle be extended to start 10 weeks before each meeting.
- Since, according to its OPG, the AF will finance "*a full adaptation cost basis to address the adverse effects of climate change*" which mean unlike other funds, co-financing from other sources of funding is not required for projects and programmes funded from the Adaptation Fund. It is important to accurately watch out, whether a proposed project or programme is concrete enough to meet the mandate of the Fund. Thus, it is critical to determine as precisely as possible, to which degree the proposed project or programme aims principally and explicitly to climate change adaptation.

Additionally, the following key points possibly require amending of the project review criteria in order to strengthen the quality of the project:

- Regarding the consultative process, according to the OPG the project proponent should describe how the stakeholders has been consulted and included in the process. However, unlike other items in the proposal template and instructions, assessing such description of stakeholder consultation is not included in the review criteria. The PPRC could easily adjust the review criteria and thus formally benefit from the information that is already given by the project proponents. In the authors' view it is also crucial to provide proponents with clearer guidelines on the minimum standards for stakeholder consultation
- In addition the secretariat also recommends the PPRC to consider the issue in its screening to address the sustainability, or duration of impact, of the project.

The consultation of stakeholders is an important matter to be taken seriously if the AFB wants to meet some of its core goals, the strategic priority "to give special attention to the needs of the most vulnerable communities"¹³. In that regard, it is not sufficient that the proponent lists the name of stakeholders being consulted in the process, without specifying their input up, which often reflected the view of the affected or targeted groups. The other way around is that the consultation is a precondition for ownership which strengthens the sustainability of the projects. Also the sustainability of the project could be understood as the other side of the same coin. One can never achieve the sustainability of the project without sufficient consultation.

2.2 Funding for project proposal costs

During the last meeting the AFB discussed on the issues of awarding funding for project formulation cost. It approved to basically fund project formulation cost of NIE and also to review the issues of projects formulations of MIE in the upcoming meeting. The document prepared by the AFB Secretariat (AFB/B.11/6) reviews the policies of the Global Environment Facility, the Climate Investment Funds, the Multilateral Fund (Montreal Protocol), the Global Fund (to fight AIDS, Tuberculosis and Malaria) and the Global Alliance for Vaccines and Immunization (GAVI) to draw a comparison.

Basically, all mentioned Funds are disbursing a formulation cost upfront and stepwise after the prospect of success of the project has been agreed at least in the first step of the project cycle. By mismanagement or in the case the project has been cancelled or not adopted the applicant has to reimburse all unused resources. In addition, some activities or items are not eligible (funding of pilot activities during the preparation, cost of capital goods like offices, cars, etc.).

The Secretariat proposes different options, depending on whether a country chooses to directly submit a fully-fledged proposal, or whether it first submits a project concept. Furthermore, depending on its decision, the AFB will have to amend the existing OPGs accordingly.

2.3 Options for Initial Funding Priorities

The document on Initial Funding Priorities (IFP, AFB/B.9/5) addresses an important, but also controversial aspect of the climate debate, namely the identification of the countries particularly

¹³ Operational policies and guideline for Parties to access resources from the Adaptation Fund, para 8.

vulnerable to the negative effects of climate change. To memory, the board is confronted on the one hand with the problem how to balance an amount of about \$ 160 million in the year 2010 among a growing number of applicants from the 149 eligible developing country Kyoto Parties. And on the other hand it does not only want to finance small projects, but also larger-scale programmes.

According to this, the Secretariat of the AFB prepared the present document upon the request of the Board, which reflects both the discussion in the Board on the first draft of the (IFP) and the outcome of the CMP 5 in Copenhagen. In order to be able to identify, which countries among the eligible Parties¹⁴ are most in need, the Board is asked to consider some categories of Non-Annex I Parties as non-eligible, such as OECD countries or non ODA countries¹⁵.

Beyond this eligibility criteria a cap in resource allocation per eligible host country should be introduced according to the Operational Policies and Guidelines (OPG) of the AFB. Countries are not entitled to a certain amount as allocation, rather they will receive an amount between zero and their cap depending on the resources available in the Fund and the prioritization of proposed projects and programmes exercised by the Board¹⁶.

Options 1 - a uniform cap per country: All eligible Parties will have the same cap and may submit proposals within this cap. Thus, depending on the level chosen and on the period of time considered - end 2010 or end 2012- a simple simulation - based on preliminary information from the Trustee, \$388M in 2012- shows by the lowest cap of \$5M ca. 78 countries would get resources from the AF until 2012¹⁷. However, it is important to note, that the projection depends on the development in the carbon market as well as on the contributions of developed countries.

