FURTHER IMPORTANT STEPS UNDERLINING THE ROLE OF THE ADAPTATION FUND

REPORT ABOUT THE 12TH MEETING OF THE ADAPTATION FUND BOARD

by Alpha O. Kaloga and Sven Harmeling
Brief Summary

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.

This report highlights and summarises the key issues on the agenda of the 12th meeting of the Adaptation Fund Board, and outlines some actions being taken by the Board. These include the approval for another two AF projects (Nicaragua and Pakistan) and some more project concepts. However, a number of projects submitted were also rejected. With regard to direct access, there was little progress since no further National Implementing Entities were ready for accreditation. Other issues on the agenda included the first formal meeting with civil society observers, consideration of the financial status of the AF and activities during the Cancun COP.

As Germanwatch has been following all of the meetings one can find elaborate information on the Adaptation Fund and the past meetings on our web page www.germanwatch.org/klima/af. Official background information and the preparatory documents for the 12th meeting can be found at www.adaptation-fund.org.

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Executive Summary

The 12th meeting of the Adaptation Fund Board (AFB) was held at the Universidad del Caribe in Cancun, Mexico, from December 14 to 15, 2010 back to back with the third meeting of its sub-committees for project and programme review (PPRC) and ethics and finance (EFC).

The AFB supervises and manages the Adaptation Fund, which is a self-standing fund established under the Kyoto Protocol of the UN Framework Convention on Climate Change, in order to finance concrete Adaptation projects in developing countries. The AFB gets the main part of its funding from a two percent share of proceeds of all Certified Emission Reductions (CERs) issued under the Protocol’s Clean Development Mechanism projects (CDM).

The AFB approved for funding two projects from developing countries worth US$ 9.5 Million. Both fully developed projects from Nicaragua and Pakistan were submitted by the respective countries through the multilateral implementing entity UNDP. Further six project concepts from Cook Islands, El Salvador, Georgia and Maldives submitted through UNDP and from Ecuador through the World Food Programme were endorsed, worth in total US$ 41.57 Million. The AFB encourages these governments to submit the fully developed project taking into account the recommendation made by the Board. The demand for adaptation financing is enormous, however, the Adaptation Fund is constraint to remain cautious in its approach due to limited funds at its disposal. Unfortunately, the AFB failed to agree on a more transparent reporting on the project decisions. Currently, the public is not given any information why projects and programmes are not endorsed, which, however, is an important basis for observers to follow up with their governments to improve project proposals.

In addition, the AFB also received five applications from developing Countries seeking an accreditation as National Implementing Entities (NIE) and one as Multilateral Implementing Entities (MIE). However, only the World Meteorological Organization (WMO) was accredited at this meeting and now joins the six other multilateral agencies accredited before. None of the NIE applicants has yet met the fiduciary standards set by the AFB, and only one was accreditation mature enough to get assistance of the AFB to improve the application. Thus, the capitalisation of the direct access approach through the accreditation of developing countries’ owns institutions remains a big challenge to be addressed. It is hoped that the activities undertaken (such as a number of regional workshops this year, the launch of a “tool-kit”) will sufficiently facilitate the better understanding of the accreditation process to scale-up direct access.

Moreover, the Board also agreed on its new chairs, Anna Fornells de Furtos (Spain) as Chair of the AFB and Louis Santos (Uruguay) as Vice-Chair. Now, for the first time, a woman is heading the AFB, which is another milestone set by the Board. Also during the last meeting, the Adaptation Fund held its first dialogue with civil society observers and committed to continue this exchange at future meetings.

1 Press release of the 12th meeting of the AFB; http://adaptation-fund.org/node/1081
1 No further NIEs accredited

The Accreditation Panel (AP) of the Adaptation Fund Board has in charge to review 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).

