

Briefing on the 8th meeting of the Adaptation Fund Board

By Alpha O. Kaloga and Sven Harmeling, 13th November 2009¹

Summary

The 8th meeting of the Adaptation Fund established under the Kyoto Protocol will take place in Bonn from the 16th to the 18th November at the UN Campus in Bonn. The Adaptation Fund Board (AFB) members will meet for the last time this year before the Copenhagen climate summit (7th to 18th December). The Adaptation Fund has made decisive progress throughout 2009 and is almost ready for full operation. While the last AFB meeting achieved a milestone through the adoption of the Operational Policies and Guidelines, this meeting also has some important agenda points. One of the issues is the conclusion of the first step towards reaching legal capacity, a process initiated in Poznan last year. It is expected that the AFB will eventually decide on the preferred host country which should give this legal capacity to the AFB, an item which is a leftover from the 7th meeting of the AFB. Other important issues include the consideration of a media strategy for the Adaptation Fund, since its features, work and progress are still too little known. Also, the AFB will likely adopt the invitation to eligible developing country Parties to submit project and programme proposals to the Fund, and also will discuss a Results Based Management (RBM) Framework, which is supposed to guide the AFB as well as countries receiving funds in the effective, successful and appropriate spending of the Adaptation Fund resources. In light of the limited resources available, it will also discuss how to set funding priorities with regard to resource allocation on a country basis. This briefing gives an overview of the key issues in the upcoming AFB meeting for interested stakeholders.

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 8th 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 8th Meeting

The annotated agenda of the AFB meeting (document AFB/B.8/2) contains the different relevant agenda points and expected actions. The following key issues will be discussed and maybe decisions or recommendations will be taken on them at the 8th meeting:

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Legal Capacity

The Board at its 7th meeting considered the recommendation submitted by the AFB's ad-hoc working group on legal capacity on the selection of the country to confer legal capacity to,

and to host, the Board. Germany (with the city of Bonn) and Barbados were the two countries who offered to be the hosts. On that occasion, the Board was not able to reach consensus. The Chair then requested the two bidding countries to discuss the issue intersessionally and to convey the outcome of those negotiations to him by October 16, 2009. Since no agreement was reached by that date, the Chair and Vice-chair of the Board decided to submit an intersessional draft decision proposing the Board to endorse the working group recommendation. The outcome of the intersessional decision process was not available publicly in advance of the meeting.

Draft Invitation to Eligible Parties to Submit Project Proposals to the Adaptation Fund Board (AFB/B.8/6)

At its 7th meeting, the Board agreed to defer consideration of an invitation to submit project proposals until the 8th meeting of the Adaptation Fund Board. This document is one of the key documents of the 8th meeting. It arranges how eligible Kyoto Protocol Parties can submit proposals for funding to the Adaptation Fund (AF), in accordance with the approved fiduciary standards² and the specific operational policies and guidelines³ of the Board. This document addresses among others the following important aspects:

Invitation to submit project proposals for funding from the Adaptation Fund:

Inviting Parties eligible to receive funds from the Adaptation Fund is undoubtedly a crucial next step in the chain of the AF towards full operation. The Board will now discuss an invitation to Parties to submit proposals

The first Appendix of the invitation is divided into two important sections:

- the Project proposal, which informs of the requirements and information necessary for a Request of Project Funding from the AF.
- detailed information as well as definitions for terms used in the first section.

Both sections contain four parts: *-Part I Project Information*; in this part one can find on the one hand the Project Components and Financing Information. It is a short table, which presents the relationships among project components, activities, the expected result, and the corresponding budgets. The second section distinguishes between small sized projects and regular sized projects⁴ as well as the implementing entity for managing future projects (see below). *Part II: Project Justification*: It contains nine points, which describe or provide an analysis of how the project provides economic, social and environmental benefits. Particular reference is included regarding the most vulnerable communities poverty reduction strategies, national communications, or national adaptation programs of action. Important is to mention e.g. that as a matter of coherence the duplication of funding sources for the adaptation costs of

² Documents AFB/B.6/4

³ Documents AFB/B.7/4

⁴ Small Sized Project means Proposals requesting grants up to \$1 million and Regular Project. Contains Proposals requesting grants of more than \$1 million.

the project submitted should be avoided. *Part III Implementation Arrangements*: This section describes and takes into account the evaluation, project risk management as well as a project results framework for the project proposal; *Part IV Endorsement by government and certification by the implementing entity*: This part provides name and position of the government official and indicates the date of endorsement, the Entity certifying and detailed information on the contact persons.