Option 2 – variable caps taking into account the specific circumstances of certain groups of countries: This option would take into account specific circumstances of some countries, e.g. the prioritisation of LDCs, African Countries and SIDS based on the agreement of the Bali Action Plan and the Copenhagen Accord. Depending on the constellation and the basic situation in the country, for instance, whether the country is LDC as well as SIDS, an additional value would be set on the basic cap per each eligible countries. Furthermore the Secretariat advises the Board to check whether the projects submitted have not been financed previously by another fund like the Least Developed Country Fund (LDCF), in order to prevent double financing¹⁸.

Option 3 – Variable caps taking into account the specific circumstances of each country: Based on the national circumstances of each country, a numerical combination of indexes reflecting the criteria outlined in the OPG of the Adaptation Fund, adopted by the CMP, including the level of vulnerability, the level of adverse impacts, and the level of urgency and risks arising from delay, a specific cap will be defined.

It is worth noting, that such an option has been implemented for instance under the GEF Trust Fund and has revealed some drawbacks. It has particularly not contributed to the transparency and soundness of the indexes.

Allocation per region: According to its OPG the AF should allow access to the fund in *a balanced and equitable manner for eligible countries*. Based on this principle and the discussion in the Board the AFB could take into account the regional distribution of funded projects, the population criterion, as well as the funding priorities of other major entities financing adaptation.

In view of the discussion in the Board, the secretariat prepared the following option. It considers the principle of allocation per region (Africa, Asia, Latin America and Caribbean and Europe). Thus,

¹⁴ Decision 1/CMP.4: *Eligible Parties to receive funding from the Adaptation Fund are understood as developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change including low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems.*

¹⁵ See Germanwatch's Briefing on the 9th meeting of the Adaptation Fund Board, 18 March 2010; Briefing Paper on the 10th meeting of the Adaptation Fund Board, June 2010; Historic milestone achieved in the 9th Meeting of Adaptation Fund Board

¹⁶ Initial Funding Priorities AFB/B.9/5 p.4

¹⁷ For detailed informations see graphic in Initial Funding Priorities AFB/B.9/5 p.2

¹⁸ For detailed info: Kaloga, Harmeling March 2010: Briefing on the 9th meeting of the Adaptation Fund Board p.6

projects and programmes could be presented by countries in a region within the regional allocation.

	Number of eligible countries		Population of eligible countries (millions)		Allocation	Nb countries to access the Fund - option 1.b ⁵		Nb countries to access the Fund - option 2	
						Until 2010	Until 2012	Until 2010	Until 2012
Asia (including Pacific)	58	38.9 %	3726	70.2 %	55%	8	21	8	23 to 24
Africa	53	35.6 %	995	18.8 %	27%	4	11	4	10 to 11
Latin America and Caribbean	32	21.5 %	567	10.6 %	16%	2 to 3	6 to 7	2 to 3	7
Europe	6	4%	21	0.4%	2%	0 to 1	0 to 1	0 to 1	1
Total	149	100 %	5309	100 %	100%	15	39	16	42

Source: AFB/B.11/5

This system should be additional to the above mentioned options and ensure an equitable distribution among regions by allocating according to regional populations and number of countries¹⁹.

In order to inform the AFB, an IPCC expert gave an input on vulnerability issues at the last meeting. Some AFB members obviously hoped that this would facilitate a decision on initial funding priorities. However, reflecting the document AFB/B.11/Inf.7²⁰, there is little added value to the debate in the AFB. There is no scientific answer to prioritising funding, political decisions have to be made. The fact that the AFB has considered this issue in several meetings now reveals how difficult such agreement is.

Prioritisation among projects: Concrete technical criteria are required to prioritize among different projects presented under the same call for proposals. Therefore the Secretariat invites the board to consider a couple of criteria in order to prioritize projects, including when submitted through a NIE, whose host countries are SIDS and LDC. Another option mentioned is to prioritize projects in sectors which have not already been covered through other funds (e.g. the LDCF), which are concrete and not a duplication of funding sources and which take into account the level of vulnerability of the proponent countries, the lessons learned according to the OPG and the adaptive capacity to the adverse effect of climate change.

But nevertheless, although the proposals for Initial Funding Priorities have covered important controversial points of the vulnerability debate, certain points have not yet been considered. The special attention to the particular needs of the most vulnerable communities for instance has been adopted as a strategic priority and would thus be a good criterion to prioritize among projects. Its consideration also contributes to the sustainability of the project and is a good indicator for stakeholders' inclusion.

