



Briefing on the 10th meeting of the Adaptation Fund Board

By Alpha O. Kaloga and Sven Harmeling, 13th June 2010¹

Summary

From 14th to 16th June, the Adaptation Fund Board will convene for its 10th meeting in Bonn, Germany. For the first time it will be able to discuss, and likely to adopt, concrete adaptation project and programme proposals submitted by vulnerable developing countries. The Fund now really enters into the stage of implementation, and will have the chance to prove that its established structures work out and that it can become an instrument to work for the most vulnerable countries and people. The recently announced contributions from Spain (Euro 45 million) and Germany (Euro 10 million) also strengthen the basis of the Fund.

Out of the 8 projects submitted with a total proposed budget of ca. USD 56,000,000, 5 projects are recommended to the Board for adoption. In three cases the technical screening prepared by the Secretariat does not recommend adoption, including the only project where the World Bank serves as implementing entity (in Mauretania). However, this first round of project proposals also reveals some challenges and necessary adjustments in some procedures of the Fund, for example that Parties need to report in their proposals on the consultative process which, however, is not yet part of the project review criteria.

For the development of the direct access approach it is also remarkable that the only project submitted by a National Implementing Entity (NIE), from Senegal is recommended for adoption and that it is the only one which mentions NGOs as planned executing entities (all other projects exclusively rely on government agencies). Furthermore, this comes with management fees which are approximately half of those that the Multilateral Implementing Entities UNDP and World Bank charge.

However, the application process for National Implementing Entities sees little progress - no further NIE will be accredited at this meeting – why the Board will likely adopt additional measures to assist developing countries in the application process. The Board will further consider for another time the setting of per-country caps or other means of setting funding priorities, where perhaps the submission of first projects may provide some useful orientation. Tying in with the last meeting, the AFB will also have to advance its understanding of key aspects of the results-based management framework. This is also required to give project proponents a better guidance how they are expected to carry out such analyses to be in accordance with the Fund's objective.

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.

Key issues to be decided on in the 10th Meeting

The annotated agenda of the AFB meeting (document AFB/B.10/1/Rev. 1) which will take place from 14th to 16th June 2010 in Bonn contains the different relevant agenda points and expected actions. For the first time, the meeting by the overall Board is preceded by a one-day meeting of the Projects and Programmes Review Committee (PPRC) and the Ethics and Finance Committee (EFC), both on 14th June,

¹ Contact: kaloga@germanwatch.org, Germanwatch acknowledges the support from Bread for the World for its work on the Adaptation Fund. Further documents on the Adaptation Fund can be found at <http://www.germanwatch.org/klima/af.htm>

which will prepare decisions by the Adaptation Fund Board. Undoubtedly, the consideration and possible adoption of the first project and programme proposals will remark another milestone in the history of the Adaptation Fund. It will be interesting to see how the discussion about these proposals will be linked to the consideration of overall initial funding priorities, including the question if certain countries will receive priority support because of their particular vulnerability. This briefing paper provides a summary of the key issues on the agenda of the AFB.

1. Initial Funding Priorities (document AFB/B.10/5)

The Secretariat has prepared a revised paper based on previous discussions in the Board, including during the 9th meeting held in March 2010. The primary motivation is to address the delicate question, how to justly share the available and expected resources (for end of 2010: USD 146 million; by 2012: USD 388 million) among 149 developing country Parties to the Kyoto Protocol, or to agree on a framework which identifies the developing countries particularly vulnerable to climate change, since these are eligible to receive funds.² Currently the Board works with a broad definition agreed by the CMP, building on the Convention, which, however, gives little clarity on which countries can not be reasonably included in the list of eligible countries.

Previously, the Adaptation Fund Board (AFB) had decided to set a cap in resource allocation per eligible country, but not yet agreed to prioritise a specific group of countries as being particularly vulnerable.³ A cap set to low could make the Fund be perceived as being irrelevant, a cap set to high risks that only a little number of countries would receive support.