The second Appendix contains the *Letter of Endorsement by the Government*: The focal point of the AF⁵ endorses the submitted project proposal with support of the Adaptation Fund. It confirms, that the proposal is in accordance with the government's priorities in implementing adaptation activities to reduce adverse impacts of, and risks, posed by climate change.

With regard to receiving funds for projects through direct access, the innovative institutional model the AFB has developed is relevant. National Implementing Entities (NIE) play a key role here. The accreditation process of nominated NIEs or MIEs (Multilateral Implementing Entities) is currently underway. It presupposes that the Entities which seek accreditation are able to meet the fiduciary standards of the Board as contained in its operational policies and guidelines. The accredited Entities will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring and reporting responsibilities⁶. Submission will be in English and will be considered by the AFB as they are received.

Results Based Management (RBM) Framework AFB/B.8/8

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 are then measurable, verifiable and quantifiable. This is supposed to help the Board steering the AF in the right direction, as well as providing the Parties with guidance for successful implementation of projects and programmes. The document prepared by the AF Secretariat as a basis for discussion is an integrated approach "of a management strategy focusing on performance and achievement of outputs, outcomes, and impacts"⁷. The RBM gives particular attention to reducing project development time and costs, avoiding repeated weaknesses, and providing stakeholders with timely feedback. It underlines the need for sharing and disseminating lessons and replicating good practice.

The RBM framework proposed is structured as a two-way process, combining a top-down and a bottom-up approach. The top-down process relates to the establishment at the institutional level of an overarching goal provided by the Conference of the Parties serving as the Members to the Protocol (CMP) and strategic priorities as set by the Board.

The bottom-up process relates directly to the building blocks of the system⁸, i.e. the projects and programmes. Projects and Programmes should consider the strategic priorities of the

⁵ Yet there is no publicly available list of the AF focal points. However, the already existing UNFCCC focal points will probably also be the AF focal points in many cases. If interested in a country's process to develop proposals to be submitted to the AFB, one can contact the UNFCCC focal points. A list is available at <http://maindb.unfccc.int/public/nfp.pl>

⁶ Documents AFB/B.7/4 p.7

⁷ Definition by OECD/DAC AFB/B.8/8 page 2.

⁸ See fig.2 Results Framework structure p.4; fig. 3 Tracking Result p.5 AFB.B.8.8_RBM

Adaptation Fund, which in themselves should be in coherence with the global objectives of the fund.

After identifying the strategic priorities one develops the RBM in three phases. During these phases it is important to specify and to set indicators and targets, which make it possible to measure the achievement and performance of a project. Furthermore it will allow an evaluation in the middle of the project as well as at the end. In addition one can develop a learning and knowledge management strategy, as well as define strategic alignment. This

helps to control that all “aspects of the organization are working in the same direction”.

The Adaptation Fund should consider a comprehensive RBM approach that links planning, management, results measurement, and learning. According to the annotated agenda it is expected that the Adaptation Fund Board requests the Ethics and Finance committee to develop a RBM for the Adaptation Fund.

Initial Funding Priorities AFB.B.8/7/Rev.1; AFB.B.8/7/Add.1⁹

One of the main challenges of the AF is how to divide up the limited resources among the eligible parties. Before considering project proposals it seems reasonable that the Board provides further guidance on financing priorities and resource allocations in order to adopt funding decisions. In particular, the Board may wish to discuss the system of criteria i.e. vulnerability_regions, type of project, areas, etc and the technical strength/validity of individual projects.

It has been agreed in CMP decisions and AF rules that the Parties eligible for receiving funding from the Adaptation Fund are particularly vulnerable developing country Parties (members of the Kyoto Protocol). After intense considerations the Board could only agree on the broad definition of particularly vulnerable countries as it is contained in Art. 4.8 of the UNFCCC, 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.

The decision on allocating resources of the Fund should also take into account the criteria outlined in the Strategic Priorities, Policies and Guidelines of the Adaptation Fund, adopted by the CMP, specifically:

- (a) Level of vulnerability;
- (b) Level of urgency and risks arising from delay;
- (c) Ensuring access to the fund in a balanced and equitable manner;
- (d) Lessons learned in project and programme design and implementation to be captured;
- (e) Securing regional co-benefits to the extent possible, where applicable;
- (f) Maximizing multi-sectoral or cross-sectoral benefits;
- (g) Adaptive capacity to the adverse effects of climate change.

