

Adaptation Fund: Critical progress at the 7th Meeting

By Sven Harmeling¹ and Alpha Kaloga, September 2009

The Adaptation Fund, created under the Kyoto Protocol, has unique features that could herald a new era of international cooperation on adaptation. These features, in particular the principle of direct access, create specific challenges which, once overcome, can make the Fund a model for the future.² The Adaptation Fund Board actually began its work some months after the climate summit of Bali in 2007. In its first year, until the Poznan Climate Summit, the Board managed to fulfil all the required tasks and delivered all the documents that needed adoption. Much of the workload this year has been focused on developing appropriate regulations for the full operationalisation of the Fund, in particular the challenging tasks of conceptualising and implementing the principle of direct access. In its seventh meeting, which took place from 14 to 16 September in Bonn, Germany, the Adaptation Fund Board reached consensus on key aspects on its way to full operationalisation and delivered substantial progress. It also strengthened transparency and stakeholder involvement in the process. This briefing describes the key outcomes of the meeting, based on a previous analysis.³

Adoption of the Operational Policies and Guidelines and key pillars for direct access

The “Provisional Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund”⁴ is the key document on how Parties can apply for funds for adaptation projects and programmes, on how the project cycle will work etc. It also includes the relevant criteria for the future disbursement of funds to vulnerable developing countries. While most of the document was already agreed in past meetings, the AFB now had to discuss some key outstanding issues.

Accreditation of National Implementing Entities as core element of direct access

One of the core elements in the direct access model which the Adaptation Fund Board is developing are the National Implementing Entities (NIE). The usual way through which funding is channelled in international cooperation is through bilateral aid agencies or international implementing agencies, such as the World Bank, UNDP etc., which sometimes work well, but is also often seen as another bottleneck in project delivery and also an impediment to building up strong country ownership and domestic capacity. The way the AF’s direct access model is supposed to work is that a country nominates one National Implementing Entity (NIE), which will be the recipient of resources disbursed by the AFB (through instruction to the Trustee World Bank) to this country. This NIE usually will not be the actual executor of the projects on the ground, but will have a kind of financial and fiduciary oversight function of projects carried out with resources from the Fund in the recipient country, functions which are usually performed by the multilateral implementing agencies. The AFB has now

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² See Chandani, A., S. Harmeling and A. Kaloga, 2009: The Adaptation Fund – A model for the future? <http://www.germanwatch.org/klima/adbr09.pdf>

³ Harmeling, S. 2009: Briefing on the 7th meeting of the Adaptation Fund Board. <http://www.germanwatch.org/klima/afb2009-09d.htm>

⁴ Draft version from before the meeting available at: http://www.adaptation-fund.org/images/Doc.AFB.B.7.4.Draft_Provisional_Operational_Policies_and_Guidelines.pdf

developed certain and relatively strong standards which a proposed NIE has to fulfill in order to be eligible and receive accreditation for receiving funds from the AF.⁵

The challenge in developing these standards has been to balance the need for standards which ensure sound fiduciary management with the need to avoid setting up barriers which impede direct access for many vulnerable developing countries. **After having broadly agreed on the standards in the last meeting, the discussion at the 7th meeting made some fine tuning and consistency checks of the document which were then approved by a consensus.**

However, going through international implementing agencies continues to be a way which countries can also chose. In addition, it will be possible to go through regional entities if they meet the standards. In the discussion at the Board meeting, representatives from small islands named the example of the Southern Pacific Regional Environment Programme (SPREP) as one possible option.

The Board also agreed on the invitation letter to Parties to nominate National Implementing Entities (NIE), which will soon be send out to Parties via the Permanent Representatives to the UN in New York and the UNFCCC focal points. The Board also adopted the Terms of Reference for the establishment of an accreditation panel, which will consist of two Board members and three external experts. The Board members William Kojo Agyemang-Bonsu (Alternate Member from Ghana, representing Non-Annex I Parties) and Jerzy Janota Bzowski (Member from Poland, representing Eastern Europe) will be chairing the panel. This Panel will have to examine the nominations for NIEs with regard to the standards established by the Board.

Focus on “special attention to the needs of the most vulnerable communities” strengthened

The strategic priority that “special attention shall be given by eligible Parties to the particular needs of the most vulnerable communities”, adopted by the CMP in Poznan, is a crucial element in the provisions set up by the AFB. It serves as a kind of qualification in order to channel resources to serve those who are most in need, to be identified within the specific national circumstances.⁶

However, the draft documents for the preparation of project proposals lacked sufficiently explicit references requesting Parties to take serious this priority. **In the meeting, the Board adopted a clearer reference in the instructions that Parties will be provided with for preparing a project proposal to the AFB (Appendix A to the operational policies and guidelines), where previously only a general description on special vulnerability was required as part of the project justification.** This will likely increase the proponents’ attention to this important criterion.

