

BRIEFING PAPER

Briefing on the 28th Meeting of the Adaptation Fund Board

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Summary

In August 2016, the Adaptation Fund has recorded its second largest number of proposals in its history. A number of 31 concept and project proposals have been received to be considered by the Adaptation Fund Board at its 28th Meeting scheduled in October 2016 in Bonn, Germany. This request amounts to US\$ 208.6 million from various types of accredited implementing entities wishing to access the funds. It is obvious that the Fund provides an important function to assist developing countries in their efforts towards concrete local measures against climate impacts. Developed through a civil society lens, this briefing outlines selected talking points on agenda items that are to be discussed at the 28th meeting of the Adaptation Fund Board, and suggests some key recommendations as well.

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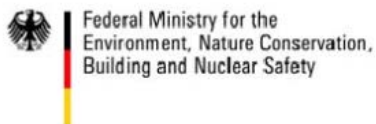
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1 Background on the Adaptation Fund

The Adaptation Fund (AF) is an established fund under the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC) in order to support the adaptation of developing countries to negative impacts of climate change, with special attention to be given by eligible Parties to the needs of the most vulnerable communities. The AF pioneered features such as direct access – where national entities from developing countries can directly access funding and manage not only design and implementation of projects but also monitoring and evaluation – and readiness support for eligible countries, among other particularities. The Fund achieved the highest rank among climate funds in 2012 on the International Aid Transparency Index.

Civil society has been recognised as an important stakeholder in the AF debates and decision-making processes. As one of several active non-state actors, Germanwatch has been following all the AF Board meetings from a civil society perspective. Germanwatch also established the AF NGO Network (AFN). This is as a coalition of NGOs and interested stakeholders that are following the processes of the AF and its funded projects, and help NGOs in developing countries to better accompany the implementation of these projects. An overview of projects submitted to the AF can be seen in the Germanwatch Project Tracker on the AF NGO Network website (www.af-network.org), including more about the Network.

2 Report of the twenty second meeting of the Accreditation Panel

The Accreditation Panel (AP) of the AFB is in charge of reviewing accreditation applications from National Implementing Entities (NIEs, Multilateral Implementing Entities (MIEs) and Regional Implementing Entities (RIEs).

On the 29th–30th of August 2016, the Panel held its twenty-third meeting in Washington, D.C. to continue its work of reviewing both new and existing applications. This served as an opportunity to discussing the status and the pending issues of applications under review, deliberating on how to further improve the accreditation process. For this Panel meeting, one new application was received and six re-accreditation applications were reviewed by the Panel, including two MIEs and four NIEs. The Panel also continued its review of the applications of ten National Implementing Entities (NIEs) and one Regional Implementing Entities (RIEs) that had been previously reviewed but required additional consultation in order for the Panel to make its recommendations. The Panel recommended re-accrediting the World Meteorological Organization (WMO) as an MIE which was initially accredited at its twenty-third meeting. Based on recommendations from the Panel, the Board approved the re-accreditation of WMO as an MIE intersessionally. Eleven applications (ten for potential NIEs and one for potential RIE) are currently still under review by the Panel.

Regarding the general trends in the accreditation process, as at the date of this briefing paper, the total number of accredited implementing entities amounts to 42 (including 24 NIEs, 6 RIEs and 12 MIEs). More precisely, four NIEs from least developed countries (LDCs) and six NIEs from Small Island Developing States (SIDS) were accredited. Out of 42 accredited implementing entities of the Fund, ten have been re-accredited (2 NIEs, 1 RIE and 7 MIEs). With respect to the geographic scope of the, in total, 24 NIEs, 5 NIEs are from Asia-Pacific, 8 NIEs are from Africa and 11 NIEs are from Latin American and the Caribbean. Concerning the accreditation pipeline, as at the date of this

paper, the AF has received 115 letters of assigned Designated Authorities (DAs). 97 DAs have officially identified an implementing entity and have been issued with accounts for the online Workflow accreditation system. Out of those, 75 entities have submitted their applications for accreditation and 16 of these are currently under review. More precisely, 17 NIE applications from LDCs and five NIEs applications from SIDS are in the accreditation pipeline.

The Panel also discussed other matters, such as the issue of criteria related to anti-Money Laundering (AML) and countering financing of terrorism (CFT). They agreed to not include those issues as additional criteria for accreditation because they are already covered by the standard legal agreements for accredited implementing entities. In addition, the transfer of funds to implementing entities follows the disbursement procedure of the Trustee. The Panel was of the view that those two issues could be considered as part of capacity building through raising awareness on the AML/CFT among the implementing entities.