The table below has been prepared by the secretariat upon the request of the Board Chair in order to give an overview of initial funding priorities and allocation of funds in other multilateral adaptation-related Funds , which the Board may need to discuss prior to the consideration of project proposals. The table is meant to give an overview of the different

ideas of debate. It is supposed to serve as the basis for discussion and further possible selection by the AFB of the appropriate approaches.

Without doubt, all developing countries are vulnerable to climate change. Most of them claim to be more vulnerable than others. Furthermore, certain regions or countries of the world are more severely affected by the effects of climate change than others. Because of the scarce resource in the Adaptation Fund, the Board is well advised to make a categorization or an assessment of level of vulnerability. This evaluation is to provide clarity, fairness and transparency and to ensure that those most in need receive resources from the fund.

On the way Copenhagen

The AFB will also consider the report to the CMP for Copenhagen. The AF has almost taken shape and is approaching the actual funding of concrete adaptation projects proposals. It has the opportunity and responsibility to show how institutional innovations can rise to the challenge of adaptation, and with that it is setting important precedents which may also be useful to inform the negotiations towards an agreed outcome in Copenhagen (or the Copenhagen process). The process to accredit NIE or MIE continues, and it is likely that at the next meeting there are already first NIEs recommended to be accredited. The draft invitation to eligible parties to submit project proposals to the AFB will probably be passed. Thereby the tracks are set for financing project proposals. However it is also important that the board finds the balance between the need develop norms that conform with international standards, but at the same time do not contain too high obstacles for developing countries. The middle way between the two extremes will decide, if the Adaptation fund can really become a model for the future.

Furthermore, the Copenhagen process will also have to address the possible future role of the Adaptation Fund, being an existing institution of the financial mechanism of the UNFCCC and having characteristics which are similar to many proposals for institutional arrangements on the table for Copenhagen. This hopefully includes a strengthened role of the Fund through, increasing its resource basis through developed country contributions as part of the fast-track finance which is likely to come out of Copenhagen. Parties should also consider ways how the KP Adaptation Fund could become the core adaptation funding mechanism for the KP and the Convention, although there are high barriers remaining for this solution. Nevertheless, the AF deserves to be seen in a more positive way than often has been done during the last two years.

Table 1: Summary of documents Initial Funding Priorities AFB.B.8/7/Rev.1; AFB.B.8/7/Add.1

Organisation ¹⁰	Adaptation Fund (AF)	Least Developing Countries Fund (LDCF)	Special Climate Change Fund (SCCF)	Pilot Program for Climate Resilience (PPCR) under Strategic Climate Fund (SCF)
Background	<ul style="list-style-type: none"> ➔The Adaptation Fund (AF) was established under the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC) to finance concrete adaptation projects and programmes in vulnerable developing countries that are Party to the Protocol ➔ Managed by the Adaptation Fund Board ➔World Bank serves as the AF's trustee, also on an interim basis. 	<ul style="list-style-type: none"> ➔ a voluntary fund which was established under the UNFCCC ➔ Managed by GEF ➔The Fund addresses the special needs of the Least Developed Countries (LDCs), which are especially vulnerable to the adverse impacts of climate change. 	<ul style="list-style-type: none"> ➔ voluntary Fund established under the UNFCCC in 2001 to finance activities and programmes relating to climate change, complementary to those funded by the GEF ➔4 windows: *Adaptation as top priority; *Transfer of technologies; *Energy, transport, industry ,agriculture; etc.; * economies highly dependent on income generated from the fossil fuels ➔SCCF supports developing most vulnerable countries, to reduce their vulnerability, increasing their adaptive capacity at all levels, and promote transfer and adoption of adaptation technology. _ 	<ul style="list-style-type: none"> ➔ first program under the Strategic Climate Fund (SCF), one of the Climate Investment Funds (CIF) managed by the World Bank ➔provide pilot finance in the short term so as to learn lessons that will be useful in designing scaled up adaptation financing. ➔ It aims to provide incentives for scaled up action and transformational change in integrating consideration of climate resilience in national development planning consistent with poverty reduction and sustainable development goals
Mandate	<ul style="list-style-type: none"> ➔Decision 1/CMP.4; Decision 5/CMP. ➔Adaptation fund shall be established to finance concrete adaptation projects and programmes in developing country Parties that have become Parties to the Protocol, 	<ul style="list-style-type: none"> ➔Focus on special needs of the Least Developed Countries (LDCs), which are especially vulnerable to the adverse impacts of climate change. 	<ul style="list-style-type: none"> ➔ The Special Climate Change Fund (SCCF) is a voluntary fund which was established under the UNFCCC in 2001 to finance activities, programs and measures relating to climate change that are complementary to those funded by the resources allocated to the climate change focal area of the GEF and by bilateral and multilateral funding. 	<ul style="list-style-type: none"> ➔Established and operational 2008 ➔be country led; build on NAPAs and other relevant country studies and strategies; and ➔Priority is given to highly vulnerable least developed countries eligible for multilateral Development Bank (MDB) concessional funds, including the small island developing states among them.