The procedural approach is simple. Based on the pre-review through the Secretariat, the AP considers the accreditation request and provides its recommendation to the AFB for deliberation. The third report of the AP to the AFB lists five new NIEs (anonymous) and one MIE application requesting accreditation. In a closed meeting\(^2\), the AFB considered the conclusions drawn by the AP on the present accreditation request and decided later publicly to accredit the World Meteorological Organisation (WMO) as another MIE. Furthermore, the AFB regrettably recognised that among the NIE applicants only the NIE II seemed to be a reasonable candidate for accreditation at this stage\(^3\). In order to assist it to succeed in the accreditation process a field visit will be organised, in order to collect relevant required information. Field visit is ordered by the AFB when the gap to accreditation is small and if the AP believes there is a good chance for the applicant to be accredited. The budgetary implications of the field visit are estimated at USD 22 000, which the secretariat will include in its budget for the fiscal year 2011.

The identification of the right institution able to meet the fiduciary standards of the Board or the accreditation remains a challenge for the AF process. In contrast to the three already accredited NIEs from Senegal, Jamaica and Uruguay, four out of the six current applications are government ministries, which, however, still seem to face significant gaps in their applications. What the standards set up by the Board do not look at, is the experience of NIEs specifically on adaptation, including cooperation with non-governmental and local stakeholders. The experience will show whether this is a constraint which will adversely impact on the quality of project implementation\(^4\). If for example a finance ministry managing the overall state budget can handle the given resources adequately for specific project implementation, needs to be examined.

The discussion, in this regard pointed out that the accreditation of such an entity is not excluded. However, even if the AFB will close a contract with the ministry, it pointed out that the implementation needs to be handled by a specific, identified unit of this ministry, which will cover the whole project cycle. As a last item in this regard, some members stressed the need of consistent treatment of all applicants and to integrate it in the future tool kit for accreditation. The AFB asked the AP to identify and carefully take note of the responsibility and accountability of the potential unit, when accrediting it.

The capitalisation of the direct access approach through the accreditation of developing countries own’s institutions remains a big challenge both for the AFB and developing countries to be addressed. The series of regional workshop to be held next year, which

\(^2\) It is usual that Members and Alternate with conflict of interest leave the room while the AFB consider the application of their respective countries.


\(^4\) See also Kaloga et al., 2010: Making the Adaptation Fund work for the most vulnerable. [http://www.germanwatch.org/klima/af2010-mvp.htm](http://www.germanwatch.org/klima/af2010-mvp.htm)
were adopted by the Parties during CMP 6\(^5\), belongs to the concrete attempts undertaken besides the several initiatives of the Board, in order to enhance stakeholder awareness around these key issues. Members of the Board also recognised the need to have a document of the AP reporting the experience made so far as well as expressing some key advises to countries.

In terms of work procedure of the AP, it was also concluded that an application shall be considered during two consecutive sessions.\(^6\) In the case of non-endorsement the applicants are free to resubmit their applications at the later date after having considered the remarks made by the Board. Non-approved applications for whatever reason will be considered during the second meeting as standard protocol (provided additional documentation or information have been provided) and in extraordinary cases, will be considered for the third time\(^7\).

2 Report of the Programmes and Project Review Committee: PPRC

The PPRC is responsible for assisting the Board in tasks related to project and programme review in accordance with the Operational Policies and Guidelines and for providing recommendations and advice to the Board thereon. Thus, during the meeting, the Board debated key issues that were common to all project proposals in addition to their regular consideration for funding, which are inter alia:

2.1 Need to pay more attention to the stakeholder consultation

The need to pay more consistent attention to the stakeholder consultation, in particular the gender involvement was identified as one of the key points to be improved by the projects. Although the stakeholder consultation issues has been raised and discussed in the meetings before, it remains confuse what the stakeholder consultation really means under the AF. The result is that it is handled very differently from project to project, as can be seen in table 1.