The twenty-fourth Meeting of the Accreditation Panel is scheduled for the 31st of January–1st of February 2017 in Washington D.C.

3 Report of the nineteenth meeting of the Project and Programme Review Committee (PPRC)

3.1 Prioritization among regional project/programme proposals

At its twenty-fifth meeting the Adaptation Fund Board decided to (a) approve the pilot programme on regional projects and programmes, as contained in document AFB/B.25/6/Rev.2; (b) set a cap of US\$ 30 million for the programme; (c) request the secretariat to issue a call for regional project and programme proposals for consideration by the Board at its twenty-sixth meeting; and (d) request the secretariat to continue discussions with the Climate Technology Center and Network (CTCN) on operationalizing the Synergy Option 2 on knowledge management proposed by CTCN.

On 5th of May 2015, the AF secretariat issued, in accordance with subparagraph (c) of Decision B.25/28, a call for regional project and programme proposals which encountered high interest. 16 regional proposals have been submitted for the review cycle for the twenty-sixth Board meeting, eight for the twenty-seventh meeting and 12 for the twenty-eighth meeting - thus summing up to a total of 20 different regional project submissions. However, as at the date of this briefing, the Board has not approved any regional project proposals, but has endorsed one concept note and eight pre-concept notes. In addition, the Board has approved project formulation grants for five regional project ideas.

At the eighteenth meeting of the PPRC, which directly preceded the twenty-seventh meeting of the Board, the PPRC decided to recommend to the Board to discontinue, for the time being, the call for new projects and programmes under the pilot programme for regional projects. The PPRC also recommended the Board to continue the consideration of previously submitted regional project and programme proposals under the pilot with the aim of approving four such proposals. The Committee also recommended approving those received regional proposals in the order in which

they are proposed. A further recommendation by the PPRC was to establish a pipeline for projects under the pilot programme and use the prioritization criteria described in decisions B.17/19 and B.19/5 for proposals by MIEs. The PPRC also advised the Board, that once the first fully developed project or programme under the pilot was approved, the Board would request the secretariat to assess the lessons learned of the programme, and decide on whether to call for additional regional proposals.

However, the Board took a different approach after having discussed the recommendation by the PPRC. That discussion, summarized in the report of the twenty-seventh meeting of the Board (AFB/B.27/10/Rev.1) touched upon, *inter alia*, the implications for the pilot nature of the programme, the timeline of approving regional proposals and whether issues of fairness would need to be taken into account when deciding on the continuation or discontinuation of the pilot programme. The Board then decided to: (a) continue the consideration of regional project and programme proposals under the pilot programme, while reminding the implementing entities that the amount set aside for the pilot programme is US\$ 30 million; (b) request the secretariat to prepare, for consideration by the PPRC at its nineteenth meeting, a proposal for prioritization among regional project/programme proposals, including for awarding project formulation grants, and for the establishment of a pipeline; and (c) consider the matter of the pilot programme for regional projects and programmes at its twenty-eighth meeting. As a result, the following options for prioritization among regional proposals have been prepared following the request made by the Board at its 27th meeting (decision B.27/5, subparagraph b):

- (Option 1) Prioritization among project proposals could be done through considering aspects of project quality such as cost-effectiveness, sustainability, ‘net cost’ (efficiency) or innovativeness (to name a few). This option can be done in two ways: either for each proposal individually (Option 1a) or through comparison of projects with one another (Option 1b). However, it should be noted that the Fund never set criteria for comparing proposals in the past;
- (Option 2) A prioritization could be based on classifying factors such as sector, region, implementing entity, size, or order of approval. Applying these simple criteria would ensure the diversity of types of projects. In such an approach, the projects to be selected would not be compared only individually but there would also be an endeavour to ensure that the set of projects would together represent a diverse group;
- (Option 3) Prioritization through a combination of options 1 and 2. While ensuring the adequate quality of individual proposals (Option 1a) would be relatively easy, the difficulties are in comparing proposals in terms of quality aspects (Option 1b) would remain even if classifying factors (Option 2) would be included in the project selection process. In contrast, applying the standard quality review process focusing on the individual proposals could be combined with a view to the diversity among proposals, if those proposals are considered as a set.