¹⁰ all information in this figure is taken from AFB.B.8/7/Rev.1; AFB.B.8/7/Add.1

<p>Preparation and Implementation</p>	<p>→ 20, 07 million \$</p> <p>→ The project cycle</p> <ul style="list-style-type: none"> - submission of the project /programmes to the AFB secretariat using templates to be approved by the AFB - screening for consistency by the secretariat. Technical summary for small-size projects - all proposals made public via the website before adoption -review by the Committee on Project and Programme Review. Can use services of independent experts -decision-making by the AFB (can approve or reject with a clear explanation); disbursement of funds by the trustee upon written instruction by the AFB (only in cases of fully fledged projects) -all projects: annual status reports and terminal evaluation reports. 	<p>→ \$190 million ‘equitable access principle’ - maxi-mum availability of approximately \$5 million pr LDC</p> <p>→ 34 NAPA implementation projects for funding are approved → NAPAs aim to identify “urgent and immediate needs” of each LDC according to specific guidelines provided by the Least Developed Countries Expert Group (LEG).</p> <p>→ Preparation of the NAPAs almost completed grant of around \$200,000 to prepare its NAPA</p> <p>→ Implementation funding of the urgent and immediate needs’ identified in the NAPAs</p>	<p>→ 105 millions have been pledges . Current 22 adaptation programme are approved, totalling \$91.69 millions</p> <p>→ Adaptation activities funded under the SCCF are based on National Communications (NCs), National Adaptation Programmes of Action (NAPAs), in the case of Least Developed Countries (LDCs), and relevant local, national and regional studies</p> <p>→ areas for adaptation activities - Water resources, management, Land management, Agriculture - Health; Infrastructure development; Fragile ecosystems (including mountain ecosystems); Integrated coastal zone management</p> <p>→ Improving the monitoring of diseases and vectors affected by climate change, improving disease control and prevention, forecasting and early warning systems, and strengthening and establishing national and regional centers and information networks for rapid response to extreme weather events</p>	<p>→ US\$ 128.6 million (available for funding as of September, 2009), US\$ 614million (pledged)</p> <p>→ Pilot and demonstrate approaches for integration of climate risk and resilience into development policies and planning;</p> <p>→ Enable learning-by-doing and sharing of lessons at country, regional and global levels</p> <p>→ Providing technical assistance to enable developing countries to build upon existing national work to integrate climate resilience into national or sectoral development plans, strategies and financing.</p> <p>→ provide additional financial resources to help fund a program of public and private sector investments identified in national or sectoral development plans or strategies addressing climate resilience.</p>
<p>Special features</p>	<p>→ The principle of ownership</p> <p>→ The funding mechanism 2 per cent share in the proceeds from the Kyoto Protocol’s Clean Development Mechanism (CDM) project activities.</p> <p>→ Governance strong representation of the most vulnerable Countries</p>	<p>→ application of the Additional Cost principle:</p> <p>→ Expedited Project Cycle</p> <p>→ Allowance for Full-cost Funding</p> <p>→ Increased limit for CEO Approval:</p> <p>→ Flexible co-financing concept</p>	<p>→ donors must earmark their contribution to a particular funding window when making contributions to the SCCF.</p> <p>→ applies a few special features which sets it apart from the conventional GEF operations</p> <p>→ application of the Additional Cost principle to determine the level of SCCF funding</p>	<p>→ be strategically aligned with the Adaptation Fund and other donor funded activities to provide pilot finance in the short term so as to learn lessons that will be useful in designing scaled up adaptation financing.</p>