

BRIEFING PAPER

Briefing on the 24th meeting of the Adaption Fund Board

Alpha O. Kaloga and David Eckstein, with support from M. Heenen, C. Kerestan and U. Hagen

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 meetings one can find elaborate information on the Adaptation Fund and the past meetings on our web page www.af-network.org. Germanwatch has also established a NGO Network to help NGOs in developing countries to better accompany the implementation of projects funded by the Adaptation Fund (see www.af-network.org). If you would like to be part of AF NGO Network; please fill the Membership form. Last but not least, you can have a simple overview on the projects submitted to the AF through the Germanwatch Project Tracker at: af-network.org/4889.

Official background information and the preparatory documents for the 24th meeting can be found at <https://www.adaptation-fund.org/afb-meeting/3975>. Most of the sessions are usually webcasted at www.unccd.int/live/gef/index.php.

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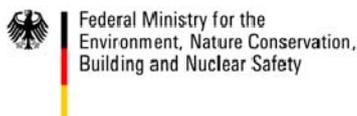
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1 Executive Summary

From 9-10 October 2014, the 24rd meeting of the Adaptation Fund Board (AFB), the operating body of the Adaptation Fund established under the Kyoto Protocol, will take place in Bonn, Germany. In the two days prior to the meeting, the Board members will convene in their respective committees: the Ethics and Finance Committee (EFC) and the Project and Programme Review Committee (PPRC).

As usual, the AFB meeting will start with deliberations by the Board on the recommendations of the Accreditation Panel. The Accreditation Panel (AP) is in charge of the accreditation of National (NIE), Multilateral (MIE) and Regional Implementing Entities (RIE). However, for the present meeting, the AP was not in a position to recommend the accreditation of new implementing entities. Rather, the AP recommends not accrediting RIE007 since the applicant has not provided the required information to allow a meaningful assessment of the application, despite regular follow up.

Nevertheless, the intersessional period resulted in the accreditation of the Desert Research Foundation of Namibia (DRFN) which increased the number of NIEs to 17, joint by 11 MIEs and 4 RIEs for a total of now 32 implementing entities.

Following the report by the AP, the AFB will have to decide, based on the recommendations of the PPRC, on the potential approval and endorsement of thirteen projects and concepts, all submitted for this meeting. The thirteen proposals have been submitted to the Secretariat by accredited IEs, with the total requested funding amounting to US\$ 70,694,621. Four of the proposals were concepts, with a total requested funding of US\$ 25,617,203 and nine were fully-developed proposals, with a total requested funding of US\$ 45,077,418. Remarkably, out of the 13 projects, 12 were submitted by NIEs, while for the first time, no new MIE submissions were received.

Furthermore, the Board will engage in the discussion related to the status of the pipeline. As four MIE proposals still remain in MIE pipeline of approved projects and programmes, the Board will discuss options to fund the pipeline, as was the case at the last AFB meeting. The discussion here could become a political one, as Board members will be invited to explore different funding options as proposed by the AF Secretariat in the corresponding document.

This briefing paper will highlight and summarise the key issues on the agenda of the 24th meeting of the AFB, and outline some further actions to be taken by the Board.

2 Report of the Accreditation Panel

The Accreditation Panel (AP) of the AFB is in charge of reviewing accreditation applications for National Implementing Entities (NIEs), the key element in the AF's direct access approach, as well as for Multilateral Implementing Entities (MIEs) and Regional Implementing Entities (RIEs).

Since the last meeting, the AP has been reviewing and scrutinizing both new and pending applications. In doing so, it has held teleconferences and conducted field visits with some applicants whose applications were seen strong enough to have prospect for accreditation.

For this meeting, the AP received two new completed applications in addition to the seven NIE applications, two RIEs and one MIE that were still under review. Eleven applications (eight for potential NIEs, two for potential RIEs, and one for a potential MIE) are still under review by the Panel.

2.1 Accreditation of Implementing Entities

Intersessional period between AFB 23 and AFB 24

In the intersessional period, the AP recommended accrediting the Desert Research Foundation of Namibia (DRFN) as a NIE, which was then decided by the AFB. The number of accredited IEs has increased to 17 NIEs, 4 RIEs and 11 MIEs.