Therefore, the Board should consider the level of participation both in the project conception and in the implementation as a requisite key for future prioritization. Indeed, documenting a consultative process including the list of stakeholders is required in the template of the project proposals. However almost all of the submitted proposals have just listed the names of local organizations, which have participated in certain workshops previous to the proposal, without accurately informing which inputs or which elements arise from these targeted vulnerable people in the proposal.

Another relevant entry point for prioritization could be the designation of NGO, CSO, or local community within the countries as Executing Entities (EE). So far the proposal made by the CSE of Senegal stands alone in explicitly planning to involve NGOs as EE.

¹⁹ The criteria “funding priorities of other major entities financing adaptation” appears difficult to use in this allocation, especially because it would give a lower allocation to regions with LDC and SIDS, because they are a priority for LDCF and PPCR

²⁰ <http://www.adaptation-fund.org/system/files/AFB%20B%2011%20Inf.7%20Vulnerability.%20Excerpts%20from%20IPCC%20Working%20Group%20II%20contributions%20to%20the%204th%20Assessment%20Report%20of%20the%20IPCC.pdf>

2.4 Project Level Result frameworks and Baseline Guidance Document

As a part of the Board's decision on moving forward with the Result Based Management (RMB), the Board requested the Secretariat "to develop a practical guide or manual on how project baselines and project results frameworks may be prepared." The present document AFB/EFC.2/3²¹ should guide AF project proponents at the country level on how to develop project or program baselines and results frameworks (including data collection, analysis, and reporting on Adaptation Fund indicators). It also clarifies the definitions of core indicators, and suggests approaches for their measurement²².

The RMB is based on the simple idea that the implementation of projects should comply with the management's strategy and the implementation of the activities. The AF Strategy framework encompasses the long-term goal, outcome, output and a small set of indicators for the Fund as a whole, which the Fund commits itself to achieve. Thus, any project or programme funded through the AF must therefore align with the Fund's results framework and directly contribute to the overall objectives and outcomes outlined.

Some relevant definitions have been adopted in the past meeting. The following four basic indicators are important instruments for evaluation of the Strategic Results Framework (SRF) and should thus be repeated here²³:

- **Goal:** Support vulnerable developing countries that are Parties to the Kyoto Protocol and particularly vulnerable to the adverse effect of climate change in meeting the costs of concrete Adaptation projects/Programmes in order to implement climate resilient measures.
- **Impact:** Increase resilience at community, country, and regional level to climate change, including climate variability.
- **Outcomes:** Several detailed outcomes are planned in the SRF with the purpose to achieve short-term and medium-term of an intervention's output. It takes into account all kind of changes in completion of outputs and the achievement of impact.
- **Outputs:** Also here there are several outputs framed to integrate the result from completion of activities within a development of activities.

At dawn of the implementation of first projects, several questions remain unanswered and need to be included in the RMB: for instance, why and what project interventions and other activities contribute to the outcomes sought? Why should meaningful performance expectations be set? How should results be measured and analyzed? etc...

First of all it is crucial to clarify SRF is not supposed to be a blueprint from which every project is developed, in fact it is a tool for the AFB "to translate its mandate into tangible results to support ongoing planning, management and results monitoring and measurement".

In doing so and according to this draft document, seven steps or phases have been identified and drafted in order to develop a Result Framework for an Adaptation Project and should be considered as a guidance for strategic planning of upcoming projects. Although these steps have been developed in a thoughtful sequence, their implementation should basically require the iteration of one another.

Furthermore one needs Baseline Data Information (BDI), which are crucial to describe the situation prior to a development intervention. BDI are based on prevailing average conditions - spatial and temporal variability-, which can cause significant impacts to the intervention. Therefore, it should review and synthesize existing information on current and future vulnerability and climate risk as well as compile expert opinions and take into account policy context. The data source should originate from available generally accepted sources and also require primary data collection efforts.

In addition the document contains AF standard indicators to measure the progress, which all are not automatically tailored to all kind of projects. Project applicants therefore may choose only output and outcome indicators that are relevant to their project characteristics and set results.

²¹ http://www.adaptation-fund.org/system/files/AFB.EFC_.2.3%20Project%20level%20results%20framework%20and%20baseline%20guidance%20document.pdf

²² Project Level Result frameworks and Baseline Guidance Document AFB/EFC.2/3 p.2

²³ Id. at p.3

However, it is important to supply some concrete information relative to the most vulnerable communities, ie indicators like numbers of people suffering losses from extreme weather events, percentage of households and communities having more secure (increased) access to livelihood assets. This is relevant and important for Baseline Data Information and measuring.