The project application template asks the proponents to describe the consultative process, including the list of stakeholders consulted in project preparation, but lacks more explicit guidance which raises questions:

Who are actually stakeholders in the sense of the AF: is inter-ministerial coordination sufficient, or are the expectations broader including relevant non-governmental groups in the project regions?


\(^6\) The rational behind this decision is that to give the AP enough time to accurately consider each applications as well as to give the applicant the possibility to reached additional document needed.

Is consultation understood as just informing stakeholders about the future project to be implemented in their regions, or does it aim to understand and incorporate the utmost need of the targeted people in the project area, in order to strengthen their ownership as well as the sustainability of the projects?

Table 1: Stakeholder consultation in projects considered by the AFB (as of December 2010) (underlined: projects accepted by the AFB)

<table>
<thead>
<tr>
<th>Stakeholder consultation process</th>
<th>No of countries</th>
<th>Countries</th>
<th>Project concepts</th>
<th>Full projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>No list of stakeholders</td>
<td>7</td>
<td>Ecuador, Georgia, India, Madagascar, Mauritania, Uganda</td>
<td>Honduras</td>
<td></td>
</tr>
<tr>
<td>List of stakeholders who will be consulted</td>
<td>7</td>
<td>Cooks Islands, Fiji, Maldives, Mongolia, Niue, Papua New Guinea</td>
<td>Turkmenistan</td>
<td></td>
</tr>
<tr>
<td>Simple list of stakeholders already consulted</td>
<td>7</td>
<td>El Salvador, Guatemala</td>
<td>Eritrea, Mauritius, Senegal, Solomon Islands, Tanzania</td>
<td></td>
</tr>
<tr>
<td>Annotated list of stakeholder consultation</td>
<td>3</td>
<td></td>
<td>Egypt, Nicaragua, Pakistan</td>
<td></td>
</tr>
</tbody>
</table>

Source: own assessment based on 24 project applications

A meaningful consultation requires a two-way flow of information and opinion exchange as well as participation involving interest groups in the drafting of policy or design of the projects. This means that the stakeholder consultation should precede any submissions of project proposals as well as be understood as an ongoing process, allowing a better tailoring of the goal of the project to the utmost need targeted people: from onset stage of the project until the last step of implementation and evaluation. Also, the strategic priority of the AF which stipulates that “special attention shall be given to the particular needs of the most vulnerable communities”, implies indirectly a strong stakeholder consultation. Through adopting this priority, the Board has committed itself to ensure that these needs will be really taken into account in the projects, which undoubtedly requires the involvement of local and other NGOs.

On the other side, some members also pointed out the disproportion of the amount requested for activities such as institutional strengthening or knowledge sharing. In this regard, the Board recognised the necessity of a broad dissemination of gained and gathered knowledge not only on national level, but also internationally and regionally.

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8 All informations about the above mentioned proposals are available at: http://adaptation-fund.org/projectprogrammeproposals or http://adaptation-fund.org/fundedprojects

Further key findings also drew the attention of the Board. For instance, it was found out that the whole Administrative Cost (AC) remains highly variable from project to project and that some of them are quite high and come up to at 20% of the whole funding being granted per project. Basically, the AF awards the project funding for the design of the project as well as for the AC, which includes management fees, executions costs etc. Although the management fees have been capped by the AFB at 8.5%, other administrative costs such as execution costs or project formulation grants have not been sufficiently itemized. In this regard, it was agreed that in this stage the project formulation grant in form of a flat rate of 30,000 USD, including the management fee, will be provided only for countries using direct access. Furthermore, NIEs should express their need for such project formulation grants which can not exceed 8.5% of the grant amount at the time when they submit their proposals. It is important to highlight that only country costs are eligible for this funding and any unused funds should be returned, when the final proposal will be rejected. The discussion is still ongoing in this matter and the Board members are solicited to provide comments by February, 14 on the condition for disbursement of project formulation grants to MIE.