Based on past documentation the revised paper prepared by the Secretariat for the 10th meeting tries to integrate the discussions within the Board during the last meeting, and provides a number of interesting options how to approach the difficult question. The previous version of the paper was already analysed in the Germanwatch briefing paper on the 9th meeting of the AFB⁴ extensively. Therefore we will only discuss briefly important new aspects.

The Secretariat has developed three options to set a per-country cap, which must be distinguished from an actual allocation of resources, since an allocation can only happen on the basis of a concrete project or programme proposal. The Board will continue to consider these options.

- **Option 1 – a uniform cap per country:** All eligible countries will have the same cap and may submit projects and programmes within this cap .
- **Option 2 – variable caps taking into account the specific circumstances of certain groups of countries:** This option proposes to give the LDCs, SIDS and African countries preference, based on the agreement in the Bali Action Plan and the Copenhagen Accord. Thereby, the Secretariat advises the Board to check whether the projects submitted to the Board have not been financed previously by the Least Developed Country Fund (LDCF), in order to prevent double financing⁵.
- **Option 3 – variable caps taking into account the specific circumstances of each country:** The individual cap of each country would be defined through a numerical combination of indexes reflecting the criteria outlined in the Strategic Priorities, Policies and Guidelines 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. Herefore an index of GDP per capita could be used, for example.⁶
- **Option 4–Prioritizing Projects:** The quality of projects and hence its prioritisation is the key for the credibility of performance, as the allocation for each country does not guarantee this alone. A

² See 1/CMP.4

³ See the Operational Policies and Guidelines for Parties to access resources from the Adaptation Fund: http://www.adaptation-fund.org/policies_guidelines

⁴ Kaloga, A. and S. Harmeling: Briefing on the 9th meeting of the Adaptation Fund Board. March 2010.

⁵ Different scenarios were developed by the Secretariat, which have according to the country category different factors. For detailed information see: Kaloga, A. and S. Harmeling: Briefing on the 9th meeting of the Adaptation Fund Board. <http://www.germanwatch.org/klima/af>

⁶ see Document AFB/B.10/5 page 3.

prioritisation of projects might be necessary if submissions exceed the amount of a specific call for proposals. Certain criteria have already been agreed upon in the Strategic Priorities, Policies and Guidelines in paragraph 15. Based on this, the Secretariat paper proposes a number of options for prioritisation, including giving priority to projects presented through NIEs, non-duplication of funding sources, the level of vulnerability etc.

Unfortunately, this proposal does not take into consideration the also agreed strategic priority that countries should give “*special attention to the needs of the most vulnerable communities*”⁷ when designing project proposal. Since countries have to address this aspect in their project and programme proposals, taking this as a general criterion would only be consequent. The seriousness with which multiple stakeholders are consulted and included in the project design and implementation, which also needs to be addressed in the project proposal templates, is another criteria which should be given due attention. A strong way of including stakeholders would for example be to engage civil society organisations as executing entities, those entities which locally implement the project or project components. These points should be considered in addition by the AFB members.

2. Consideration of first project and programme proposals

Based on the Adaptation Fund Board Decision B.9/2, the first call for project and programme proposals was issued and an invitation letter to eligible Parties to submit project and programme proposals to the Adaptation Fund was sent out on April 8, 2010. Thus, this agenda item of course marks a crucial point in the development of the AFB, since now for the first time projects and programme proposals submitted by developing countries are being considered, and potentially adopted. This issue will first be taken up in the Project and Programmes Review Committee (PPRC).

The PPRC is responsible for assisting the Board in tasks related to project and programme review in accordance with the OPG and for providing recommendations and advice to the Board thereon⁸. In this regard the PPRC shall:

„Review the project and programme reports submitted by National Implementing Entities (NIEs) and Multilateral Implementing Entities (MIEs) in accordance with paragraph 46 of the Operational Policies and Guidelines, with the support of the Secretariat;

.....

