



Briefing on the 9th meeting of the Adaptation Fund Board

By Alpha O. Kaloga and Sven Harmeling, 18th March 2010¹

Summary

After the disappointing outcome of Copenhagen it is important to put the international climate train back on a track which can deliver real action in the near-term and in the long-run. The 9th meeting of the Adaptation Fund Board which steers the Adaptation Fund established under the Kyoto Protocol provides one of the first opportunities in 2010. While Copenhagen has not taken the veil of uncertainty over the future of the Kyoto Protocol, the Adaptation Fund Board Members, most of which will continue their work in 2010, return from Copenhagen with the backing of a decision adopted by all Parties to the Kyoto Protocol: It appreciated the significant progress made in the operationalisation of the Adaptation Fund and also encouraged Annex I Parties and international organisations to provide additional funding to the AF.

The 9th meeting will begin with the administration of the new Chair and his co-Chair as well as with the introduction of the new members of the Board. In addition to this ceremonial aspect, important issues are on the agenda. The Accreditation Panel will report and provide recommendations on the accreditation of nominated National Implementing Entities (NIEs) as a key element of the direct access approach as well as of nominated Multilateral Implementing Entities (MIEs). Senegal will likely be the first country with an accredited NIE. The Panel will also provide suggestions on how to build an efficient accreditation framework. The Board will furthermore have to elaborate on the initial funding priorities, including the setting of a per-country cap and options how to split up the scarce resources among the eligible countries. An external contribution to this matter is a presentation of a representative of the IPCC on vulnerability indexes.

Generally, the AFB now has to enter the stage of concrete project adoption and implementation. Although the NIE accreditation process is still in its early stage, and the country caps remain a challenge, the AFB should issue the call for proposals right after this meeting. The Board already agreed on the project review criteria, which form the key criteria whether a project is to be adopted or not. Even an agreement on a country cap or country allocation would not change this logic, so countries can already prepare project proposals. This is also important to further increase the relevance of the AF as an instrument for channelling so-called "fast start finance".

This briefing gives an overview of the key issues in the upcoming AFB meeting for interested stakeholders, which will take place from 23rd to 25th March 2010 in Bonn.

General background to the 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 meetings one can find elaborate information on the Adaptation Fund and the 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 9th Meeting

The annotated agenda of the AFB meeting (document AFB/B.9/1 /Rev. 1) contains the different relevant agenda points and expected actions. The following key issues will be discussed and perhaps decided on, or else recommendations will be made at the 9th meeting:

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>

1. Report of accreditation Panel (AFB/B.9/4)

The Accreditation Panel (AP) consists of two members of the Board, Mr. William Kojo Agyemang-Bonsu (Ghana, Non-Annex I Parties), Mr. Jerzy Janota Bzowski (Poland, Eastern Europe) and three independent experts - Mr. Peter Maertens, Canada /Netherlands; Mr. Murari Aryal, Nepal; Mr. Ravinder Singh, India - who have been selected by the AFB in 2009.²

The AP is in charge of preparing decisions by the AFB with regard to the accreditation of Implementing Entities in accordance with the fiduciary standards contained in the Operational Policies and Guidelines for Parties to Access Resources from the Fund (OPG). After a pre-screening of the Secretariat of the Adaptation Fund, the AP so far had to examine one application of a National Implementing Entities (NIE) and three of Multilateral Implementing Entities (MIE). For this meeting, the AP proposes to adopt the accreditations of the following three institutions.

NIE application: Centre de Suivi Ecologique (CSE), Senegal:

Le Centre de Suivi de l'environnement CSE is an association of public interest under the responsibility of the Federal Ministry of Environment, Nature Conservation, and artificial lakes of the Republic of Senegal. It is a centre of Excellence with 40 experts from many areas related to environmental issues.