According to the decision of the AFB requesting the secretariat to study the practise exercised by other funds such as GEF or the Montreal Protocol in terms of harmonised administrative cost, it is important that that the applicant explicitly explains and gives a breakdown of all administrative costs associated with the project.

### 2.2 Two projects and five project concepts approved

For the 12th meeting fifteen project proposals have been submitted to the AFB for approval, all submitted through MIEs of which thirteen stemmed from UNDP. Among the submitted proposals eight were project concepts and seven were fully developed for funding. The AFB, following the discussion made during its meeting and taking into account the recommendations made by the PPRC, decided to approve two of the fully developed projects from Pakistan and Nicaragua submitted through UNDP worth US$ 9.5 Million. Thus, the AFB requested the secretariat to draft a MoU with UNDP in order to start the implementation of the projects.

In addition, four project concepts from Cook Islands, El Salvador, Georgia and Maldives submitted through the UNDP as well as one from Ecuador (through the World Food Programme) were endorsed after careful consideration, worth US$ 41.57 Million. The Board of the AF now encourages the government of these countries to submit the fully developed project taking into account its recommendation. However, five further fully developed proposals and two project concepts were not endorsed. The following table provides an update on the project decisions taken at the 12th meeting of the AFB.

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10 Since the rational behind 30,000 USD has not been really clarified, the Board decide to review it in the next meeting of the Board.
11 Six of the proposals submitted by the UNDP were fully developed and seven were concepts note. In addition UNEP also submitted a fully developed Projects, while the WFP submitted a concept note for Ecuador.
12 All the decisions are available in the draft report of the AFB, which was distributed at the end of the 12th meeting. For these above mentioned projects: See Recommendation PPRC.3/11 and PPRC.3/12.
13 The full table on all AFB projects is contained in the Germanwatch AF Project Tracker, http://www.germanwatch.org/klima/afpt.htm
<table>
<thead>
<tr>
<th>Country</th>
<th>Project title</th>
<th>State of project proposal</th>
<th>Intended project duration</th>
<th>IE</th>
<th>Management fee requested</th>
<th>Executing Entity</th>
<th>Funds requested</th>
<th>LDC</th>
<th>SIDS</th>
<th>Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook Islands</td>
<td>Enhancing resilience of communities of Cook Island through integrated climate change adaptation and disaster risk reduction management measures</td>
<td>Project concept endorsed</td>
<td>June 2011 - July 2015</td>
<td>UNDP 8.5</td>
<td>National Environment Service, Office of the Prime Minister, Central Policy and Planning Division</td>
<td>4991000</td>
<td></td>
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</tr>
<tr>
<td>El Salvador</td>
<td>Promoting climate change resilient infrastructure development in San Salvador Metropolitan Area</td>
<td>Project concept endorsed</td>
<td>July 2011 - Sept 2015</td>
<td>UNDP 8.5</td>
<td>Ministry of Public Works</td>
<td>5425000</td>
<td></td>
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</tr>
<tr>
<td>Eritrea</td>
<td>Climate Change Adaptation Programme In Water And Agriculture In Anseba Region, Eritrea</td>
<td>Full project not approved</td>
<td>Jan 2011 - Oct 2015</td>
<td>UNDP 8.5</td>
<td>Ministry of Agriculture, Anseba Region, Eritrea</td>
<td>6520850</td>
<td></td>
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<tr>
<td>Fiji</td>
<td>Enhancing Resilience of Rural Communities to Flood and Drought-Related Climate Change and Disaster Risks in the Ba Catchment Area of Fiji</td>
<td>Full project not approved</td>
<td>June 2011 - July 2015</td>
<td>UNDP 8.5</td>