2.1.1 Desert Research Foundation of Namibia (DRFN)

The Desert Research Foundation of Namibia was founded in 1990 and is based in Windhoek. The non-governmental organization has its roots in the Namib Desert Research Station and is closely interrelated with the Gobabeb Training and Research Centre in the Namib Desert. Its focus lies on building society's capacity for managing a sustainable development, e.g. in terms of political decision making or the use of natural resources. The three main thematic areas are energy, land and water.¹

AFB 24

For the 24th AFB meeting, the AP completed the review for one RIE.

2.1.2 RIE007

The AP recommended the AFB not to accredit RIE007². Although after reviewing the application, the Panel was of the view that RIE007 had merit of being accredited and requested additional documentations in order to clarify missing gaps. Once the additional documents were submitted, the Panel still identified gaps and requested further information to clarify these issues. Since February 2014, the applicant has not responded, despite regular follow up. Therefore, the AP has decided to not recommend the accreditation of RIE007 as the applicant has not provided the required information to allow a meaningful assessment by the AP.

2.2 Other applications under review

¹ for more information see <http://drfn.org.na/>

² For purposes of confidentiality, only the assigned code is used to report on the status of each Implementing Entity's application.

Eleven applications (eight for potential NIEs, two for potential RIEs, and one for a potential MIE) are still under review by the Panel. The screening process of these applications is ongoing and is not yet finalized or concluded. Therefore, the Panel is not in the position to make any statement with respect to their accreditation.

2.3 Streamlined Accreditation Process

At AFB 23, the Board decided to continue its consideration of approval for accreditation of small national implementing entities (SNIEs) on the basis of a 'Streamlined Accreditation Process'. This process would entail no changes to the fiduciary standards, but it would institute acceptable alternate requirements needed for SNIEs to demonstrate their required competencies. Specifically, the requirements would be commensurate with the type, size and risk profile of the institution.³

According to a current working definition, a SNIE is any entity which has

- (a) a small human resource base (approximately 20 or fewer);
- (b) less than USD 550,000 annual administrative and operating budget;
- (c) project management competencies concentrated on handling project amounts under USD 100,000.

However, as indicated above, this definition does not prevent a small entity from having to comply with the fiduciary standards. Further the definition is provided to give a general parameter and is not intended to be rigidly applied.

To analyze and determine the risk profile of a SNIE, also qualitative characteristics are taken into account. These characteristics are not exhaustive, but serve as risk alertness to the Panel when assessing the SNIEs' competences and the viability of alternate measures to meet the fiduciary standards.

Up until now, in operationalizing the Streamlined Accreditation Process the AP has been advising two SNIEs on viable alternatives to address the requirements of the fiduciary standards.

3 Report of the Programme and Programme Review Committee

The Project and Programme Review Committee (PPRC) is responsible for assisting the Board in tasks related to project and programme review and implementation in accordance with the Operational Policies and Guidelines and for providing recommendations and advice to the Board thereon.

3.1 Review of project proposals

Thirteen proposals have been submitted to the Secretariat by accredited IEs, with the total requested funding amounting to US\$ 70,694,621. Four of the proposals were concepts, with a total requested funding of US\$ 25,617,203. Nine fully developed proposals, all submitted by NIEs, re-

³ see AFB/B.24.4

quested funding of US\$ 45,077,418. After the initial technical review by the Secretariat, one concept was withdrawn.

In addition to the submitted proposals, a fully developed proposal by the NIE for Kenya (The National Environment Management Authority) will be considered at this meeting, as it was deferred at the last meeting. After initial comments by the Secretariat, the budget requested for some proposals were altered by proponents following the initial review. The total requested funding of the thirteen proposals amount to US\$ 79,611,212, including US\$ 24,537,503 for the three concepts and US\$ 55,073,709 for the ten fully developed proposals. The proposals included US\$ 5,807,509 or 7.9%⁴ of Implementing Entities management fees and US\$ 6,195,918 or 8.4%⁵ of execution costs. Only a small-sized project by India requested an execution fee of 9.6 %, exceeding the execution fee cap of 9.5%.