After reviewing all these options, the AF secretariat has prepared a proposal for prioritization among regional project/programme proposals which is based on Option 3, more specifically the combination of Options 1a and 2. It takes into consideration the following elements:

Awarding swift project development: approving the four projects to be funded under the pilot programme as soon as these are technically cleared by the technical review process (it is proposed that the four “slots” for projects under the pilot programme are filled through a combination of a “first come, first serve” approach and a diversity-oriented approach;

(b) Aiming at diversity among the four projects to be funded under the pilot programme, in terms of region, sector and implementing entity;

- (c) Setting up a pipeline for projects that have been technically cleared but were not funded as part of the initial four funded projects;
- (d) Financing the pipeline projects from the same resources that are available for single-country projects, depending on the type of implementing entity; and
- (e) Managing the number of proposals in the pipeline by deciding on the number of regional projects to be approved from the pipeline per unit time, and by deciding on temporarily discontinuing the call for completely new regional proposals.

AFN recommendation:

- Looking at aspects of project quality such as cost-effectiveness, sustainability, ‘net cost’ or innovativeness is not enough. The impact of projects in the concerned region also has to be strongly considered.
- The prioritization approach should look at the efficiency of projects that meet the needs and concerns of the local beneficiaries.
- Quality check and quality insurance could also be used as key assets for decisions on funding allocation for regional projects.
- One way is also to mainly focus on countries which do not yet have any AF-funded project through an NIE so that they can benefit from the Fund through a regional project.

3.2 Report of the AF secretariat on initial screening/technical review of project and programme proposals

As usual, and in accordance with the operational policies and guidelines, the secretariat screened and prepared technical reviews of the 17 single-country project and programme proposals, and the 11 regional project and programme proposals. In performing this review task, the secretariat was supported by members of the Global Environment Facility secretariat technical staff, particularly for proposals that had not been previously submitted by the implementing entities. In line with the Board’s request at its tenth meeting, the secretariat shared the initial technical review findings with the Implementing Entities that had submitted the proposals and solicited their responses to specific items requiring clarification. Responses were requested by e-mail, and the time allowed for the Implementing Entities to respond was one week. In some cases though, the process took longer. The Implementing Entities were offered the opportunity to discuss the initial review findings with the secretariat through telephone calls. The secretariat subsequently reviewed the IEs’ responses to the requests for clarification⁰ and compiled comments and recommendations that are presented to the PPRC for consideration before any Board decision.

3.2.1 Single country project/programme proposals submitted by Implementing Entities

Accredited IEs submitted 19 single-country proposals with total requested funding amounting to US\$ 111,127,306. Among the proposals were nine project concepts with total requested funding of US\$ 49,364,653 and 10 fully developed proposals with total requested funding of US\$ 61,762,653. Following initial technical reviews carried out by the secretariat, two fully-developed project documents were withdrawn by the proponents. In addition, budget requests from some proposals

were altered. Taking these changes into account, the final total amount of requested funding of the 17 single-country project proposals submitted is, at the time this paper is prepared, US\$ 99,868,873. The amount of US\$ 43,832,539 is distributed among the nine concepts and US\$ 56,036,334 among the remaining eight fully developed proposals.

3.2.2 Regional project/programme proposals submitted by Implementing Entities

Accredited MIEs and RIEs submitted 12 proposals for regional projects and programmes, for consideration within the pilot programme approved by the Board at its twenty-fifth meeting. As of the time this report is prepared, the total requested funding for regional project proposals submitted to the 28th Adaptation Fund Board meeting amounted to US\$ 97,553,230, including pre-concepts, concepts and fully-developed proposals. Among the proposals were two pre-concepts for regional projects, with a total requested funding of US\$ 18,544,055, six project concepts with a total requested funding of US\$ 48,400,000, and four fully-developed project proposals with a total requested funding of US\$ 30,609,175. Following the initial technical review carried out by the secretariat, one project concept was withdrawn by its proponent. In addition, the budget requests for some of the proposals were altered. The final total requested funding of the two pre-concepts amounted to US\$ 18,544,055. They included US\$ 1,411,055 or 8.2% in Implementing Entities' management fees and US\$ 1,433,000 or 8.4% in execution costs. The final total requested funding for the five remaining concepts amounted to US\$ 43,894,625, and they included US\$ 3,512,509 or 8.7% in Implementing Entities' management fees and US\$ 3,650,675 or 9.0% in execution costs. Finally, the final total requested funding for the four fully-developed regional proposals amounted to US\$ 30,609,175, and they included US\$ 2,341,880 or 8.3% in Implementing Entities' management fees and US\$ 1,752,806 or 6.2% in execution costs. One of the two pre-concepts was submitted by an RIE, the Sahara and Sahel Observatory (OSS), and the other by an MIE, UN-Habitat. Of the five concepts two were submitted by RIEs: the Central American Bank for Economic Integration (CABEI) and BOAD, while three were submitted by MIEs: the United Nations Development Programme (UNDP), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the United Nations World Food Programme (WFP). One of the fully-developed project documents was submitted by an RIE, CAF, and three were from MIEs: UNEP, UNESCO and the World Meteorological Organization (WMO). Details of the regional proposals are contained in the separate PPRC working documents.

