



Briefing on the 7th meeting of the Adaptation Fund Board

By Sven Harmeling, 14 September 2009

The 7th meeting of the Board of the Adaptation Fund (AFB) set up under the Kyoto Protocol currently takes place in Bonn. Adaptation Fund Board Members meet from 14 to 16 September at the UN Campus. This will not be the last meeting before the Copenhagen climate summit, but nevertheless an important one. The AF is still in its nascent stage, but has made significant progress in sometimes new territories over the last 18 months. Shaping it in the right way offers important potential to build up a strong instrument assisting developing countries in the implementation of concrete adaptation projects and programmes. This briefing seeks to provide interested stakeholders with the most relevant information on the current AFB meeting.

General background to the the Adaptation Fund under the Kyoto Protocol

The International Institute for Environment and Development (IIED) and Germanwatch have published only recently a policy briefing on the Adaptation Fund, which can be downloaded at www.germanwatch.org/klima/adbr09.pdf

The document outlines key steps in the Fund's development and ongoing challenges, which exist despite the good progress the AFB.

Official background information and the documents prepared in advance of the 7th meeting can be found at www.adaptation-fund.org

Most of the session will also be webcasted: www.unccd.int/live/gef/index.php

Key issues to be decided in the 7th Meeting

The annotated agenda of the AFB meeting (document AFB/B.7/2) contains the different agenda points and expected actions. The following key issues will be discussed and maybe decisions or recommendations be taken at the 7th meeting:

Finalisation of Provisional Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund (document AFB/B.7/4)

This document is the key document with regard to how Parties can apply for funds with adaptation projects and programmes, how the project cycle will work etc. It also includes the criteria relevant for the future disbursement of funds to vulnerable developing countries. While most of the document was already agree in past meetings, there are a few outstanding issues:

- *Agreement on fiduciary standards for national implementing entities*: the Adaptation Fund should implement provisions which will allow for direct acces from developing countries to the Fund, which means that they will be able under certain circumstances to enter into direct contracts with the AFB, and do not have to go through the multilateral implementing agencies (World Bank, UNDP, UNEP etc.) which is the usual way in international development cooperation. The way this direct access 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 to this country. This NIE 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 developed certain standards which a proposed NIE has to fulfill in order to be eligible and receive accreditation for receiving funds from the AF (see page 8 of the document). 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. The Board has broadly agreed on the standards in the last meeting, so it is likely that this time they will be officially approved. It remains to be seen if the current set of standards will achieve this balance.

While the project submission, review and approval process was generally agreed on by the AFB in past meetings, there is the need for further clarification regarding some points which will be critical for the performance of the AF both internationally as well as within developing countries. Unfortunately, the AFB has not taken up these points yet very actively.

- *Address the strategic priority “special attention to the needs of the most vulnerable communities”:* When Parties will be invited to submit proposals to the AFB, they should be provided with guidance on how the AFB expects them to adhere to the strategic priority that “special attention shall be given by eligible Parties to the particular needs of the most vulnerable communities.” The draft template for project/programme submission, as contained in Appendix A to the document AFB/B.7/4, does not refer to this important priority in a sufficiently concrete manner (Part II, para B of the Instructions for preparing a request for AFB approval) and should be adjusted. At least, the Annex on the Project Review Criteria addresses this point, and thus Parties should pay particular attention to it.

- *Meaningful stakeholder inclusion in the project/programme preparation:* 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. To require an indication of how this has been done at the developing country level has to be seen as common practice, and should also be required by the AFB. However, there is yet no reference to stakeholder inclusion in the draft "Request for Adaptation Fund Approval" (contained in Appendix A to the Operational Policies and Guidelines). As a minimum requirement, applicants should outline the process of stakeholder inclusion in the identification and future implementation of the projects. This could be requested as an own subitem under Part II (Project Justification), C (Project Eligibility).

-*Stakeholder involvement in the project review and approval process:* While the Board has decided that all proposals submitted by Parties will be put on the AF website, so far the procedure lacks an explicit role for the public to comment on the project proposals. This is common practice in the Clean Development Mechanism and there it is assured through procedures on public availability of the CDM Project Design Documents. The first need for civil society involvement is in the development of proposals within developing countries. However, in case there are reasonable concerns regarding some



projects submitted, there must be an opportunity to comment on the proposals, and these comments/submission must be taken into consideration when proposals are discussed for approval by the Adaptation Fund Board. Thus, it would make sense that funding proposals and the technical summaries to be prepared by the Secretariat be posted on the AF website simultaneously when sent out to the AFB members. They should remain open for public comment for at least two weeks - the documents will be forwarded to the AFB four weeks prior to meetings - in advance of the Board meeting at which the proposals will be considered.

Legal host of the AFB

In order to implement the direct access approach, the AFB needs to have legal capacity which can only be achieved through an appropriate legal host country agreement. Two countries offered to give this legal capacity to the AFB, Germany with Bonn and Barbados. There was an initial consideration, of the aspects to consider and the pros and cons entailed in the different offers, based on presentations given by the two countries. There were further intersessional considerations by a working group chaired by Richard Muyungi from Tanzania, former AFB chair. The most recent information on this matter is contained in document AFB/B.7/7, including a table which summarises the two offers along the items legal framework, logistical/financial issues, local facilities and conditions, and other relevant information. This meeting is likely to end with a recommendation to be given to the Conference of the Parties to the Kyoto Protocol in Copenhagen in December (CMP5), based on the existing information. The above mentioned IIED/Germanwatch briefing mentions some of the relevant arguments in favour of Bonn or Barbados. A key criterion should be to decide for the option which allows a significant institutional strengthening in the future, since the AF is only in its nascent stage and should be prepared to play a larger role in a future adaptation regime. The CMP5 will have to discuss and endorse the report given on this matter by the AFB.

Other items

Other issues include

- Amendments to the Rules of Procedure of the Adaptation Fund
- Report on the last meeting of the Pilot Programme on Climate Resilience (PPCR)
- draft report of the AFB to the CMP (Copenhagen)
- report on the status of the Adaptation Fund Trust Fund
- a proposal for a communication strategy for the AF
- the ceremony for the winner of the AF logo contest and for a group of students from a school near Bonn, who have collected and donated 117.90 Euro to the Adaptation Fund, to help people affected by climate change.

Prospects after this meeting

It is likely that the AFB will agree on the Provisional Operational Policies and Guidelines, and, perhaps, on accompanying documents, which include

- a template for requesting funds from the AF (including project information, justification and endorsement by the focal points of the AF and certification by the implementing entity);
- instructions for preparing a request for AF Board approval, which assists Parties to fill in the project



information template;

- the Focal Point for Adaptation Fund Endorsement Letter
- the template for the preparation of technical summaries for projects and programmes
- Invitation Letter to Eligible Parties to Submit Proposals for Accreditation to the Adaptation Fund Board, building on the NIE standards agreed in the operational policies and guidelines

The exact outcomes of this meeting will provide a clearer picture on the next steps for the AFB as well as Parties who wish to submit proposals for adaptation projects and programmes to the AF. This will also include what can be achieved by Copenhagen. Developing countries will likely be invited to nominate focal points for the AF, which will have to endorse projects to be submitted. These focal points will probably be made public in the future, as it is the case today with the UNFCCC national focal points (in many cases it might even be the same ones). These will then also be key contact points for civil society to engage with on the national level, to find out which projects are in the pipeline from national governments, and how these reflect important criteria like attention to most vulnerable communities, human rights standards, stakeholder inclusion etc.