One proposal was submitted by a RIE. The Sahara and Sahel Observatory (OSS) submitted a concept for Burkina Faso. The NIEs for Chile (Agencia de Cooperación Internacional de Chile, AGCI) and Mexico (Mexican Institute of Water Technology, IMTA) both submitted one concept, while the NIE for India (National Bank for Agriculture and Rural Development, NABARD) submitted four fully-developed proposals, and the NIE for South Africa (South African National Biodiversity Institute, SANBI) submitted two fully-developed proposals. One fully-developed proposal was submitted by each of the NIEs for Costa Rica (Fundecooperacion para el Desarrollo Sostenible), Jordan (the Ministry of Planning and International Cooperation, MOPIC), and Morocco (Agence de Développement Agricole, ADA). This is the first time that no proposal was submitted by a MIE. Eleven out of the thirteen submitted proposals are regular projects, and two are small-sized projects which do not exceed US\$ 1 million.

Table 1: Project proposals submitted to the 24th Adaptation Fund Board meeting

Country	IE	Financing requested (USD)	Stage	IE Fee, USD	IE Fee, %	Execution Cost (EC), USD	EC, % of Total
Burkina Faso	OSS	\$5,947,503	Concept	\$465,933	8.50%	\$475,570	8.68%
Chile	AGCI	\$9,960,000	Concept	\$500,000	5.29%	\$450,000	4.76%
Mexico	IMTA	\$8,630,000	Concept	\$622,000	7.77%	\$695,000	8.68%
Costa Rica	Fundecooperación	\$9,970,000	Fully developed	\$750,000	8.13%	\$860,000	9.33%
India	NABARD	\$689,264	Fully developed	\$53,998	8.50%	\$60,050	9.45%
India	NABARD	\$981,052	Fully developed	\$76,500	8.46%	\$78,477	8.68%
India	NABARD	\$1,790,500	Fully developed	\$139,800	8.47%	\$143,192	8.67%

⁴ The implementing entity management fee percentage is calculated compared to the project budget, including the project activities and the execution costs before the management fee.

⁵ The execution costs percentage is calculated as a percentage of the project budget, including the project activities and the execution costs before the implementing entity management fee.

India	NABARD	\$2,510,854	Fully developed	\$196,469	8.49%	\$201,162	8.69%
Jordan	MOPIC	\$9,226,000	Fully developed	\$723,000	8.50%	\$703,000	8.27%
Kenya	NEMA	\$9,998,302	Fully developed	\$720,217	7.76%	\$804,948	8.68%
Morocco	ADA	\$9,970,000	Fully developed	\$781,060	8.50%	\$872,950	9.50%
South Africa	SANBI	\$7,495,055	Fully developed	\$587,170	8.50%	\$656,249	9.50%
South Africa	SANBI	\$2,442,682	Fully developed	\$191,362	8.50%	\$195,320	8.68%
Total		\$79,611,212		\$5,807,509	7.87%	\$6,195,918	8.35%

3.2 Proposals for accreditation support

Several countries had the opportunity to submit applications for grants to receive support for accreditation through a selected number of NIEs as part of the Readiness Programme for Climate Finance. The types of support included but were not limited to:

- (i) identifying potential NIE candidates and/or
- (ii) preparing an application for NIE candidates to be submitted to the Accreditation Panel and/or
- (iii) continuous support during the application process⁶

The NIEs were selected based on their experience with the Adaptation Fund, e.g. project preparation and implementation, and support of other countries in their application processes. NIEs were considered eligible if they fulfilled the following criteria by the 23rd Board meeting:

- have been accredited by the Board,
- have an Adaptation Fund project or programme under implementation, hence demonstrating effective compliance with the AF fiduciary standards, and
- have experience advising, participating in, or organizing support to other NIE candidates.⁷

The five selected NIEs were the **Centre de Suivi Ecologique** (CSE, Senegal), the **Planning Institute of Jamaica** (PIOJ, Jamaica), the **Agencia Nacional de Investigacion e Innovacion** (ANII, Uruguay), the **Unidad para el Cambio Rural** (UCAR, Argentina), and the **Ministry of Natural Resources of Rwanda** (MINIRENA, Rwanda).