The Panel advises the AFB in its report to accredit the CSE as NIE, however under the stipulation of certain additional management and consulting powers of the Board. Due to the lack of experience in executing big size projects and programmes the Panel suggests to the Board to apply special care when financing projects larger than US\$ 1 million. It therefore advises additional guarantees, ie that CSE presents more frequent reports on running projects, than the usual annual report according to para 48 of the OPG.

United Nations Development Programme (UNDP); MIE application: One of the three nominated multilateral institutions, which applied to be accredited by the Board as MIE, is UNDP. In addition to its own documents UNDP presented independent auditing by the company Pricewaterhouse Coopers, which confirms its ability to fulfil fiduciary standards.

The Panel has recognized UNDP as a good example for fulfilling the fiduciary standards and would like to make the application documents of UNDP available for other applicants as an example for a successful accreditation as MIE. It therefore suggests to the board to accredit UNDP as a MIE.

International Bank for Reconstruction and Development (IBRD): The application of the Worldbank Group as MIE on 6th November 2009 was later on stated more precisely in favour of an accreditation of IBRD, which is a part of the Worldbank Groupe. Just like UNDP the IBRD is an Implementing Agency of GEF and has presented an independent auditing review of PricewaterhouseCoopers. It has hence proven that it fulfils fiduciary standards of the Board.

Interestingly, the Panel reminds the Board that the three expert members of the Accreditation Panel, identified by the Secretariat and appointed by decision of the Board, are hired following consultancy contracts with IBRD, as the GEF secretariat as secretariat of the Board is hosted by the IBRD. They have also indicated that beyond this consultancy occupation there are no other connections to the Worldbank. For reasons of transparency it is important to communicate this to the Board and to clarify that this does not effect their recommendation.

Further applications

Currently, a third MIE application is being reviewed by the AP. Also a number of developing countries have processed nomination of NIEs, according to the Panel report, but yet need to provide further information to the Secretariat before the AP will consider the accreditation.

The AFB's decision taken in the 8th meeting, namely to allow more time for the accreditation process of the NIE and the MIE before issuing a call for proposals, apparently payed off, as several NIE in the meantime tried to get accredited by the Board. Thus, it is good news that the first NIE, the Centre de Suivi Ecologique (CSE) from Senegal, will successfully have passed the accreditation process during this meeting, assuming the AFB will follow the AP's recommendation. The direct access approach now becomes effective. With this recommendation, based on the judgement that both with regard to implementation and administration of projects the CSE is performing well, the AP shows that a certain degree of flexibility with the standards is possible if additional safeguards are being applied as deemed appropriate. It is also positive that an existing

² See e.g. Germanwatch report on the 8th meeting: <http://www.germanwatch.org/klima/afb2009-11r.pdf>

institution could be identified meeting the standards, and that there is not necessarily the need to set up new institutions. However, it will also be important to identify what kind of support is required in those countries which do not have an appropriate and experienced institution. This links into the fact that several other applications have not yet been successful.

Following this recognition the Panel concerned itself on how to remove this deficiency. The Panel has decided to supply, in line with the OPG, technical support to all applicants and even proposes to arrange field visits, in order to identify the difficulty of this institution locally and to help handling the application in order to increase the chances of a successful accreditation.

Furthermore the Panel noted, that while the Board had not yet decided on its maximum allocations for project activities, the decisions on accreditation were closely linked to the amount of funds supplied to the implementing entity and its effective and efficient use. It is important to note that the accreditation process is separate and independent from the project and programme review process of the Adaptation Fund Board, since the NIEs are intended to serve as the principal recipients of resources from the AF for all the projects submitted by a country. Against this background, the Panel concluded that the best solution to addressing possible limitations in management capacity related to the project size would be through the provision of additional guidance by the Board where it is required to grant a positive accreditation decision.

Relevant to the IBRD application is the fact that the AP members were asked to take an Oath of Service declaring their potential conflicts of interest in the beginning of each meeting and disclose such activities, including any financial or contractual relationship or link with an entity seeking accreditation, before starting consideration of an accreditation application.