Furthermore the indicator could also introduce the level of inclusion of targeted community as well as identify inputs and needs arising from vulnerable community, which directly are reflected in the proposal and are measurable in the implementation process. Indigenous knowledge or experience is relevant for the sustainability of every development enterprise. Integrating them in the proposal could strengthen the ownership of those which are more in need according to the OPG²⁴.

For instance the AFB can lean on the good practice from the LDCF/SCCF,

Therefore we propose that the Board inserts these underlying words in the indicator 3.1 when considering the document: "No. and type of risk reduction actions or strategies introduced at local level as well as No. of inputs in the proposal arising from the vulnerable communities addressed."

3. Other issues

3.1 Extension of the arrangements with the Trustee due to delay in AF review

One issue resulting from the failure to sufficiently progress the review of the AF and its institutional arrangements at the recent UNFCCC negotiations in Bonn is the need to extend the agreement with the World Bank as the Trustee. The current terms and conditions between the CMP and the World Bank would expire three months after Cancun- in March 2011-, unless the AFB extends the terms and the trustee agrees to it.²⁵ The Trustee now has prepared a document to formalise such an extension (AFB/EFC.2/4). Therein, it is recommended to extend the agreement by two years, until after COP18/CMP8 in 2012. This is justified by the authors with the end of the first commitment period of the AF by 2012.

The World Bank so far has provided adequate trustee services and has now useful experience and expertise in selling CERs in the high volatile carbon market. However, the review of the AF is intended to be closed already in South Africa at COP17/CMP7. While as of now there is no clarity on the outcome, it theoretically may result in institutional changes which may come into effect already during 2012. There is no obvious need now to already extend the agreement by two years, why extension by one year is more appropriate in order not to prejudice any outcome of the review.

3.2 Financial Status of the Adaptation Trust Fund:

As usual at all meetings of the AFB, the trust Fund will present the status of receipts and disbursements, reports on the cumulative funding decisions made by the Adaptation Fund Board since inception. The Fund held in trust a cumulative amount of USD 160 million as of July 31st, 2010. Thereof USD 112.47 million have been generated through CER sales since the start of the CER monetization program in May 2009, and USD 57.07 million were contributed through voluntary donations²⁶. So far the cumulative funding decisions made by the Adaptation Fund Board up to July 31st, 2010 amount to USD eq. 10.7 million. This will obviously rise when more projects will be approved. Nevertheless, the current volume remains a drop in the ocean and lags far behind all adaptation cost needs in the developing world.

²⁴ Operational Policies and Fuidelines of the Fund to access ressources from the Adaptation Fund. para

8. "in developing projects and programmes, special attention shall be given by eligible Parties to the particular needs of the most vulnerable communities"

²⁵ FCCC/KP/CMP/2008/11/Add.2, Appendix, para 34.

²⁶ So far the trustee executed a donation agreement with the Government of Spain for an amount of EUR 45 million, and the Government of Monaco fr EUR 10,000.

3.3 Communications Strategy for the Adaptation Fund Board

The present document (AFB/B.11/8)²⁷ contains proposals for a communication strategy prepared by an independent consultant, based on interviews with AFB members as well as observers. It draws the following conclusions and recommendations.

The AFB as a global Fund is basically confronted with several challenges, for example to match high expectations with limited resources, to deal with scepticism across some donors, multilaterals and key climate stakeholders, the need to prove that direct access actually works, the difficulty in the accreditation of NIEs and the uncertainty about the future of Kyoto Protocol and its flexible mechanisms like the carbon market. The AFB as well as the Secretariat deal with capacity constraints.

Externally "the Fund is at a critical juncture and the climate change community is waiting, hopeful and watching". According to the report, the Climate change community recognises and trusts the potential role of the AF as model for the future both for the finance architecture as well as international cooperation. The eyes of the international community are fixed on the fund to look at how it deals with its innovative features. In summary, the AF needs to demonstrate success in order to be able to fortify and amplify a clear message to key stakeholders, both to donors and developing countries.

This requires inter alia to differentiate the messaging to the different types of decision-makers as well as civil society and observers in general, in order to increase the acceptance towards the AF:

- target potential donors in order to analyse and build a strategy, which is tailored to their main concern. The initial message should be that "*of being a partner or being part of the solution*". This will win them over in order to support the AF in meeting their climate change pledges and gain their sympathy. Also one should draft messages to address misconceptions, which have been issued to directly counteract standard well-known concerns.
- remind developing countries that the AFB is driven by customers and established to listen their utmost concern. The Fund is already operational to help them manage the adverse impacts of climate change on their people. They have long fought for a direct access approach and now have to become more engaged in making it work.