<td>Department of Environment</td>
<td>5728800</td>
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</tr>
<tr>
<td>Country</td>
<td>Title</td>
<td>Status</td>
<td>Start - End</td>
<td>UNDP</td>
<td>Ministry</td>
<td>Amount</td>
<td></td>
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<tr>
<td>Georgia</td>
<td>Developing Climate Resilient Flood And Flash Flood Management Practices To Protect Vulnerable Communities Of Georgia</td>
<td>Project concept endorsed</td>
<td>May 2011 - Sept 2015</td>
<td>UNDP 8.5</td>
<td>Ministry of Environment</td>
<td>5316500</td>
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<tr>
<td>India</td>
<td>Integrating Climate Risks And Opportunities Into The Mahatma Ghandi National Rural Employment Guarantee Programme (MGNREGP)</td>
<td>Project concept rejected</td>
<td>Sept 2011 - May 2015</td>
<td>UNDP 8.5</td>
<td>Ministry of Rural Development</td>
<td>5425000</td>
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<tr>
<td>Mauritius</td>
<td>Climate Change Adaptation Programme In the Coastal Zone of Mauritius</td>
<td>Full project not approved</td>
<td>Concept not endorsed</td>
<td>Feb 2011 - Nov 2015</td>
<td>UNDP 8.5</td>
<td>Ministry of Environment</td>
<td>9119240</td>
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<tr>
<td>Nicaragua</td>
<td>Reduction of risks and vulnerability based on flooding and droughts in the Estero Real watershed</td>
<td>Full project approved</td>
<td>Concept endorsed</td>
<td>Feb 2011 - March 2015</td>
<td>UNDP 8.5</td>
<td>Ministry of Environment and Natural Resources</td>
<td>5500950</td>
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<tr>
<td>Pakistan</td>
<td>Reducing risks and vulnerabilities from Glacier Lake Outbursts Floods in Northern Pakistan</td>
<td>Full project approved</td>
<td>Concept endorsed</td>
<td>July 2011 - March 2015</td>
<td>UNDP 8.5</td>
<td>Ministry of Environment</td>
<td>3906000</td>
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<tr>
<td>Papua New Guinea</td>
<td>Enhancing adaptive capacity of communities in Papua New Guinea to climate change and disaster risks in the Coastal and Highland regions</td>
<td>Project concept not endorsed</td>
<td>June 2011 - July 2015</td>
<td>UNDP 8.5</td>
<td>Office of Climate Change and Development</td>
<td>8831900</td>
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<tr>
<td>Country</td>
<td>Description</td>
<td>Approval Status</td>
<td>Duration</td>
<td>Agency</td>
<td>Funding Code</td>
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<tr>
<td><strong>Solomon Islands</strong></td>
<td>Enhancing resilience of communities in Solomon Islands to the adverse effects of climate change in agriculture and food security</td>
<td>Full project not approved</td>
<td>Jan 2011 - June 2015</td>
<td>UNDP</td>
<td>8.5</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Tanzania</strong></td>
<td>Implementation of Concrete Adaptation Measures to Reduce vulnerability of Livelihood and Economy of Coastal and Lakeshore Communities in Tanzania</td>
<td>Full project not approved</td>
<td>Jan 2011 – Jan 2017</td>
<td>UNEP</td>
<td>8.5</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Turkmenistan</strong></td>
<td>Addressing climate change risks to farming systems in Turkmenistan at national and community levels</td>
<td>Full project not approved</td>
<td>Nov 2010 - Feb 2016</td>
<td>UNDP</td>
<td>8.5</td>
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</table>
Accordingly, certain members of the Board stressed the need for clarification of the language used by the PPRC. Responding to this request, the chair of the PPRC explained that basically "endorsed or not endorsed" are applied to project concepts, while "approve or not approved" is a language used for full-developed project. Both terms allow a later or further submission, if the applicants of course take into account the recommendations made by the PPRC. Furthermore, the chair made clear that, a rejection excluded every further submission.