2. Draft Memorandum of Understanding (MoU) between the AFB and the Implementing Entities for the management of projects and programmes by the Adaptation Fund (AFB/B.9/8)

Para 42 of the Operational Policies and Guidelines of the AFB says, that until the legal capacity problem is solved “*the secretariat will draft contracts, Memoranda of understanding (MoU) and/or other necessary agreements with implementing entities and provide these agreements for signature by the Chair or any other Member designated to sign these documents*”³.

Memorandum of Understanding (MoU) is understood as a document which is signed by the negotiation partners in preparation of a future contract and defines the main points of the later contract. In general it is only a declaration of intent respectively a basic agreement. Hence the Memorandum of Understanding is not legally binding.

In face of the impending conclusion of an arrangement with the German Government to confer legal capacity to the AFB, it was agreed that the legal form of the instruments to be signed between the different involved Partners would be a MoU. The MoU as a “gentlemen’s agreement” should be agreed upon between the Board as an operating entity of the Adaptation Fund and the Implementing Entity. The Secretariat has prepared a draft MoU for the coming meeting, which contains definitions of central terms of the Fund as ie “Designated Authority, Adaptation Trust Fund, Grants as well as General Principles and Administration of Adaptation Fund resources”. The sooner the legal capacity process is fulfilled the better, since both the AFB as well as the recipients should have an interest in entering into legally binding agreements, to have the necessary security. It thus would be important to hear about the progress within the German government on the relevant arrangements.

3. Draft Invitation to Eligible Parties to submit project and programme proposals to the A.F.B AFB/B.9/6:

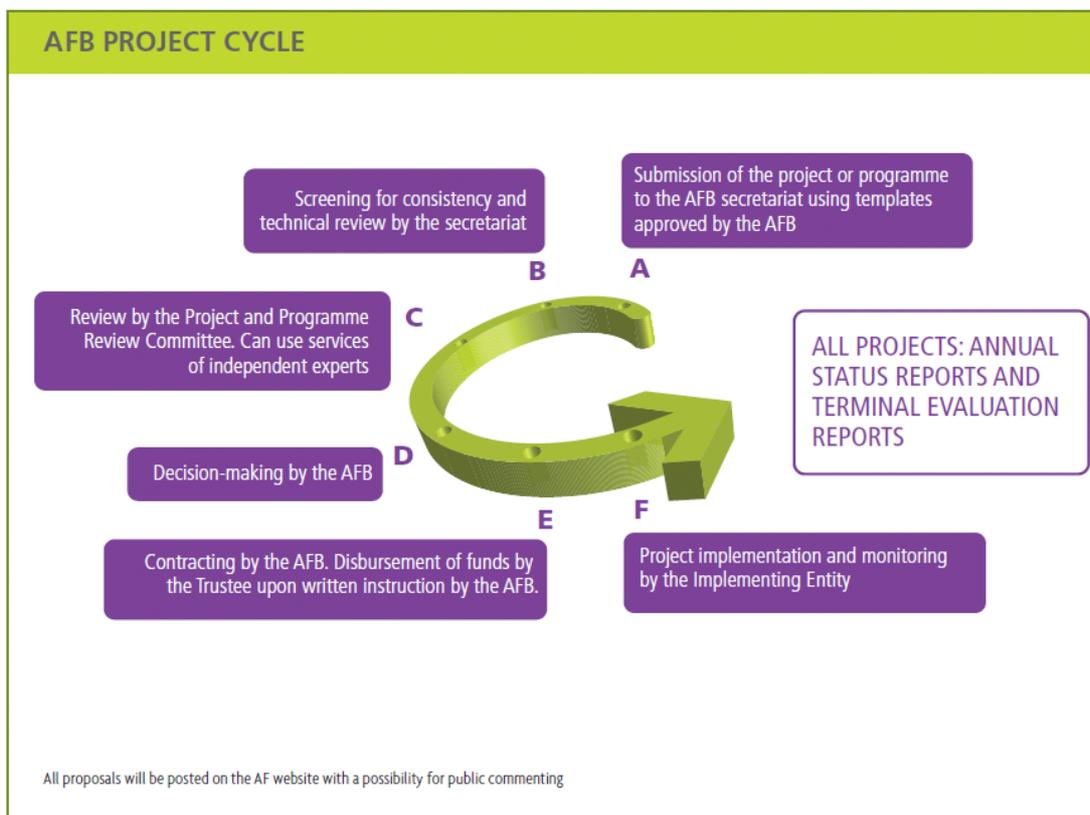
Based on the first draft invitation AFB/B.8/6, which was discussed during the last meeting, and the suggestions of the members in this regard, the Secretariat is submitting the amended letter for consideration of the Board at its 9th meeting.