Of the two pre-concepts, one targets the funding window for larger projects, of up to US\$ 14 million, and the other targets the funding window of up to US\$ 5,000,000. Of the five concepts, three target the window for larger projects and two the window for smaller projects. The fully-developed project proposals include two targeting the window for larger projects and two targeting the window for smaller projects. These proposals do not request administration costs, including implementing entity management fee and execution costs, in excess of 20% and are thus in compliance with the pilot programme as described in document AFB/B.25/6/Rev.2. Four of the concepts were submitted together with project formulation grant (PFG) requests, at the level ranging from US\$ 78,000 to US\$ 80,000, and therefore in accordance with the pilot programme as described in document AFB/B.25/6/Rev.2. If the Board were to decide to approve all the PFG requests submitted to the twenty-eighth meeting with the regional proposals, totalling US\$ 318,000, this would correspond to 31.8% of the funding indicatively set aside for project formulation grants in the pilot programme for regional projects and programmes, and raise the cumulative amount of PFG support in the programme to US\$ 498,000 or, to 50% of the funding indicatively set aside.

4 Report of the nineteenth meeting of the Ethics and Finance Committee (EFC)

4.1 Annual performance report for the fiscal year 2016

The annual performance report provides a wide range of information about the Fund's performances during the Fiscal Year 2016. In the report, it is confirmed that the growth of the Adaptation Fund's portfolio reaches a total of 52 projects representing US\$ 337 million including eighteen implemented by national Implementing Entities (NIEs). These approved projects are expected to directly benefit 3.57 million people. In addition, 17 project formulation grants for single country proposals (6 for regional proposals) for a total of US\$ 506,500 for single country proposals (US\$ 180,000 for regional proposals) have been approved, to date. The Fund's portfolio is maturing, with forty-two projects currently under implementation, representing US\$ 275.8 million. US\$ 171.26 million of grant funding has been transferred to implementing entities (48% of approved amount), and thirty projects have submitted at least one annual project performance report.

Several sectors are covered by funded-projects, with the most significant in terms of grant amount being agriculture, food security, and multi-sector projects/programmes, and across a variety of regions, with the biggest flow of approved grant funds going to Africa and Asia-Pacific. Moreover, in line with the Fund's mandate to finance concrete adaptation projects and programmes, a constant feature since the creation of the Fund has been to channel the largest amount of grant funding in projects, on average, toward increasing ecosystem resilience in response to climate change and variability-induced stress, and increasing adaptive capacity within relevant development and natural resources sectors.

Out of the 42 projects under implementation, 35.7% have started within the six-month target that the Board has set from the first cash transfer to the inception workshop, and 28.6% started within six to eight months. For the reporting period, one project exceeded the six-month target, and had not yet started by 30 June 2016: Jordan (MOPIC) with 12.3 months (the project has started in July 2016). The IE in charge of this project has submitted documentation to justify this delay.

4.2 Knowledge management strategy

At the AF creation, it was decided that capturing lessons learned would be one of the aspects that the Fund has to take into account when deciding on resource allocation among eligible parties (decision 1/CMP.4, Annex IV).. At its twelfth meeting, the AF Board requested the Ethics and Finance Committee (EFC) to develop an overall knowledge management strategy for the Fund to be presented to the Board at its fourteenth Board meeting held in June 2011 (decisionB.12/26, paragraph (e)). The Board at its fourteen meeting subsequently decided to: a) Request the secretariat to provide further information on the work plan contained in the document AFB/EFC.5/3, specifying in greater detail the activities, expected outcomes and indicators, and the breakdown of the budget, including the role of recipient countries as well as providing an overview of other existing knowledge management frameworks and initiatives among multilateral agencies and intergovernmental organizations; b) Request the secretariat to invite civil society organizations and other relevant international bodies to submit, by July 20, 2011, their views and comments on the

knowledge management strategy and work plan contained in document AFB/EFC.5/3, as well as how partnerships might be developed; and c) Defer approval of the knowledge management strategy and work plan until the 15th meeting of the Adaptation Fund Board (Decision B.14/22). The secretariat re-submitted the knowledge management and action plan to the Board at its fifteenth meeting and the Board decided to approve the strategy and work plan.