The Secretariat received four proposals from two NIEs, who followed a call for submission of proposals undertaken intersessionally. These proposals were to support Burundi (MINIRENA), Cabo Verde, Chad, and Niger (CSE) and requested a total funding of US\$ 194,490.

⁶ AFB/PPRC.15/4

⁷ AFB/PPRC.15/4

3.3 Report of the Secretariat on the intersessional review cycle

Background to this document is the decision of the AFB to hold only two Board meetings per year and arrange one intersessional project review cycle annually. The submission deadline for proposals was 14 April 2014, by which the Secretariat received three proposals, including two fully-developed project/programme documents and one project concept. The two fully-developed proposals were resubmissions of proposals that had been previously submitted as fully-developed proposals and were thus eligible for intersessional review. The received project concept had not been submitted before and therefore was not eligible. Both eligible fully-developed proposals were submitted by MIEs.

The Secretariat reviewed the proposals and submitted the reviews to the proponents, who submitted revised versions of the proposals. The secretariat then conducted a final technical review. The Secretariat later circulated its report of the initial screening and technical review as well as the proposals and reviews to the PPRC for intersessional commenting for a period of one week. After the draft recommendations were endorsed by the PPRC, they were submitted to the Board for intersessional approval. No objections were raised and the decisions were thus approved. Both decisions, annexed to this document, were not to approve the proposals.⁸

3.3.1 Analysis of the intersessional cycle

The main benefit of the intersessional review cycle was that it allowed the proponents of eligible projects to submit their proposals during the nearly six-month time between the 23rd and 24th meetings. Having proposals reviewed during the intersessional period enabled the proponents to get the review results approximately 3.5 months earlier than if there had not been such a cycle. The number of eligible proposals submitted to the intersessional review cycle (2) was somewhat lower than what the Secretariat expected.⁹

This was due to several factors, e.g. MIEs having reached the 50 percent cap since December 2012 and common delays in the proponents' individual proposal development processes.

For members of the PPRC, conducting reviews intersessionally may pose particular challenges, as it may be difficult to find the time for the review work. In the case of this first intersessional review cycle, one PPRC member complained that the PPRC review and commenting period coincided with the meetings of the Subsidiary Bodies of the UNFCCC. The lack of opportunity to exchange views on proposals real-time among the committee members and with the secretariat may also affect the effectiveness of the PPRC review.¹⁰

In the intersessional review cycle, the proposals were posted on the Adaptation Fund website for comments by the public, as with regular review cycles. In regular cycles, the PPRC presents its recommendations to the Board in an open meeting with observers and also offers a webcast. . In the intersessional review cycle, as decisions are made online in a virtual process, it could be argued that oversight is reduced.¹¹

⁸ AFB/PPRC.15/4

⁹ AFB/PPRC.15/4

¹⁰ AFB/PPRC.15/4

¹¹ AFB/PPRC.15/4

The main drawback is that it limits interaction among the members of the PPRC and the Board, which may affect the opportunity of the members of these bodies to form their position. Therefore, the fact that all first submissions of concepts and fully-developed project/programme documents are required to be considered in regular meetings is important to ensure that opportunity for proper face-to-face discussion exists.¹²

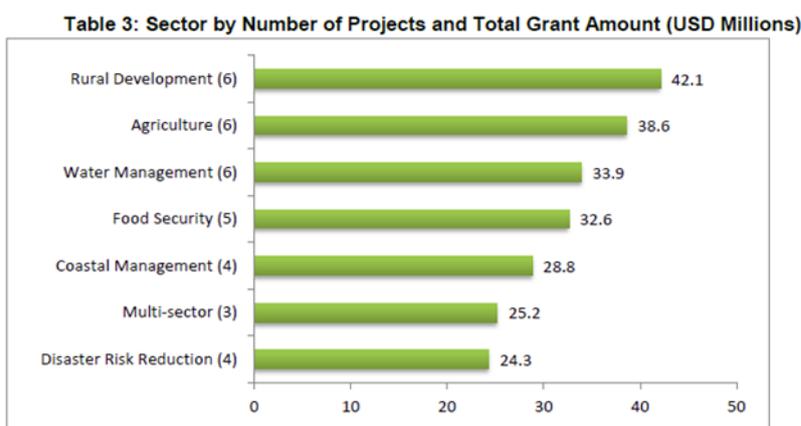
4 Report of the Ethics and Finance Committee

According to its terms of reference, the EFC is responsible for providing advice to the Board on issues of conflict of interest, ethics, finance and audit. The EFC will hold its 15th meeting prior to the current AFB meeting, to examine the following documents before providing recommendation to the Board for adoption.