To achieve the goal and to reach the targeted stakeholder the consultant has designed a list of activities to be undertaken. Beside the participation to international events the AFB should develop material both in electronic and print form (fact sheet, talking points, presentations kit, etc..) on all relevant issues of the Fund in order to reinforce and finalize the message

3.4 Report of the Adaptation Fund to the CMP6

Since this is the last meeting before Cancún, the Board has to consider the report to be sent to the CMP. Basically, the Board has achieved important steps this year. It has launched the accreditation of Implementing Entities as well as the first NIEs, and issued the call of project proposal and approval of funding decisions on adaptation projects and programmes. Also, finally the Board will report on the progress made to confer the legal capacity to the board as well as on the proceeds from the monetization of Certified Emission Reductions (CERs), which reached more than \$100 million.

In the draft report, the AFB also requests the CMP to adopt the amendment of the Terms and Conditions, which extends the trustee services to be provided by the International Bank for Reconstruction and Development (the World Bank) as trustee for the Adaptation Fund.

Assuming according decisions at this meeting, the AFB will likely be able to report that three countries have managed to comply with the criteria for direct access, plus a number of Multilateral Implementing Entities have been accredited. Furthermore, it is likely that funding for at least one project will be processed. The board has almost achieved setting a robust RBM system in place, which ensures to fulfill the ultimate goal of the AFB as well as to measure the progress made both as fund level as well as project level.

This overall progress should, despite the remaining constraints, build confidence to ensure that the AF is given adequate relevance in the design of the future climate finance architecture, including through channelling additional resources into it.

²⁷ http://www.adaptation-fund.org/system/files/AFB.B.11.8_Communications_Strategy_0.pdf

ANNEX 1: Adaptation Fund project tracker, as of 14 September 2010

developed by Germanwatch

AF Country	Project Name	Implementing Entity	Financing requested (In U.S \$)	LDCs	SIDS	Africa	State of project proposal		Human Development Index
							AFB 11	AFB 10	
<u>Direct access</u>									
Senegal	Adaptation to Coastal Erosion in Vulnerable Areas	CSE, Senegal	8,619,000				Full project considered	Concept approved	166
Jamaica	<i>Not yet submitted</i>	PIOJ, Jamaica					NIE suggested for approval		100
Uruguay	<i>Not yet submitted</i>	ANII, Uruguay					NIE suggested for approval		50
<u>Non-direct access</u>									
Egypt	Promoting Mariculture as an Adaptation Strategy to Sea Level Rise in the Nile Delta	UNDP	5,720,000				Full project considered	Concept rejected	123
Guatemala	Climate change resilient productive landscapes and socio-economic networks advanced in Guatemala	UNDP	5,500,000				Concept considered		122
Honduras	Addressing Climate Change Risks on Water Resources in Honduras: Increased Systematic Resilience and Reduced Vulnerability of the Urban Poor	UNDP	5,698,000				Full project considered		112
Madagascar	Promoting Climate Resilience in the Rice Sector	UNEP	4,505,000				Concept considered		145

Mauritania	Reinforcing Nouakchott City adaptive capacities to reduce sea level rise, flooding, and sand dune encroachment threats	World Bank	15,000,000					Concept rejected	154
Mauritius	Adapting Coastal Zone Management to Address the Impacts of Climate Change	UNDP	9,240,000					Concept rejected	81
Mongolia	Ecosystem Based Adaptation Approach to Maintaining Water Security in Critical Water Catchments in Mongolia	UNDP	5,500,000				Concept considered		115
Nicaragua	Reduction of risks and vulnerability from floods and droughts in the Estero Real watershed	UNDP	5,500,000					Concept approved	124
Niue	Reducing climate risks to food security in Niue through integrated community-based adaptation measures and related institutional strengthening	UNDP	3,465,000				Concept considered		not available
Pakistan	Reducing risks and vulnerabilities from Glacier Lake Outbursts Floods in Northern Pakistan	UNDP	3,960,000					Concept approved	141
Solomon Islands	Enhancing resilience of communities in Solomon Islands to the adverse effects of climate change in agriculture and food security	UNDP	5,000,000					Concept approved	135
Turkmenistan	Addressing climate change risks to farming systems in Turkmenistan by improving water management practice at national and community levels	UNDP	2,970,000					Concept rejected	109
Uganda	An Integrated Approach to Building Climate Resilience in Uganda's Fragile Ecosystem	WFP	13,500,000				Concept considered		157