It was suggested to add an indication of the resources in the Adaptation Fund, that might be available up to 2012, as well as an indication of the possible caps, that could be placed on funding requests and the need to achieve a balance between national implementing entities and multilateral implementing entities. Several members suggested that additional elements would also be required in the letter, such as the need to achieve a regional balance in the funding of activities. Others noted, that it was not yet possible to determine how much funding would be available as further donations might be received from donors.

³ AFB/B.7/4 Draft operational Policies and guidelines for Parties to access Ressources from the Adaptation Fund

On request of the Board the Secretariat has attached a new Annex to the Invitation Letter. The new Annex is actually the Annex III of the Operational Policies and Guideline Templates approved by the Adaptation Fund Board (AFB/B.7/4). This Annex can be divided in two parts: 1. “Approval and Operations Procedures” and 2. on Adaptation Fund Project Review Criteria:

The Approval and Operations Procedures consist of two approval processes under the Adaptation Fund Project Cycle: (i) *one-step approval process or single process*, which may be used for small-size projects or regular projects⁴, with proposals that are already fully-prepared. The Approval process includes the following steps as described below in the project cycle.



Adaptation Fund Project Cycle: Accessing resources from the Adaptation Fund: the Handbook p.18

and (ii) *two-step approval process*: which may be used for regular projects, if it is so decided by the proponent Party:

- project concept approval which is used for the first step of the two-step approval process (only for regular projects that have not been fully developed)
- final project document approval. Each of these steps is subject to the same approval process as the single approval process - see above. The rationale for choosing such a process is for a country to receive feedback or guidance from the AFB upstream before a project has been fully prepared.

In this Annex the relevant terms of the whole project cycles are defined, in order to prevent misunderstandings and misinterpretations.

The second part of the Annex is the *Adaptation Fund Project Review Criteria*. The review criteria are applicable to both the small-size projects and regular projects under the single-approval process. For regular projects using the two-step approval process, only the first four criteria (a) till d) (see graphic above) will be applied, when reviewing the 1st step for a regular project concept.

⁴ 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

4. Initial funding priorities (AFB/B.9/5)

After a long discussion among AFB members during the eighth meeting it was realized that it is difficult to elevate the Fund by its funding priorities from the other funds. On the one hand there is the difficulty of scarce resources: the Fund will probably have only about \$ 146 million in the year 2010 to distribute to 149 countries. And on the other hand it should not only finance small projects, but also larger-scale programmes. The discussion within the Board regarding the funding priorities revealed the existing limitations of the Fund.⁵ Thereafter, the AFB decided to request the Secretariat to prepare a new document on funding priorities for the 9th meeting of the Adaptation Fund Board, which would reflect both the discussion of the Board and the outcome of the negotiations in Copenhagen.