A recent evaluation of the Fund including its approach on knowledge management, estimated that while effective knowledge management is critical to any organization, it was particularly important for the Fund. Adaptation projects and programs are still relatively new and there is a strong need to build a body of knowledge on adaptation related concepts, approaches and solutions. The experiences gained from the Fund must therefore be kept track of in a systematic way, collected and analysed on a periodic basis to enrich the information available on climate change adaptation and accelerate the understanding of what works and what does not. The evaluation concluded that inadequate allocation of resources to knowledge management would undermine the Fund's short-term effectiveness and long-term significance. As the Fund continues to operate, past and upcoming evaluations will bring additional valuable insights that can benefit the knowledge management systems of the Fund. Taking into account the experience gained by the secretariat and the conclusions of the Fund's evaluation, the current document is an update to the prior knowledge management strategic framework and offers guidelines for organizing the exchange of information between the secretariat and the projects and among the projects.

Knowledge Management is defined by the Fund as the discipline that promotes an integrated approach to Information Management and Collaboration. It provides an approach focused on the capture, transfer and sharing of both explicit and tacit knowledge, so that the knowledge reaches, in a timely manner, the largest number of people to benefit from it. Often knowledge management is confused with information management or communication. While the boundaries among these sectors are blurred and often their competencies overlap, it is useful to clarify the differences: 1) Data are facts, observations, or measures that have been recorded but not put into any meaningful context (i.e. a single musical notes could be a fair visualization of what data are). 2) Information is data that has been arranged in a systematic way to yield order and meaning (i.e. a series of notes arranged into a tune can represent what information is). 3) Information Management is the collection and management of information from one or more sources and the distribution of that information to one or more audiences. 4) Knowledge is the capability to act and take informed decisions based on the information available (i.e. a musician is able to play a tune thanks to his knowledge for playing an instrument). 5) Communication is the act of exchanging thoughts, knowledge, messages, data or information, as by speech, signals, writing, or behaviour. 6) Collaboration is a key area of knowledge management focused on allowing easy access to share context around content, crowdsourcing and sharing of ideas at the enterprise level.

At the upcoming session the EFC will recommend that the Board approves the draft updated Knowledge Management strategy and action plan and request the Secretariat to move forward with the implementation of the strategy.

AFN recommendations:

- Adequate resources should be allocated to the implementation of a new knowledge management strategy of the AF, as the evaluation of the previous strategy (2011-2013) concluded that inadequate allocation of resources would undermine the Fund's short-term effectiveness and long-term significance.
- The implementation of the new strategy should enable possibilities for COSs to provide input on lessons learned and experiences to be shared and used.

- The AF should do a gap analysis of the knowledge management system using, among others: project performance reports, existing tools for sharing knowledge, and information such as the AF website or the readiness webpage.
- Enabling environments should be established to provide civil society with appropriate spaces and platforms where they can share their experiences and work related lessons learned.

4.3 Resource Mobilization strategy

The AF Board, at its sixteenth meeting, considered the constraints faced by the Fund due to the modest level of resources available, caused in part by low levels of Certified Emission Reduction (CER) prices. Such constraints were particularly reflected in the need to set caps and limits on funding to eligible countries (at US \$10 million per country) as well as to project/programmes implemented by accredited Multilateral Implementing Entities (MIEs) (a 50 percent cap for fully-developed proposals submitted by MIEs). The Board expressed its view that this is a fundamental problem for the Fund and therefore it was suggested that if fundraising was to be attempted, it should be done in a structured fashion. Following these considerations, the secretariat was asked to prepare a document containing options for a fundraising strategy for discussion by the EFC at its eighth meeting.