Report and make recommendations to the Board on project and programme approval, cancellation, termination, suspension and on any other matter under its consideration; and...“

Summary of the Secretariat’s project screening and challenges identified

In this sense, the Secretariat has prepared the guidelines and has screened and reviewed the project/programme proposals submitted, following the OPG set up by the Board⁹. The following summary information is important to know for the submitted projects:

The cost for the eight submitted project proposals from national and multilateral implementing entities accumulate to USD 56,509,000. Among the submitted projects is a project by the Centre de Suivi Ecologique from Senegal, which so far is the only accredited National Implementing Entity and thus the forerunner in the implementation of direct access. One project was submitted by the World Bank and six projects by UNDP, so far the only accredited Multilateral Implementing Entities (MIE).

All of these eight submissions are regular Projects/Programmes, as their costs exceed the USD 1 Million \$ threshold for small size projects.¹⁰ The average costs of all projects is USD 7,011,250, but the costs per project vary between USD 2,970,000 (Turkmenistan) and USD 15,000,000 (Mauritania). Around 10% of

⁷ Operational policies and guideline for Parties to access resources from the Adaptation Fund, para 8.

⁸ Adaptation Board Committee AFB/B.6/6 p.3

⁹ In performing this task, the dedicated team of officials of the secretariat was supported by GEF secretariat’s technical staff.

¹⁰ The Categories of projects under the Adaptation Fund are: i) Small-Sized projects and programmes (SPs): defined as project proposals requesting up to \$1.0 million, and ii) Regular-Sized projects and programmes (RPs): project proposals requesting more than \$1.0 million

the overall project costs are the average management fees charged by the implementing entities. What is remarkable, however, is that the size of the fees vary significantly. UNDP charges 10%, the World Bank requests 11.1%, and the only National Implementing Entity CSE only requests 5.4%. The amount of management fees alludes to a cost-advantage of the Direct Access Approach and of the NIE.

It would be interesting to see the reasons for this substantial difference, which may include significantly lower staff costs for domestic staff, or less overhead costs than the Multilateral Implementing Entities. As a consequence, the Board could consider to introduce a standard percentage for management fees, which would balance between an adequate margin for management and the required cost-effectiveness.

Furthermore the Secretariat identified some problems during screening of the projects, which are mentioned in the document and for which it asked the PPRC for clarification:

- *Definition of concrete Projects and Programmes:* The CMP decisions and the OPG of the Board are unclear regarding what concrete adaptation projects and programmes are supposed to mean. The PPRC may want to discuss and to consider recommending to the Board further specifications on what types of projects or programmes are considered eligible for Adaptation Fund financing;
- *Project formulation costs:* The Secretariat has recognised that the OPG do not address managing the expenses for the formulation of projects, which initially was intended to avoid that AF resources are taken up by the formulation of projects (rather than the implementation). Specifically in the case of the NIEs, the lack of funding for project formulation could be a disincentive to submit project proposals to the Fund if they cannot bear the costs themselves. The PPRC has two possibilities, a) to integrate these formulation costs in the management fee or b) to provide dedicated money for this formulation;
- *Programme/Project review criteria:* For the elaboration of paragraph 14 of OPG, the objective was to establish short and efficient project development and approval cycles and expedited processing of eligible activities. However, attention was not given to the following important aspects:
 - *Consultative process:* Although Parties are required to report on the consultative process they have undertaken in the preparation of the project proposal, this aspect, which is undoubtedly quite important also to avoid maladaptation and harmful impacts on the local population, is not being addressed in the project and programme review criteria.
 - *Sustainability of project outcomes.* In international development finance, requirement to demonstrate sustainability of project outcomes is a common project review criterion in order to ensure the viability of a project. The PPRC may wish to consider whether to recommend to the Board to address this issue in revision of the project review criteria.
 - *Programme review criteria:* In the review of the project submitted by CSE from Senegal, the Secretariat noted that the review criteria are less suitable to proposals with a programme character. Since the Senegalese proposals includes a number of activities which are not closely related, according to the reviewers, it rather constitutes a programme that just a project. The report also realises that such a definition is also missing in the OPG. Therefore it advises to the Board to create clarity in this respect in the review of the programme.