In the strategic priorities adopted by decision 1/CMP.4, para 10 states: *Eligibles to the resources of the AF are to be 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.*

This definition builds on the one contained in the Convention (preambular paragraph 19). Its limitation is that it only looks to the impacts side but does not address socio-economic vulnerability. Since so far no one has broken down this general definition to the level of countries, the AFB works currently with all 149 non-AI countries as being eligible. The draft document suggests that the board may consider some categories of Non-Annex I Parties as non-eligible within its funding priorities such as OECD or non-ODA countries⁶. Since OECD countries are usually not perceived as developing countries this is a reasonable approach. If, however, the Official Development Assistance (ODA) criteria is a reasonable approach is questionable. The list of ODA eligible countries is put together by the OECD and primarily looks at economic indicators. Why these may serve as an indication of socio-economic vulnerability to climate change impacts, it neglects the impact side of climate change, which is one of the decision criteria for resource allocation of the AF.⁷ Taking into account e.g. the Bali Action Plan agreement or the Copenhagen Accord, in the climate change context LDCs, SIDS and African countries qualify as particularly vulnerable. However, there are some Small Island States which exceed the high income country threshold, such as Antigua and Barbuda, Barbados and Trinidad and Tobago.⁸ An exclusion of these countries would violate agreements reached under the UNFCCC and prioritise ODA criteria over these agreements. Nevertheless one could argue that due to their higher income their general vulnerability is lower, and other countries might qualify in an overall assessment of the list of allocation criteria as deserving higher priority.

There was a general consensus within the AFB that a cap should be introduced given the limited funding available, which would be both high enough to signal the seriousness of the Adaptation Fund and low enough to allow for a considerable number of projects. For this purpose the secretariat of the AF has prepared a document with three options to the AFB for consideration at the 9th meeting:

Option 1 – a uniform cap per country among all parties. All eligible countries – at the moment 149 - will have the same cap and may submit projects and programmes within this cap.

This standard would correspond to equal distribution and that projects/programmes can be financed in the order of up to \$ 15 million. This could be seen as a sign that the Adaptation Fund will be able to finance projects and even programmes of a significant size, and hence proves it is serious. On the other hand the amount shows that it will not be possible to cover all the eligible parties, so that some of these countries will end up empty-handed until 2012. Some countries may argue that this neglects the principle of equity among developing countries, nevertheless it is apparent that not all countries are vulnerable to the same degree.

Option 2 – variable caps taking into account the specific circumstances of certain groups of countries: This option proposes to take into account the specific vulnerability of Small Islands Developing States, Least Developed Countries, and African countries, since this categorisation has been agreed in the Bali Action Plan and by many countries in the Copenhagen Accord. These groups of countries could have a

⁵ For detailed reports see Germanwatch Briefing Paper “The Adaptation Fund: Maturing on the way to Copenhagen”: <http://www.germanwatch.org/klima/afb2009-11r.htm>

⁶ See <http://stats.oecd.org/glossary/detail.asp?ID=6043> for more background

⁷ See Operational Policies and Guidelines, para 16b

⁸ See <http://www.oecd.org/dataoecd/32/40/43540882.pdf>

higher cap to allow projects with higher impact (see proposed table below).

	Basic cap per eligible country	Additional Value	African Countries	LDCs	SIDs
African Countries	\$8M	+ \$1M	+ \$9M	+ \$10M	+ \$11M
LDCs	\$8M	+ \$1M	+ \$ 10M	+ \$9M	+ \$11M
SIDs	\$8M	+ \$2M	+ \$11M	+ \$11M	+ \$10M
LDCs+SIDs			+ \$12M		
African Countries + SIDs				+ \$12M	
African Countries + LDCs					+ \$12M

It is important here to mention that LDCs are already targeted by a specific Fund of the Convention (LDCF). Even if LDCs would get a higher cap under option 2, one would have to avoid duplication, according to decision 5/CMP.2. However, if the interpretation given by the Secretariat that “priority could be given only to projects in sectors that are not funded by the LDCF” is the only valid one might be questioned, in particular since the AF is open to all sectors. One could also argue that it should only be avoided that the same project receives funds from the LDCF and the AF at the same time. If one looks closely at this option one will realize that the number of countries that could access the Fund until the end of 2010 lie by 16 and till 2012 by 42 countries.