At its twentieth meeting, the Board discussed matters related to fundraising, and decided (Decision B.20/17) to: (a) Request: (i) The fundraising taskforce with support from the secretariat to provide a fundraising and outreach strategy for the Board to discuss. The strategy should include: 1. Key lessons learned, experience and expertise, knowledge systems, as well as tested processes and procedures from the Fund; 2. Features of the Fund that make it unique (i.e. sales pitch); 3. Cooperation with other stakeholders active in the field of adaptation; and 4. Specific activities the Board and secretariat can take in the short-term; [...]. At its twenty-second meeting, the Board considered a fundraising strategy, presented by the secretariat, in a closed session. The Board decided to take note of the fundraising strategy and to request the fundraising task force with support from the secretariat to continue to update the Board on fundraising efforts, including assessing options for sustainable financing of the Fund. (Decision B.22/22) 7. At its twenty-third meeting, the Board received a report of the fund-raising task force, that it noted with appreciation, and decided (Decision B.23/25) to: (a) Extend the mandate of the Fundraising Task Force to continue implementing the fundraising strategy, with the new fundraising target of US\$ 80 million per calendar year in 2014 and 2015; [...] (c) Request the secretariat to continue assisting the Fundraising Task Force in fulfilling its mandate, and to prepare an implementation plan for the fundraising strategy, AFB/B.28/84 including specific activities and events during 2014 and 2015, and integrating its communications strategy. At the twenty-fourth meeting, the Board again received, with appreciation, a report of the fundraising task force, and decided to rename the fundraising taskforce as the resource mobilization taskforce in order to convey the idea of a continuous activity and also requested the secretariat to: prepare a summary document of the resource mobilization strategy that could be made public, among others. Pursuant to the decision B.27/36, the secretariat has, in collaboration with the Resource Mobilization Task Force, prepared a draft for an updated resource mobilization strategy.

The strategy will be discussed at this Board meeting and is available in document, AFB/B.28/8/Add. The main recommendation is that the Board may want to consider the draft updated resource mobilization strategy and decide to: a) Approve the updated resource mobilization strategy; b) Request the secretariat to: i. develop, for consideration by the Board at its twenty-ninth meeting, a resource mobilization action plan based on the strategy and taking into account

the decisions made by the Board regarding the options for a framework for a medium-term strategy; and ii. Develop communications materials based on the updated strategy.

AFN recommendations:

- The AF Secretariat and the AF Board should start exploring alternative sources of financing for the funds, using opportunities like crowd-funding, philanthropy, among others, going beyond the share of proceeds.
- The resources mobilisation strategy should enable possibilities to include lessons learned from CSO work and experiences. It should also help the Adaptation Fund to explore new and innovative sources of finance to meet its current and future demands in the short term (2016) and in the long term (2020).

5 Medium-term strategy for the Fund

The Board will need to consider the pros and cons of how to develop a medium-term strategy. It could, for instance, pursue a more streamlined process engaging a narrow group of stakeholders (e.g. the secretariat, the Global Environment Facility (GEF), the World Bank and the Board itself). Or it could opt for a more participatory and transparent process involving client countries, donors, other funds and civil society. While the latter would be more time-consuming and expensive, the benefits of a better-informed and more widely understood product may be worthwhile. The Board may want to consider the options for a framework for a medium-term strategy for the Fund and request the secretariat to prepare a draft medium-term strategy for the Fund, to be considered by the Board at its [twenty-ninth] meeting, so that the strategy would be developed according to the following options: a) Conceptual model: [Option 1: Strategy as static] [Option 2: Strategy as dynamic] b) Structure: [Option 1: Strategic choices approach] [Option 2: Logical framework approach] c) Design process: [Option 1: Streamlined process engaging a narrow group of stakeholders and decision makers] [Option 2: More participatory and transparent process involving client countries, donors, other funds, civil society, etc.].

At its twenty-seventh meeting in March 2016, having discussed the agenda item “Issues remaining from the twenty-sixth meeting”, (c) “Proposal to modify the country cap”, the AF (the Board) noted that there was a need for broader consideration of the Fund’s strategic direction, and decided to: [...] b) Request the secretariat to prepare, for consideration by the Board at its twenty-eighth meeting, options for a framework for a medium-term strategy of the Fund, that would reflect the strategic priorities of the Fund (which were approved by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP)) and take into account the findings of the Phase I of the Overall Evaluation of the Fund, as well as, inter alia, the following matters: (i) The financial situation of the Adaptation Fund, including the work done for resource mobilization for the Fund; (ii) The progress being made on accreditation of implementing entities and developing readiness to access adaptation finance; (iii) Allocation of funds, including the cap of 50 percent set for proposals submitted by multilateral implementing entities by decision B.12/9, the cap per country set by decision B.13/23 and consideration of regional projects and programmes within and beyond the pilot programme for regional projects and programmes set up by decision

B.25/28; and (iv) The discussion on potential linkages between the Adaptation Fund and the Green Climate Fund (GCF).