4.1 Annual Performance Report for the Fiscal Year 2014

As of June 2014, 34 projects totaling US\$ 226 million have been approved for funding, and 26 of them are currently underway. Thirteen project formulation grants totaling US\$ 388,100 have also been approved. Five of the 34 approved projects are being implemented by NIES, while the remaining 29 are being carried out through MIEs including the UN (20 projects), WFP (4 projects), and the UNEP (3 projects).

These projects are distributed evenly between regions in Africa, Asia-Pacific, and Latin America & Caribbean, as well as one in Eastern Europe; however, Asia-Pacific projects have received the most substantial amount of funding at US \$79.8 million followed by Latin America & the Caribbean (US\$ 70.3 million), and Africa (US\$ 70.1 million). There is also strong participation from LCDs and SIDs, with nine countries in each category, respectively. Approved project funds have been distributed into the seven different development areas as shown below.



Additionally, the allotted grant money has most heavily been directed towards projects listing their intended outcome to be 'increased ecosystem resilience in response to climate change' (US\$ 49.4 million) as well as 'increased adaptive capacity within relevant development and natural

¹² AFB/PPRC.15/4

resources sectors' (US\$ 48.8 million). Lastly, 22 have submitted their required project performance report (PPR) as of June 2014. Based on the submitted reports, each project then received an implementation progress (IP) rating, and a total of nine have received a rating of 'Satisfactory' or higher.

4.2 Report of the Portfolio Monitoring Mission in Jamaica

The Planning Institute of Jamaica (PIOJ) received US\$ 9,965,000 from the Fund in 2012 to begin work on the project 'Enhancing the Resilience of the Agricultural Sector and Coastal Areas to Protect Livelihoods and Improve Food Security'. Specifics of this project include coastal rehabilitation, inland flood and erosion control, and land and water management. By completing this project, Jamaica aims to create a healthy, natural environment that focuses on climate change adaptation as well as bring them closer to their goal of achieving developed country status by 2030.

The projects first concrete steps were taken in November 2012, which officially marked the commencement of the program's implementation. To date, US\$5,980,360 (60% of total allotted money) has been released to PIOJ. PIOJ's PPR has been submitted and reported that the following project sites have been visited and evaluated: The Negril Area, Manchester, and Clarendon. Certain components of the project, such as watershed management, local adaptation plans, and developing community hazard maps, have been delegated respectively to supporting organizations and shared with the local government and citizens. There has also been a strong desire to engage with the private sector in all areas of the project; however, there has been some difficulty connecting with them due to political and business interests.

The implementation phase of the project is expected to last an additional three years before substantial work is undertaken. As the project moves forward today, PIOJ has requested a specialized sociologist to gain a better understanding of the community dynamic to overcome this difficulty communicating with the private sector and help to mitigate some negative attitudes that have developed surrounding the project.

4.3 Adaptation Fund Trust Fund: Financial report prepared by the Trustee

Since the start of the monetization of CERs, which is supposed to be the main funding channel of the Fund, the Trustee has generated revenues of USDeq. 190.42 million through CER sales. The Trustee generated revenues of USDeq. 0.63 million from CER sales during the calendar year 2014, with an average price during the quarter amounting to EUR 0.19. As of 30 June 2014, cumulative donations to the Adaptation Fund amounted to USDeq. 213.7 million.

In term of investment income, as of 30 June 2014, the Adaptation Fund Trust Fund had earned cumulative investment income of approximately USD 3.21 million on the undisbursed balance of the Trust Fund.

Cumulative net funding decisions (approvals by the AF Board) to end-June 2014 amounted to USD 253.64 million. As of 30 June 2014, approved amounts (committed by the Trustee) pending transfers to recipients totalled USD 127.98 million, representing a decrease of USD 25.88 million since March 31, 2014.