Recommendations on the considered projects

The technical screening by the Secretariat recommends to adopt five out of the eight projects. For three projects - from Egypt, Mauritania and Turkmenista - substantial further clarification is required, so their adoption will definitely not happen this time (see the Annex table).

Generally one could summarise as follows:

- the submitted projects cover a range of climate risks, from glacier lake outburst floods to droughts and floods and sea-level rise;
- six out of the eight projects would be based in coastal regions, addressing sea-level rise and other coastal climate risks;

- countries from all developing country world regions are among the proponents;
- 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); **this situation also indicates the need for clearer guidelines to ensure an effective involvement of affected stakeholders at all relevant stages;**
- except for the project submitted by Senegal which includes to involve NGOs, all other projects exclusively rely on government agencies (mostly environment ministries) as executing entities;

3. Accreditation of further implementing entities (AFB/B.10/4)

After a pre-screening by the Secretariat of the Adaptation Fund, the Accreditation Panel (AP) so far had to examine one application of a National Implementing Entities (NIE) and of four Multilateral Implementing Entities (MIE), in addition to the already adopted accreditations during the 9th meeting.

Application of further NIE

According to the report of the Accreditation Panel, the members – two Board members and three external experts - have consulted over a long time on the Accreditation of the potential NIE (from which country is not mentioned in the report), after they have requested and received some additional information from the applicant. They have agreed, that the applicant has good experience on a national level in managing international moneys, but has no experience in the implementation of adaptation projects. Furthermore the AP is concerned about the ability of the applicant to implement the project and to evaluate in detail or to limit risks. Therefore the AP has decided on postponing accreditation until the necessary information is provided. It suggests to the AFB to make a field visit, in order to find out how much the AP can support the applicant in his Accreditation and suggests to the Board to assort 22 000 \$ for this purpose.¹¹

Further Multilateral Implementing Entities:

The Accreditation Panel recommends to the Board to adopt the applications from the following three Multilateral Entities: United Nations Environment Programme (UNEP), World Food Programme (WFP) and Asian Development Bank (ADB). In the case of the International Fund for Agricultural Development (IFAD), the AP after an exact analysis has no objections towards the ability of the institution as MIE. The only reservation by the Panel refers to an internal rule in the statutes of IFAD: To accept a new role such as that of a MIE, the Executive Board of IFAD would have to approve it specifically.

One of the fundamental principles and innovative features of the AF is to allow the developing countries direct access for the developing countries to the Fund. It is the first time in the history of climate finance that direct access is possible, which in the case of the AF is achieved through the NIE. However, as seen in the accreditation process, it seems not to be a straight-forward task to identify appropriately qualified NIE in developing countries. While there seem to be further expression of interests from countries who want to nominate NIEs, the countries have not yet managed to provide the necessary information to the AP. Therefore it is crucial to assist developing countries in establishing these necessary National Implementing Entities.

The AFB has started to address this difficult task through developing a „Work programme to promote the accreditation process of NIE¹²“. This document considers a row of regional workshops „Awareness raising Programme“, which is to be considered as collection of its Communications Strategy¹³. The aim is to assess modalities for providing technical support to Implementing Entity applicants.

4. An Approach to implement Results-based Management (RBM) (AFB/EFC.1/3)

With the Adaptation Fund now entering the stage of project implementation, the issue of ensuring that projects and programmes and the Fund itself reaching identified results becomes crucial. The AFB members, and in particular the members of the Ethics and Finance Committee, will have to

¹¹ Recommendation AFB/AP.2/1

¹² AFB.B.10.6

¹³ AFB/B.7/11

consider a revised version of the document on results-based management which was already discussed in the ninth meeting, taking into account the comments made by Board members in March. The RMB was extensively analysed in the Germanwatch briefing paper on the 8th meeting¹⁴, so that this time we will only address the important points in brackets.