In this context it must also be noted that it remains problematic that the AFB has decided not to provide any information to the public (only to the IEs and the governments) why projects have not been endorsed, or, in the case of endorsed projects concepts, what has to be improved for the submission of the full proposal. Neither are the technical summaries prepared by the AFB Secretariat available. While certain confidentiality reasons need to be taken into account, it would be supportive to the credibility of the AFB to at least include some key aspects in the report of the meetings. This matter was discussed at the meeting, but no agreement to change from the recent praxis not to disclose information could be reached.

Overall the countries that have AFB members are much more successful in their project submissions than others. Out of the seven projects submitted by countries with AFB members, five were accepted. Compared to that, countries with no AFB members achieved a quota of roughly 40% which is significantly less. This is not to say that the AFB members’ decisions are influenced by their origin, but through more transparency the AFB can counter any suspicion that may arise.

Given the overall limited progress on direct access, there is reason for the concern resources will be delivered almost exclusively to MIE projects. With respect to this matter, the AFB started to consider options to cap the amount of funding for MIE, e.g. through limiting their share of available resources for project funding to 50%. No decision has yet been taken, but the trustee has been tasked to provide at every meeting an update of the costs for all approved projects.

With regard to direct access, it is really disappointing that from the 24 projects so far submitted to the AF only one of them is from an NIE. That with 18 submitted projects UNDP plays a kind of monopoly role, an observation which has also been noticed under other Funds such as the GEF14, is another issue for concern, although governments are free to chosen their MIE.

However, what is even more striking is the current inability of UNDP to now proceed with project implementation. For example, the project in Honduras was approved at the AFB’s 11th meeting in September 2010, but UNDP has not yet signed the MoU with the AFB, although the AF has been officially conferred its own legal capacity in the beginning of December 2011. Given the urgency of action to adapt in developing countries it is hardly understandable that from the side of an MIE another delay is caused. Whatever the reasons are on the side of UNDP, it may be seen as a reason for other developing countries to invest the time in taking the direct access route rather than the one through UNDP.

14 Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF), February 2010
3 Third Meeting of Ethics and Finance Committee EFC

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 also met a day prior to the 12th meeting of the AFB for the third time to discuss several topics.

3.1 Which kind of indicators for the Results Based Management (RMB) are needed?

Through the establishment of a RMB framework, the AFB will commit itself to achieve an overall goal and outcome, which any project or programme funded through the AF must align with. The current document mirrors the discussion made by the AFB since its first issuance at the 8th meeting as well as the recommendation provided by a consultant. Thus, the RMB enables to monitor whether the AFB and the implementing entities steer the Fund and the projects in the right direction according to its policies and guidelines. Since Germanwatch has reported the state of debate on this matter in its previous briefing, this report will only address the proposed changes to be considered by the EFC as well as the decision taken in this matter.

Accordingly, in its report the chair of the EFC indicates that the RMB should contain an adequate Strategic Result Framework (SRF), which contains suitable general key indicators for avoiding any over-burdening monitoring system. Since there is no well-known clear methodology to identify appropriate indicators for such purpose, it is crucial to keep them as realistic and comprehensive as possible, in order to enable their integration of all the chose tools in all implemented projects and relevant dimensions of the expected results. Furthermore the EFC pointed out that the AFB should oversee all tasks relating to monitoring, evaluation and planning, which are carried out within the realm of AF.

After consideration of the recommendations of the EFC, the Board decided to invite its members to provide technical comment on the presented papers by the 14th of February, so that the Secretariat can finalize the document by its 13th meeting as well as to develop an overall Knowledge Management for the Fund by the 14th meeting.