As of 30 June 2014, the Trustee has transferred a total of USD 125.66 million including USD 99.54 million related to projects and programs. Funds held in the Trust Fund as of 30 June 2014, amount-

ted to US-Deq. 281.68 million. Funds available to support AF Board funding decisions amounted to USD 150.7 million. This represents an increase of USDeq. 8.13 million compared to the prior reporting period as a result of CER proceeds and donations received during the period.

Based on current CER prices, the estimated additional resources available for the AF by end-2015 range from USD 2-3 million, in addition to any outstanding donations.

Table 2: Funds available in USD millions

	As of June 30, 2014 (a)	As of March 31, 2014 (b)	Change since last report (a) - (b)
1. Cumulative Receipts	407.34	399.21	8.13
a. Cash receipts from CER proceeds	190.42	190.01	0.41
b. Cash receipts from Donors and Other Sources	213.70	206.21	7.49
c. Investment Income earned on undisbursed balances	3.21	2.99	0.22
2. Cumulative Cash Transfers	125.66	99.78	25.88
a. Projects and Programmes	99.54	78.01	21.53
b. Operational Expense	26.12	21.77	4.35
3. Funds Held in Trust with no Restrictions (3 = 1 - 2)	281.68	299.43	(17.76)
4. Operational Reserve	3.00	3.00	-
5. Funding Decisions Pending Cash Transfer	127.98	153.86	(25.88)
6. Funds available to support AF Board funding decisions (6 = 3 - 4 - 5)	150.70	142.57	8.13

4.4 Joint Report by the Secretariat and the Trustee on the Status of the pipeline

Background to this document is the decision of the AFB that "the cumulative budget allocation for funding projects submitted by MIEs should not exceed 50 percent of the total funds available for funding decisions in the Adaptation Fund Trust Fund at the start of each session. The cumulative allocation would be subject to review by the Board at the recommendation of the Project and Programme Review Committee (PPRC) during later sessions". To operationalise this decision, the AFB set up a pipeline for approved proposals awaiting funding decisions, as the funding request by MIEs exceeded the 50 percent cap. The projects set in the pipeline are cleared according to following criteria:

- (a) Date of recommendation by the PPRC;
- (b) Submission date;
- (c) lower "net" cost

Until 30 June 2014, the AFB had placed five approved proposals by MIEs in the pipeline, for which there was no funding, due to the 50 percent cap. Between the 23rd and the 24th meetings, the Board was already able to approve one proposal in the pipeline, which supports a project in Belize and was submitted by the WB for an amount of US\$ 6,000,000.

The amount required to fund the remaining four project/programmes in the pipeline is US\$ 32,350,000.

Table 3: Pipeline of MIE projects as of 31 August 2014

Order of priority	Country (MIE)	Recommendation date	Submission date	Net cost, US\$ M	Financing requested, US\$ M	Cumulative, US\$ M
1	Ghana (UNDP)	4/4/2013	1/28/2013	7.64	8.29	8.29
2	Mali (UNDP)	7/4/2013	4/24/2013	7.86	8.53	16.82
3	Nepal (WFP)	10/31/2013	8/26/2013	8.78	9.53	26.35
4	Indonesia (WFP)	3/20/2014	1/13/2014	5.52	5.99	32.35

4.5 Options to fund the pipeline

The discussion on options to fund the pipeline was initiated as the AF set the 50% cap for MIE projects. However, although there was an agreement among all Board members of the importance of this cap, in the past some members expressed the view that the MIE cap prevents the AF to fulfil its mandate, which is to finance concrete adaptation projects. Furthermore, those members were of the view that the cap actually prevents the AF to receive additional funding, as the remaining resources are earmarked for NIEs, which are putting off the submission of projects.

At the 23rd AFB meeting, Board members again deliberated the issue of funding the pipeline, coming to the conclusion that the position of the Board was difficult, as it was drawn toward two different policy goals: safeguarding the direct access mechanism on the one hand, and the need to support concrete adaptation proposals in the countries themselves, on the other.

The document prepared by the Secretariat is a resubmission of the paper presented for the last meeting and does not provide a specific recommendation. The options outlined are intended to assist the Board in its discussion on how to fund the pipeline and subsequently make a decision thereon. It outlines a range of options, based on input provided by Board member intersessionally.