Stakeholder engagement on national and international level strengthened

The experience of many other funding mechanisms shows that meaningful inclusion of relevant stakeholders in the preparation of projects and programmes in developing countries can significantly increase the effectiveness and efficiency of project and programme implementation (see also the paper *Review of practices on NGO/CSO Participation and proposal for the CIF Committees*, prepared by IUCN for the World Bank Climate Investment Funds).⁷

Requiring a clear description of how this has been done at the developing country level has to be seen as common, minimum practice, and should also be required by the AFB. The draft operational policies

⁵ see page 8 of the draft operational policies and guidelines

⁶ See Germanwatch/Bread for the World, 2008: Making the Adaptation Fund work for the most vulnerable. <http://www.germanwatch.org/klima/adfund08d.htm>

⁷ http://siteresources.worldbank.org/INTCC/Resources/Review_of_Practices_NGO-CSO_Particiaption_Final.pdf

and guidelines did not contain any explicit reference to stakeholder engagement. However, the AFB adopted significant improvements in this regard, on two different levels.

In the *project proposal template*, where project proponents have to justify their projects along several criteria, a new section on stakeholder engagement was included. The Board has not yet developed clearer guidance on the “How?” Nevertheless, this provision allows for more clarity and also transparency on how countries which propose projects for adoption to the AFB have engaged stakeholders in the project identification and preparation.

While the Board previously had decided that all proposals submitted by Parties will be put on the AF website, so far the procedure lacked an explicit role for the public to comment on the project proposals. This needs to be seen as an important component of transparent work, and would also allow to deliver additional information, also from vulnerable communities in the specific project area. **The Board adopted a provision which requires the AF Secretariat to provide facilities on the website where such public comments can be made during the project review and approval period.** While no details could be developed yet, this basic decision is an important signal that the AFB takes serious transparency. In setting up this procedure, lessons can be drawn from the CDM process, where a fix public comment period to the Project Design Documents (PDDs) has been an accepted element in the project approval process.⁸

The future host of the Adaptation Fund: further clarification needed

Another important issue on the AFB’s agenda was the matter of legal capacity, which is important to implement the direct access provisions and which will require some sort of host country agreement. After the AFB had launched a call for expression of interest earlier this year, Germany (Bonn) and Barbados were the only candidates remaining. The Board considered this issue for the first time in the sixth meeting in June, and for the seventh meeting a specific working group prepared an overview of the technical arguments for the two offers.⁹ Just before the Board started its considerations on the third day of this meeting, the working group launched a paper which summarised the arguments and which resulted in an overall recommendation for Bonn. However, a consensus has not yet been agreed upon since some Board Members and Alternates saw the need for further consideration, why an inter-sessional agreement is awaited until October 16th.

The way forward until Copenhagen

This time the Adaptation Fund Board achieved major progress through the adoption of the Operational Policies and Guidelines and thus settled another major piece in the direct access puzzle. It is doing this in an increasingly transparent environment, where everyone from around the world can follow the debates via webcast. Parties will now be invited to nominate National Implementing Entities, whose accreditation will be another crucial step for setting up a direct access process that works for its intended purpose. The next Meeting will happen some weeks before Copenhagen, from November 16 to 18 in Bonn, and one will see how many Parties will already have submitted nominations for such entities. Possibly, the Board will also launch a call for project proposals after the next meeting.

⁸ Procedures on public availability of the CDM PDD, para 40 of the CDM Modalities and Procedures, EB 09 Report, Annex 7

⁹ See http://www.adaptation-fund.org/images/Doc.AFB.B.7.7._Offers_to_confer_legal_capacity_and_to_host_the_AFB.pdf

While this process will take some time, it is important to recognise that the Board is entering new ground and sets precedents, possibly also for the post-2012 regime. Those who follow the development of the AFB closely – and this is now also facilitated through the webcast of the AFB meetings – can witness that the Board is working seriously on getting these structures right, and has developed more and more a working atmosphere that is totally different from the highly political and controversial debates that characterised the negotiations for example last December in Poznan, and sometimes even is a bit familial. That difficult questions take time, intense consultation and exchange is not surprising. But the Adaptation Fund Board is indeed making substantial progress, which needs to be better acknowledged, despite the fact that there are still challenges ahead. It is an existing institutional arrangement of the financial architecture, which will hopefully play an important role in the near-term. But it is also on its way to set structures that can significantly improve the effectiveness and the credibility of the climate regime also in post-2012, why it deserves explicit support by all Parties. The progress achieved in Bonn has been substantial at a time where a breakthrough in Copenhagen which will be appropriate to cope with the challenge is not impossible but at stake.

Nevertheless, the prospects for a strong role of the Fund in developing countries' struggle to adapt to a more and more severe climate change are limited by the scarce resources projected to be available in the next years from the CDM revenues. The economic crisis which has led to a decrease in emissions in many Annex I countries – a development which has its advantages by slowing down climate change – may worsen the revenue situation. The resources available will likely not be sufficient to fund projects in all eligible vulnerable developing countries, let alone programmatic approaches which are so desired by developed countries. Strengthening its funding base through reliable mechanisms is thus a major task to achieve in Copenhagen.