At the stage of implementation, the establishment of the RMB is needed now more than ever before if even not long overdue. The AF should oversee all tasks relating monitoring, evaluation and planning, which are carried out within the realm of AF. The Board has now equipped itself with a tool enabling the professional assessment whether the fund is on track to achieving the intended result. The implementation of a good RMB requires the

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17 The indicator should not seen as a blueprint for every project- because each project has its specific circumstance and goal as well as expected outcomes- but rather as a guide providing advise on general natural.
18 The tool will differ according to what it was applied to. This meant that reliable, and cost-efficient and predicable as well as integrated into the project cycle in terms of project. It could also be seen as quality indicators to evaluate the performance of the Board, measure the performance and suggests to the Board
19 It is important to mention that the Knowledge Management for the Fund should contain a practical guide or manual on how project baselines and project results frameworks may be prepared.
management and sharing of the weight of knowledge and information among the AFB, the Implementing and Executing Entities, and the Secretariat. However, in their submissions on this matter, the Board members should bear in mind that, although such a RBM system is indispensable, it needs to be designed in a way that it does not pose a too large reporting burden before and during the project implementation, in order to be able to be used as a concrete tool assuring to measure the track record of the fund.

3.2 Standard legal agreement between the Adaptation Fund and the Implementing Entities (IE)

The AFB decided to no more call the draft contract a "contract" between the IE and the AF, but rather an “Agreement”. The rationale behind this is that the IE will carry out all obligations under the Agreement in accordance with the Operational Policies and Guidelines of the AFB, which would prevail in case of inconsistency with IE rules. On the other side, this term captures the fact that an IE must manage all the tasks and be accountable to the AFB at all stages of the project implementation from beginning until the final evaluation as well as encompass the work undertaken by the executing entities. This standard legal agreement will also be applied to the law conferring the legal capacity.

4 Financial status of the AF

As usual, the Trustee of the Adaptation Trust Fund (ATF) provided the Board with an update of the financial status of the fund. It mentioned that it had received donations from Sweden SEK 100 million, Germany €10 million, the Brussels Region €1 million and Monaco €10,000. Australia announced at COP16 in Cancun to give AU$15 million to the fund. Also, the UK NGO World Development Movement gave Pound 1413,14 which were raised through a campaign to demand a UK government contribution to the AF.

The ATF also informed the AFB about the first cash transfer to the CSE of Senegal for the first project ever funded by the AF. Furthermore, an external audit of the ATF has been undertaken and is still ongoing, and its report will be reported back once it is finalised.

From the monetisation of 7.68 million tons of CERs, so far US$130.6 million could be raised for the ATF. The potential revenue estimate from monetisation until 2012 remained at approximately US$330 million. The Consultant of the Trustee also highlighted that in short time the CERs prices have oscillated considerably, driven by supply and demand issues. On the long term basis however, the price is expected to remain in a trading range of about 11€ to 15€.

Reflecting the costs of already submitted projects, it is clear that within a certain amount of time the resources available to the fund will not suffice for the demand expressed to it, even if at each session only a limited number of projects will be approved. The auto-financing mechanism has provided the AF with an innovative and independent, but not sufficient funding base. If the AF should continue to play a significant role in the multilateral climate finance architecture, which it definitely should, other funding sources need to be secured.

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20 See: http://www.wdm.org.uk/climate-debt-campaign/send-pound-un-adaptation-fund
With respect to this vital issues regarding the future of the Board explored other way of facilitating private donations. It agreed that private contribution should be approved by two third of the Board member.

5 Dialogue with Civil society

During the last meeting, the Adaptation Fund launched its first “formal” dialogue with the civil society. While the AFB meetings have been open to observer attendance and the AFB members usually responsive to ideas raised by civil society, giving the exchange with civil society an explicit space in the agenda was overdue. It was agreed as part of the AFB’s communication strategy to enhance public awareness around the fund.

Fully appreciating this initiative of the AFB, the present CSOs expressed the need to make such a consultation a regular practice and requested that in future this session should be near the beginning of the meeting rather than at the very end, where all decisions have been taken. Also, they pointed out that our interpretation of "civil society" means only NGO "Observers" and not the other "Observers" from UNDP, UNEP, etc. However, the dialogue is a good step in the right direction as well as an acknowledgment of the Board for the work done by NGOs accompanying the fund since its first minute.