For this Meeting the Secretariat was asked:

- a) to develop a draft **Strategic Results framework**, as a basis for an RMB system. Its objective is to measure on the basis of small set measurable indicators the results achieved. The success of this framework depends on the strong capacity of the recipient country to monitor and report at the project level. In the revised document the Secretariat has added new elements as quality indicators to measure the performance and suggests to the Board to consider them, in order to make it a more effective monitoring tool and to guide country programmes to building effective monitoring frameworks.¹⁵
- b) The board should explicitly lay out what the Fund is doing and how its funding will impact on the vulnerability of developing countries and of different groups in society.
- c) to design a **Performance Monitoring and Reporting System**, which captures ongoing results through a small number of indicators that are on time, reliable, and cost-efficient. For this meeting the Secretariat requests that the Board may include the strategic results framework, which was agreed upon last meeting by the Board. Therefore the framework should be attached to the project/programme proposal template. It also may consider requesting the Secretariat to develop a practical guide or manual on how project baselines could be developed. To establish a baseline is a critical but indispensable component of the RMB framework. Baselines are built by information on vulnerability assessment and serve as good indicators in order to measure, if a Project has contributed towards resilience or not.
- d) to integrate learning and **knowledge Management (KM)** as well as evaluation into Projects.
- e) to integrate **evaluation**¹⁶ **into a project cycle** as a key performance tool: Another pillar of RBM is the attempt to integrate the evaluation into the whole process under the consideration of complementarity between evaluation and monitoring. While monitoring is one of the key instruments of RBM, evaluation can be considered as the „reality check“ on monitoring and RBM. Monitoring tells whether the organization, country/portfolio or project is on track to achieving the intended result. Evaluation provides information on whether the project is on the right track. The following table compares monitoring and evaluation with respect to three key issues of concern for the board.

Monitoring	Evaluation
Ongoing or periodic	Episodic or Ad Hoc
Focus on progress towards intended results	Captures intended and unintended results
Does not answer casual questions	Can answer causal questions

Even though it is clear that the projects only finish implementation after a couple of years, it is good practice that the terminal evaluation should be planned already in the design stage. As the Board will likely start financing projects in this meeting, it is well advised to design guidelines for a terminal evaluation as well as a framework for evaluation and for common and standardized practices in reporting results in order to adopt them as soon as possible.

Overview of key roles and responsibilities:

The implementation of duties regarding a good RMB requires sharing the weight among the AFB, the

¹⁴ Kaloga, A and S. Harmeling. Briefing on the 9th meeting of the Adaptation Fund Board, pp. 7-9.

¹⁵ The Board is also asked to consider developing a stronger connection to the Theory of Change to define what the Fund is aiming to achieve. A Theory of Change defines all building blocks required to bring about a given long-term goal, including aspects such as the underlying assumptions of actions as well as focusing on the desired achievements instead of what actions are taken.

¹⁶ Evaluation is defined by OECD/DAC as systematic and objective assessment of an on-going or completed project, program, or policy, its design, implementation and results. The aim is to determine the relevance and fulfillment of objectives, development efficiency, effectiveness, impact and sustainability. AFB/EFC.1/3 p.7

MIE/NIE and the Secretariat.

- The Adaptation Fund Board will 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.
- MIE and NIE are responsible for evaluation, reporting and monitoring on a Project level. Incoming monitoring should be forwarded annually to the PPRC. Intended is also a terminal evaluation for each project which implementation does not take longer than three years. Otherwise a midterm evaluation is requested, as a basis for delivering the allocated resources for the 2nd half of the project.
- 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.