Option 1: "An Efficient Fund"

In this option, the 50% cap will be lifted. Project and programmes submitted to the Fund will be approved following the usual practice in line with the current availability of funds for those projects and programmes. This means that the resources held in the Trust Fund will be channelled to proposals regardless of who is submitting the proposal. After the resources are exhausted, a pipeline for all access modalities will be set.

In doing so, it will allow the clearance of the pipeline and finance all projects following a "first-come-first-serve" principle. The cons of this option are for instance, the danger that the AF resources will be exhausted swiftly, and does not prevent the Fund from setting a new pipeline.

Option 2: "Safeguarding Direct Access"

This option suggests financing all proposals by MIEs in the pipeline as of this meeting. In addition, the new project submitted by the World Food Programme will be also financed, should the Fund approve it at this meeting.

This option enables the clearance of the pipeline and does not prevent the Fund to earmark funding for accredited NIEs and the one for consideration for accreditation for this meeting. The dilemma here is the likely assumption that there will be more NIEs and RIEs accredited in the course of this year. In this case there will be no guarantee for funding for future NIEs and RIEs.

Option 3: “Adaptive Management of the Fund’s Resources”

Option 3.1: Modify the percentage of cumulative resources of the Fund to be set aside for NIEs and review on an annual basis

Under this option the cap could be increased from 50 to 70 or 75% of cumulative resources for MIEs. This will be reviewed annually based on the NIEs project submission. In the case that this cap is reached a new cap will be set up.

This will allow a funding of proposal by MIEs in the pipeline and beyond and has the potential to reserve some funding for NIEs that will be reviewed based on the submission flow by NIEs. This option is bound with some additional works such as the assessment and monitoring of the pipeline.

Option 3.2: Enhancing predictability of MIE funding through the development of a work programme for MIE submissions

This option is the same as option 3.1 with the additional burden of MIE submissions on annual basis. Here the Secretariat, provided that the AF lifts the cap, will make each year a call of proposal to MIEs to be submitted by the end of the targeted fiscal year.

The advantage of this option is that it allows through the call of submission for proposals a better management of the proposal by MIEs and provides more predictability to them. The other side of the coin is that this approach may trigger a high number of submission by MIEs that could exceed the 50% cap.

In all the options presented above, the clearance of the pipeline does not prevent the Board, to set a new pipeline soon after the initial clearance. However, the document also includes an option for a temporary suspension of MIE submissions:

- The total amount of all projects by MIEs in the pipeline should not exceed US\$ 50 million
- The amount of funding for accredited NIEs is reaching an amount, at which a pipeline for NIE will be set.
- The number of accredited NIEs has reached a certain level which, combined with an estimate of potential submissions by NIEs and actual availability of funds, would trigger the closure of the pipeline for MIEs by the Board;
- Unmet fundraising target in a given year, which would trigger the prioritization of NIE funding over MIEs.

The discussion on this matter particularly demonstrates the need for the Board to set up regular fundraising targets for the AF. At this, the Fund should introduce a biennial fundraising campaign, which should be connected to the biennial report of Annex II countries on their long-term finance. Another option would be to initiate a replenishment process of the AF, open to all Parties that are in the position to provide resources to the AF. This replenishment process should be supported and accompanied by an ongoing fundraising strategy.

The AF has been praised and attracted the interest of stakeholders, also in the GCF, because of its direct access modality. Of course, the AF should strive to strike the balance between the mandate of financing concrete adaptation project in vulnerable countries and the need to promote direct access as an alternative to the classic way of financing projects. Introducing a "first-come-first-serve" principle would mean transforming the AF to a MIE Fund such as the GEF. This would not do justice to accredited NIEs that have struggled and initiated new processes to advance their institutions to be accredited as NIEs and developed and submitted concrete implementable projects.

In our view, Option 2 ("Safeguarding Direct Access") seems to be the most reasonable option. On the one side, donors who contributed to the AF hope that all projects in the pipeline will be at least cleared. So financing the four remaining MIE project in the pipeline would be in line with this purpose. After this meeting a new pipeline for MIE projects should be set up, which will be financed, once substantial resources have been pledged.

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