The secretariat subsequently recruited an external consultant to help draft, under supervision by and in consultation with the secretariat, a document that would present options for a framework as outlined in Decision B.27/39. 3. The consultant's work was agreed to include the following outputs: Output 1: A stock-taking of the existing strategic direction of the Fund, in light of decisions made by the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP)/CMP and the Board, as well through discussion with representatives of the Board and the secretariat, to assess the relevance and coherence of the existing strategic guidance for the medium-term; Output 2: A rapid assessment of the characteristics and strategic advantages of the Fund as described by the first phase of the overall evaluation of the Fund, as well as areas listed in Decision B.27/39, paragraph b; Output 3: A brief mapping/benchmarking exercise of medium-term strategies or any similar strategic documents of other, comparable international funds, especially climate change related funds; Output 4: Building up on the above items, a proposal for options for a framework for a medium-term strategy for the Fund. The main body of this document focuses on Output 4. It explores the role of strategy in organisational performance, as well as conceptual models, structures, and processes for developing a meaningful and effective strategy. Outputs 1 to 3 suggest:

- a) *Strategic direction*: The CMP first stipulated the Fund's priorities, principles and modalities more than ten years ago. Nonetheless, they remain highly relevant to today's task of operationalising the Paris Agreement. To move forward, however, the Fund will need to declare and occupy a clearer niche within the evolving architecture of international climate finance;
- b) *Distinctive characteristics & strategic advantages*: The Fund's most significant characteristics are (1) a working culture that encourages thinking outside the box, the free-flow of ideas, and collaborative versus competitive efforts (2) an exceptionally flexible and effective Board and (3) a highly uncertain operating environment. While the Fund's operational achievements to-date convey a certain comparative advantage vis-à-vis other climate funds, this does not represent a durable strategic advantage. "Strategic advantages" reflect a combination of internal competencies and external relationships that allow an organisation to succeed in relation to others. The Fund's strategic advantages include innovation, learning, direct partnerships, and capacity strengthening, alongside other competencies. The Board will have to decide which of these it wants to be known for and then build upon them to develop special, durable and interlocking advantages that are resolutely best-in-class;
- c) *Benchmarking*: The benchmarking exercise is instructive for a number of reasons. First, it highlights the importance of clarifying in advance whether decision makers want a "strategy" or "strategic plan". Second, it illustrates how other international institutions have interpreted and applied best practices to their unique circumstances. Third, it prompts the Board to consider the pros and cons of implicit different processes for strategy design.

AFN recommendation:

- The AF Secretariat and the AF Board should engage CSOs in discussions and debates around the Fund's strategy and strategic plan so that civil society can provide input and give feedback during the process.

6 Potential linkages between the AF and the GCF

At its twenty-fourth meeting the AF Board (the Board) requested the secretariat to prepare a document containing elements on potential linkages of the AF (the Fund) with the Green Climate Fund (GCF), for consideration during the intersessional period between its twenty-fourth and its twenty-fifth meeting. The secretariat produced document AFB/B.24-25/1, "Potential linkages between the Adaptation Fund and the Green Climate Fund". This document was built up on the options outlined in document AFB/B.20/5, "Strategic prospects for the Adaptation Fund", discussed at the twentieth Board meeting in March 2013. Document AFB/B.24-25/1 analysed in particular two scenarios: (1) establishment of an operational linkage with the GCF, through either accreditation or an ad hoc agreement or memorandum of understanding; and (2) an institutional integration between the two funds. By decision B.24-25/9 the Board decided to request the AF secretariat to further assess: (i) the potential for the Fund to apply as a financial intermediary of the GCF; and (ii) the feasibility of entering in to some form of memorandum of understanding (MoU) or legal agreement under which the Fund could programme GCF funds. The AF secretariat was requested to present its conclusions to the Board at its twenty-fifth meeting. Following the presentation by the secretariat at its twenty-fifth meeting, the Board decided to request the secretariat, in consultation with the trustee, to prepare a document for consideration by the Board at its twenty-sixth meeting containing further legal, operational, and financial analysis on the implications of various linkages with the GCF, and to report back at its twenty-sixth meeting.