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”. A complete RMB system needs to provide information about the use of resources, the activities implemented, the outputs produced and the results achieved. What we are focusing on here is a results-based monitoring system: at the planning stage, through its monitoring system, the Board, NIE/MIE and Secretariat have to translate the objectives of the intervention in expected results and related performance indicators and to set the baseline and targets for each of them.
- In addition to these technical elements of the RBM, NGOs 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.

5. Code of Conduct for the Adaptation Fund Board (AFB/EFC.1/4/Rev.1)

In accordance with the terms of reference of the Ethics and Finance Committee (EFC)¹⁷, it will discuss a draft Code of Conduct to provide the Board Members with guidelines, principles and values, which should determine their actions to be within the framework of the AF. A particular objective is to avoid conflicts of interests which may impact on the AF members ability to carry out their function. These include that any type of individual relationship with the Implementing Entities as well as with the Executing Entities needs to be made transparent. AF members are also expected that they are committed to discretion regarding discussions in the informal meetings.

It is important to mention that this Code of Conduct needs to be seen in connection with the legal capacity arrangements with the German Government as host of the AFB. The German legislative procedure on the legal capacity is expected to be finalised during this year. The arrangement would result in an exemption of the Board Members from criminal prosecution (in special cases as civil prosecution), so-called indemnity. The adoption of such a Code of Conduct aims to lead to more transparency and credibility and will serve to eliminate any misconduct in advance.

¹⁷ AFB/B.6/6

Country	Project title	Implementing entity	Executing Entity	Project value	Intended implementation time	Recommended for adoption	Most vulnerable communities (Summary)	Stakeholder inclusion (Summary)
Egypt	Adaptation to Sea Level Rise by transferring high risk areas of the Nile Delta coasts into the Mariculture	UNDP	Ministry of Water Resources and Irrigation, Coastal Research Institute, National Water Research Center	5,720,000	June 2011 to Sept. 2015	NO; AFB requests the UNDP reformulate the proposal and the suggested budget, taking into account issues suggested by the secretariat in the technical review sheet. ¹⁸ Yes	Highlighting benefits of the project, but not providing evidence why the target group is seen as particularly vulnerable	So far only government agencies, but indicated that consultation also with local communities will be undertaken
Mauritius	Adaptation Coastal Zone Management to Address the Impacts of CC	UNDP	Ministry of Environment, National Development Unit	9,240,000	Feb 2011 to Feb 2016	Yes	Several co-benefits mentioned (e.g. health) for coastal communities, but no evidence why these are seen as the most vulnerable communities	Refers to stakeholder consultation through UNDP and indicates that stakeholder participation plan planned for project development phase;
Mauritania	Reinforcing Nouakchott City Adaptive Capacities to Reduce Sea Level Rise, Flooding, and Sand Dune Encroachment Threats	World Bank	Ministry of Environment, together with others identified during project preparation)	15,000,000	June 2011 to June 2015	NO; AFB requests that the World Bank reformulate the proposal and the suggested budget ¹⁹	Outlines specific benefits for vulnerable communities in project area, but no justification why these communities are seen particularly vulnerable	A number of stakeholders mentioned, from local population to government agencies, but not additional evidence that and how these have been consulted
Nicaragua	Reduction of risks and vulnerability from floods and droughts in the Estero Real watershed	UNDP	Ministry of Environment and Natural Resources	5,500,000	Feb 2011 to Feb 2015	Yes	High-level of poverty in project region, migration leaves vulnerable population at home	Different stakeholder categories mentioned and examples of consulted municipalities, further consultation during project preparation phase
Pakistan	Reducing Risks and Vulnerabilities from Glacier Lake Outburst Floods in Northern	UNDP	Ministry of Environment	3,960,000, 4,000,000 co-financing	July 2011 to July 2015	Yes	Reduction of vulnerability of communities in project area outlined,	Only agencies mentioned that were consulted, e.g. ICIMOD, UNDP, regional initiative, further

¹⁸ AFB/PPRC.1/4 Project/programme proposal for Egypt

¹⁹ AFB/PPRC.1/5 Project/programme proposal for Mauritania