The advantage of this approach is that it differentiates countries according to guidelines of prioritization that have been agreed before, either in past COP decisions (LDCs and SIDs), in the Bali Action Plan (LDCs, SIDs and African countries prone to drought, floods and desertification) or the Copenhagen Accord (LDCs, SIDs, and Africa). On the other hand it neglects the specifics of each country, a small country would receive the same amount as a large country in the same category.

The Board previously decided to follow the Convention definition (Preamble para 19), which would require further clarification, as said before. Perhaps a grouping of countries into the different categories contained in that definition could be useful, with some appearing in many categories and perhaps some which do not fit into any of the categories (and could be excluded). This has not been done yet. The Board will try to approach the question of vulnerability further, assisted at the 9th meeting by a presentation from an IPCC member on vulnerability indexes. Nevertheless there is reasonable skepticism about the prospects of such an index approach.

Option 3 – variable caps taking into account the specific circumstances of each country.

This option proposes to take into account the national 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*. For example, an index of GDP per capita may be used. This has already been implemented in the GEF Trust Fund. While it looks relatively objective, experience has shown that this procedure is too complicated and time-consuming for only defining reliable indexes, not to mention controversial discussions on the legitimacy of such evaluations.

Due to this difficulty the AFB could develop a distribution system organized by region. It could be based on the facts emphasized in the Strategic Priorities, Policies and Guidelines and preceding discussions on the initial funding priorities during the 8th session of the Adaptation Fund Board. The AFB could consider principles of an allocation to developing countries per region (Africa, Asia, Latin America and Caribbean, Europe). Projects and programmes could be presented by countries in a region within the regional allocation. These regional allocations would guarantee an equitable distribution of the resources among the different regions. This system would be additional to the caps per country and projects/programmes described above.

The Secretariat proposes that the allocation could be based on a two factor approach⁹: *the regional population and the number of countries in the region (the two factors having the same weight)*. A numerical simulation shows the the allocation per region in this case, and the number of countries per region that may access the

⁹ 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.

fund under option 1.b and option 2 above.

Prioritizing Projects: In the end the quality of projects is a key to a credible performance of the AF, country allocations alone are not sufficient to ensure high quality. A 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, paragraph 15. Based on this, the Secretariat paper proposes a number of options for prioritisation, including to give priority to projects presented through NIEs, non-duplication of funding sources, the level of vulnerability etc.

Unfortunately, this list misses out one of the key strategic priorities which is that countries should give “special attention to the needs of the most vulnerable communities” when designing project proposals. Since responding to this priority is required in the project and programme templates, it would only be logical to give this priority high attention. Furthermore it is crucial to ensure that those whose basic human rights are threatened by climate change are put in the focus of national adaptation policies. Also, the document does not refer specifically to projects that are initiated by NGOs, also local NGOs often have the best contacts to the most vulnerable people. These points should be considered in addition by the AFB members. Also, the seriousness with which multiple stakeholders are being included and their inclusion is documented should be seen as, in line with the project proposal templates, another important criterion for the credibility of the countries and the Fund’s work.

5. An Approach to implement Results-based Management (RBM) (AFB/B.9/7)

Programmes/projects implemented through AF financing will form the basis of any RBM framework. According to the document prepared for the AFB meeting, 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.

After the analysis of the document AFB/B.8/8 in the 8th meeting, the AFB asked the Secretariat to prepare a detailed paper for the ninth meeting, which considers the following components:

- Develop a *Fund Strategic Results framework* with objectives and a *small set of measurable indicators* to measure results achieved.
- 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
- integration of *learning and knowledge Management (KM)* as well as evaluation into Projects.