6 Nomination of chair and Vice-Chair of the AFB and its Committee

The Board also appointed new Chairs and Vice-Chairs to take effect at the thirteenth Adaptation Fund Board to be held in Bonn, Germany. Assuming their new roles in March 2011, the new Chair and Vice-Chair of the Adaptation Fund Board are Ana Fornells de Frutos (Spain) and Luis Santos (Uruguay) respectively, the new Chair and Vice-Chair of the Ethics and Finance Committee are Shawkat Ali Mirza (Bangladesh) and Iryna Tрофимова (Ukraine) respectively, and the new Chair and Vice-Chair of the Project and Program Review Committee are Hans Olav Ibrekk (Norway) and Jeffrey Spooner (Jamaica) respectively. Thus the AFB will be chaired for the first time by a female member, which is an important indication of the awareness of gender issues.

7 The AF at COP16/CMP6 in Cancun

7.1 Report of the AFB to the CMP

As usual the CMP provided an arena where the AF through its report back could present its progress achieved in the last year. Doing so the Chair in its report back to the CMP, highlighted that the fund has been intensively engaged in erecting its institutional framework. He also mentioned that the accreditation process for the AFB is in full swing, the call for projects was also issued during the year and finally the AF started to finance approved projects. Nonetheless, he also indicated that despite the good track record reached compared to other funds under and outside the convention, the future of the AF remains
questionable due to its scare resources compared to the increasing demand for funding in developing countries as well as the urgency of adaptation action.

The report has generally met positive approval and all Parties agreed that the AFB has done a good job. Thereupon the CMP installed a working group to draft the Terms of Reference for the AF’s first review

7.2 Review of the institutional arrangements of the AFB

One of the highlight during the CMP regarding the AF was the further elaboration of the “review of all matters relating to the Adaptation Fund with a view to ensuring its effectiveness and adequacy, including in relation to its institutional arrangements.”21 After a long discussion in many times prolonged session on the review the CMP approved the Terms of Reference for the review.22 With respect to this review, the CMP6 invited Parties and interested international organizations and stakeholders to submit to the secretariat, by 19 September 2011, their views on the review of the Adaptation Fund based on the Terms of Reference.

7.3 Activities on the sideline of the COP 16

The AF also convened a well-attended side event, at which the three accredited NIEs Centre de Suivi Ecologique du Senegal, the Planning Institute of Jamaica (PIOJ), and the National Agency of Research and Innovation of Uruguay) were present. The representatives of the different NIEs introduced their respective organisations and shared with the audience their way towards the successful accreditation the fiduciary standards of the Board.

While some NIEs like the CSE of Senegal originated from a multi-stakeholder consultation, chosen through a national committee on climate change, others NIE like the PIOJ of Jamaica are government bodies, which deal with the main development issues of the countries. The presentations revealed that although the accreditation process of the Board is a rigorous process, it is still manageable if the interested governments manage to mobilise the required political and institutional capacity and support in identifying and accrediting one organisation within the countries. Furthermore, the representative of the national agency of research and innovation in Uruguay pointed out that direct access means empowerment. It gives the opportunity to go beyond the role of the victim to the actor, enabling poor countries to take their fate in their hand.

7.4 Germany conferred a legal capacity to the AFB

Also in Cancun at December 7, 2010, on the sideline of the COP16, the German government signed a MoU with the AFB, which conferred the legal capacity to the Adaptation Fund Board. This act enables the AFB to enter into contracts with recipients and legally perform its duties under German Law. It also marked the concretisation of the decision

21 The review will take into account the outcome of performance reviews of the secretariat and the trustee servicing the Adaptation Fund, submissions by Parties and other interested intergovernmental organizations and stakeholders. In this regard, the SBI, at its thirtieth session, recommended a draft decision to CMP 5 requesting the SBI to initiate the review of the Adaptation Fund and to agree on the terms of reference for the review at its thirty-second session.
Report about the 12th meeting of the AFB

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