Document B.26/5 focused on the first option of an establishment of an operational linkage with the GCF, through either accreditation or an ad hoc agreement or memorandum of understanding because the first option's implication is similar to that of the second option of an institutional integration between the two funds. Any operational linkage between the Fund and the GCF will need to avoid duplication and inconsistency of policies and procedures, reporting requirements, tracking of funds, and funding decisions in order to be effective and efficient. Document B.26/5 considered the two options previously discussed by the Board: (i) accreditation of the Fund as intermediary of the GCF (albeit without assessing whether or not the Fund meets the GCF accreditation requirements, which is beyond the scope of the document); and (ii) a legal agreement or memorandum of understanding (MoU) with the GCF. Accreditation of the Fund under GCF would make sense if it allowed the Fund to act as an intermediary to channel funds to programmes, i.e., if the Fund could submit a broad programme to the GCF Board for approval under GCF rules and then approve individual projects under Adaptation Fund rules. Even though the criteria for adaptation projects under the GCF appeared to be in line with those of the Fund, it was still too early to fully assess how linkages between the two funds could be operationalized, as the GCF had not yet finalized a master agreement or approved any projects as at the twenty-sixth meeting of the Board. These options of a legal agreement or MOU between the two funds might to allow more flexibility to tailor a linkage to the specific situations, features and types of projects typically funded by the Adaptation Fund. The trustee noted that because the World Bank provided trustee service to both funds on an interim basis, it should be fairly straightforward to address the implications of linkages between the Fund and the GCF. AFB/B.28/624. In the ensuing discussion, it was generally felt that it was premature to seek accreditation under the GCF. Although some Board members saw accreditation as a means of ensuring the Fund's sustainability, others disagreed, and furthermore, stressed the need to separate the issues of linkages with the GCF and financial sustainability. It was pointed out that under paragraphs 33 and 34 of its Governing Instrument the Fund was required to make appropriate arrangements with other funds under the UNFCCC. Since the twenty-seventh meeting, the secretariat have continued interacting with the GCF secretariat in the areas identified by the Board to foster complementarity, namely accreditation, readiness sup-

port, results-based management and project pipeline. 6. The Conference of the Parties had encouraged the GCF Board to improve its complementarity and coherence with other institutions, per paragraphs 33 and 34 of the governing instrument of the GCF, including by engaging with relevant bodies of the Convention, such as the Standing Committee on Finance in decision 7/CP.21.7. Following discussion of document AFB/B.27/6, the Board decided to request: a) The Chair and Vice-Chair to continue consultations with the Co-Chairs of the Green Climate Fund (GCF) on potential linkages between the Adaptation fund and the GCF; and b) Update document B.27/6 with the outcome of those discussions for consideration at the twenty-eight meeting of the Board.

Following the mandate by the Board, the Board's Chair met with one of the GCF Co-Chairs in the margins of the forty-fourth sessions of the subsidiary bodies. They exchanged views on complementarity between the funds and the added value of the Fund for the work of the GCF. 9. The secretariat attended the thirteenth meeting of the GCF Board. At this meeting, two decisions were made by the GCF Board related to the Adaptation Fund. First, the GCF Board decided to request its Co-Chairs to initiate an annual dialogue with climate finance delivery channels, commencing at, and in conjunction with, its fifteenth meeting, and there after annually and in conjunction with a Board of the GCF meeting to be held at the GCF headquarters in Songdo, Republic of Korea, and with other funds in order to enhance complementarity at the activity level (GCF Decision B.13/12). Second, the GCF Board decided to request the Co-Chairs to consult with the Board, with a view to presenting for consideration by the Board at its fourteenth session a proposal related to identifying opportunities for the GCF to add value by co-financing projects and programmes together with the Global Environment Facility, the Adaptation Fund or Multilateral Development Banks (GCF Board Decision B.13/5). 10. The secretariat met with two representatives of the GCF, the General Counsel and the Acting Director of Private Sector Facility, on 25 August 2016 at the headquarters of the Adaptation Fund Board secretariat in Washington DC. The secretariat and the representatives of the GCF exchanged views on how to implement mutually beneficial complementarity and coherence among the funds. The secretariat shared with the representatives of the GCF its ideas on possible joint activities in the areas of complementarity and coherence identified by the Board in decision AFB/B.25/26. The representatives of the GCF secretariat indicated that they are working on how to implement the two decisions mentioned above and that they would share information once a concrete work plan for the decisions has been elaborated.

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