This twenty-page, very technical document contains a detailed explanation of the most important components of the RMB as well as five Annexes. Key components are the following:

The *strategic results framework* is the basis for a RBM system. Its components and applications are explained in Annex I to the Document (RMB) (AFB/B.9/7). Four basic terms are defined there and are the important instruments for evaluation of the strategic results framework:

- **Goal:** Support vulnerable developing countries that are Parties to the Kyoto Protocol to take their own climate resilient measures. Vulnerability¹⁰ is a function of a country’s or community’s exposure to climate related hazards, and the capacity to mitigate and cope with the impact of the hazards¹¹.
- **Impact:** Increased resilience at country level to climate change, including climate variability.
- **Objective 1:** Reduce vulnerability to the adverse impacts of climate change, including variability at local and national levels
- **Objective 2:** Increase adaptive capacity to respond to the impacts of climate change, including variability at local and national levels.

In order to achieve the set objectives one defines different *Outcomes* as ie reduction of exposure at the national level to climate related hazards and threats, which are measured according to different indicators. The success of the Fund’s RBM approach depends on the strategic directions of the AFB, and on the strong capacity of the recipient country to monitor and report at the project level. It lays out objectives and

¹⁰ This definition is said to be in line with the IPCC: The degree to which a system is susceptible to and unable to cope with the adverse affects of climate change, including climate variability and extremes. Vulnerability is a function of the character, magnitude and rate of climate change and variation to which a system is exposed, its sensitivity, and its adaptive capacity.

¹¹ For the purpose of this paper, a hazard is the probability of a climate related incident to occur within a given area and timeframe. Risk is defined as the probability of that climate change, including variability, negatively impacting a country, community or household, as the result of the interaction between a hazard and conditions of vulnerability. See AFB/B.9/7 Annex I

priorities, supports the measurement of results such as adaptive capacity or resilience, of vulnerability and exposure, and measures of country participation, and helps demonstrate contributions to higher level goals, for example the CMP goals. For the Fund, it is necessary to formulate the Strategic Objectives based on the already agreed upon strategic priorities¹². Expected results are defined at outcome and output levels and are formulated so that they are measurable, verifiable, and relevant.

The performance monitoring and Reporting (PMR) System The RBM-approach takes place on three levels – Project/Programme, Land- or Portfolio, Organization/ Fund – which are closely connected by common aims. For the beginning phase it makes sense that the Fund will concentrate on the project level and fund level.

On the project level, objectives should align with those outlined for the Fund. All projects need to prove a concrete and totally budgeted monitoring and evaluation (M&E) plan, which is incorporated in the finished project document and is presented for approval. In order to achieve this, every project should contain a baseline of information and data from the vulnerability assessment and used to design and prepare the project. This Baseline should later serve to measure every modification and effect, which takes place during the run-time of the project.

On the Fund level, the Fund efficiency and effectiveness monitoring, or process monitoring, will assist the Adaptation Fund Board to track Fund efficiency and effectiveness based on the indicators and targets listed in Annex 2 to the Results-based Management (RMB) document. These indicators should demonstrate the strategic role and relevance of the mandate of the fund in accordance with the CMP and Kyoto Protocol. On the other hand there is a Fund Process Monitoring, which among others secures the provision of finances or the quality of projects including completion of vulnerability and risk assessment. The results are entered into the Project Performance Report (PPR) by the Secretariat and handed to the Board.

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 objectives. Evaluation provides information on whether the project or portfolio is on the right track. Evaluation also provides evidence on how changes are taking place, and the strengths and weaknesses of the design of the projects, program, or strategies¹³.

As the Board will start to finance projects in the next months there is the urgent need to develop guidelines for terminal evaluations. Despite the fact that the projects will only be completed in a few years, it is standard best practice to establish terminal evaluations which are already planned in the design stage. Furthermore, due to the fact that different implementing entities enforce the projects, it is important to apply a standardized practice in reporting results so they can be considered on the Fund Level.

The Projects should hence determine from the beginning how they want to evaluate the achievements and fulfilment of objectives of the members and how they consider to identify lessons for future interventions. Herefore the board must ascertain the kind of evaluation and clarify how these different types of evaluation can be combined to support the accountability, oversight and learning needs of the Fund. In order to achieve the objectives the Secretariat staff needs time for ongoing RBM functions, additional resources are required to support the implementation of RBM for the Adaptation Fund.

As mentioned above there are four annexes to the document. The third annex consists of detailed terminologies of the RBM during the four collections of sample evaluation questions, which issues have been discussed recently in the evaluation and climate change adaptation communities.¹⁴

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 but should rather seek to set incentives which maximise the effectiveness of a project. This should be kept in mind when the AFB

¹² The two main priorities are to assist the developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation as well as to finance concrete adaptation projects and programmes that are country driven and are based on the needs, views and priorities of eligible Parties.

¹³ AFB/B.9/7 An Approach to implementing Results-based Management (RMB): p.6

¹⁴ Evaluating Climate Change and Development, 2009. World Bank Series on Development, Volume 8 (Rob D. van den Berg and Osvaldo Feinstein, editors)

members consider this item. In addition to these technical mechanisms 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. It is therefore important in terms of transparency and accountability that the Secretariat put all comments on all levels of the process regarding current projects running onto its homepage according to the resolution of the Board.

6. Other Agenda Items: One of the usual items on the agenda is the Report of Financial status of the Adaptation Fund Trust and the Administrative Trust Fund. This report provides the Adaptation Fund Board with information on the financial status of the Adaptation Fund Trust Fund. The revenue of the Adaptation Fund is obtained primarily from a 2 per cent share in the proceeds from the Kyoto Protocol's Clean Development Mechanism (CDM) project activities in addition to the contribution of developed countries and other contribution. CER sales have generated revenues of USD eq. 38.76 million since the start of the CER monetization programme in May 2009. This means \$ US 5 million more than in December 2009. Estimates of potential resources available for the Adaptation Fund from January 31, 2010 to December 31, 2012 range from approximately USD 254 million to USD 443 million. This income will not suffice in order to finance the deficit of the adaptation financing in developing countries, which the recent Adaptation to Climate Change (EACC) study estimates to \$75 - \$100 billion each year to adapt to climate change from 2010 to 2050. **It will neither be sufficient to cope with the most immediate demand, why developed countries should also deliver a substantial part of their fast-start funding promised through the Copenhagen Accord through the Adaptation Fund.**

Furthermore, the AFB will discuss the proposal for a communication strategy to be developed by consultants. Through the improved website, the handbook and the leaflet the AFB has already progressed in its external communication. The current challenges with regard to communication are at least the following:

- demonstrate the relevance of the AF to developing country governments, in particular with a view to increase the applications of National Implementing Entities and the submission of projects and programmes;
- intensify the communication on the progress of the AF to donors and international organisations to receive additional funding, in particular in the context of the fast-start finance promised in the Copenhagen Accord;
- demonstrate lessons learnt with relevance to the AWG-LCA negotiations on funding arrangements;
- reach out to civil society networks and organisations in developing countries and try to facilitate their participation in the process within countries as well as on the international level.

The latter point will also be of particular importance when the first projects will be submitted. Countries submitting projects and programmes should aim for a serious inclusion of relevant stakeholders in the identification process to ensure high quality of their projects. However the AFB also decided to allow public comments on the website on each proposal before its adoption and to create the necessary facilities, a potentially important tool to increase transparency and to allow stakeholders to raise concerns if there are serious ones. While these facilities will only be required after the call for proposals, it is a bit surprising that at this meeting the issue is not on the agenda, for allowing initial discussion on how it should be done. If a call for proposals will be issued after this meeting, these facilities would be required immediately.

The improved and intensified communication about the AF's progress should also be understood as a personal task by every AFB member, wherever he or she is in the position of reporting about it. Whether in the current situation, where processing first projects and programmes should be of high priority, a more comprehensive communication strategy taking up additional resources is required is at least questionable.