

# BRIEFING ON THE 22<sup>ND</sup> MEETING OF THE ADAPTATION FUND BOARD

Alpha Oumar Kaloga and David Eckstein



## Brief Summary

This briefing paper summarizes the key issues on the agenda for 22nd meeting of the Adaptation Fund Board, which governs the Adaptation Fund set up under the Kyoto Protocol. The meeting will be held in Bonn, Germany from October 31 - November 1, 2013.

Among the key issues is the consideration of further project and programme proposals reviewed by the Project and Programme Review Committee (PPRC) to be approved. It is expected that the AF adopt its Environmental and Social Policy. This will be the key item to be discussed at this meeting, as it is meant to ensure that all project and programme funded by the fund should not result in any negative impacts. . Furthermore, the AF will also consider option for programme to support readiness for direct access. This readiness programme is important to assist developing countries to both accredit national institutions and submit high quality projects of project. Other important agenda items include the annual performance report, the result tracking indicators to enable the Fund to meet its overall goal.

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## 1 Executive Summary

From October 31 – November 1, 2013, the 22nd meeting of the Adaptation Fund Board (AFB), the operating body of the Adaptation Fund (AF) established under the Kyoto Protocol, will be held in Bonn, Germany. Two days prior to the meeting, the members of the two committees of the Board, the Ethics and Finance Committee (EFC) and the Project and Programme Review Committee (PPRC) will convene for the thirteenth time respectively. In the course of the meeting, the AFB will discuss the following issues:

The Accreditation Panel (AP), carrying out the task of assessing applications by organizations willing to serve as implementing entities (IEs) to the AF, has concluded the review of one IE application. Accordingly, the AP will recommend the accreditation of one further Regional Implementing Entity (RIE) – the Secretariat of the Pacific Regional Environment Programme. The AP also discussed the fact that some NIEs lack the size and capacity to handle projects up to US\$ 10 million and experience difficulties meeting the full fiduciary standards of the AF. Nevertheless, the institutional capabilities to handle smaller amounts are appropriate in many cases. Therefore, as a way forward, the AP recommends to reflect on the establishment of a “small grant window” to allow for funding with smaller project budgets carried out by smaller implementing entities. Last but not least, the AP in collaboration with the secretariat developed a procedure for a re-accreditation process - as per the Operational Guidelines and Policies of the AF the initial accreditation will expire after a period of five years – that will be presented to the AFB for consideration.

The Project and Programme Review Committee (PPRC) received nine proposals from implementing entities requesting funds from the AF. Among these, five were concept notes, tackling the two-step projects approval process. All concepts - except one - were submitted by National Implementing Entities (NIEs). The remaining four proposals were fully developed proposals, mature for funding. Three fully developed proposals have also been submitted by national institutions, seeking approval on behalf of their governments. Only one fully elaborated proposal was submitted by a Multilateral Implementing Entity (MIE). This meeting represents the second, in which proposals from NIEs outnumber those of MIEs. The AF will consider whether or not to approve the proposals submitted to the Board.

One concept was submitted by the World Food Programme (WFP), acting as a MIE, on behalf of the government of Indonesia. The other four concepts were submitted by NIEs for Chile (Agencia de Cooperación Internacional de Chile, AGCI), Costa Rica (Fundecooperación para el Desarrollo Sostenible, Fundecooperacion), Jordan (Ministry of Planning and International Cooperation, MOPIC) and Morocco (Agency for Agricultural Development, ADA). Three NIEs submitted fully developed proposals. These are the NIEs for Benin (National Environment Fund, FNE), Kenya (National Environment Management Authority, NEMA) and Rwanda (Ministry of Natural Resources, MINIRENA) submitted fully-developed project/programme documents. The last fully developed proposal was also submitted by WFP on behalf of Nepal. It is the second time that proposals of NIEs outnumber those submitted by MIEs.

The Ethics and Finance Committee (EFC), responsible for providing advice to the Board on issues of conflict of interest, ethics, finance and audit, has several issues on the agenda. Several decisions will be debated in the EFC meeting, before it forwards its recommendation to the AF Board for adoption in the plenary. Beyond the regular update

on the financial status of the AF as well as discussion on the reconciliation of the administrative budget of the board and its secretariat, members of the EFC will consider the annual performance report of the fiscal year 2013. The performance report is an important document to the Board, as it gives indication on the overall projects portfolio of the fund as well as an update on the status of implementation of its funded projects. Last but not the least the EFC will discuss on the

One of the key discussions at this Board meeting will be on the Environmental and Social Policy of the AF. After an initial discussion at the last board meeting on the framework and policy, that should guide the AF project conceptualisation and implementation as to how to ensure that the AF funded project ex ante and ex post should not lead to any harms and any unintended adverse social and environmental impacts, it is expect that the Board now discusses how to operationalize its Environmental and Social Policy. It is expected at this meeting that the Board adopts: i) the final Environmental and Social Policy, which has been revised by its Secretariat, taking into account the inputs from interested stakeholders as result of its call of proposal; ii) the amendment of its Operational policy and guidelines and the option of inclusion of the environment and social safeguard in the accreditation process.

It is also expected that the AF considers its second Annual Performance Report. This annual performance report gives an indication on the status of implementation of the AF's funded projects. It also informs through result indicators to which extent the activities undertaken during the implementation of its projects are inline with overall objectives.

Last but not least, the AF trustee will - as usual - present its report on the financial status of the Adaptation Fund Trust Fund.

## 2 Report of the Accreditation Panel

The Adaptation Fund Accreditation Panel (AP) performs the task of reviewing applications by potential implementing entities (IE) and drafting recommendations based on its findings for consideration by the Adaptation Fund Board (AFB).

At its 14th meeting on September 23-24, 2013, the AP continued to exert its scrutiny function reviewing both new and existing applications, as well as discussing other matters in regard to the accreditation process, e.g. the establishment of a "small grant window" and a proposal for a re-accreditation procedure developed in collaboration with the AF secretariat.

In the following, the key results of the 14th AP meeting are outlined.<sup>1</sup>

### 2.1 Accreditation of Implementing Entities

In time for its 14th meeting, the AP received one new application by a National Implementing Entity (NIE). In addition, the AP resumed the review process of thirteen applications that were under review before but required additional information to allow for a final decision by the Panel.

By the end of its meeting, however, the AP only concluded the review of one RIE application:

#### 2.1.1 The Secretariat of the Pacific Regional Environment Programme (SPREP)

Based in Apia (Samoa), the Secretariat of the Pacific Regional Environment Programme (SPREP) has been charged by the governments and administrations of the Pacific region with the protection and sustainable development of the region's environment.<sup>2</sup> Since its launch in 1993, the work by the intergovernmental organization aims at promoting cooperation in the South Pacific region and to provide assistance in order to protect and improve its environment and to ensure sustainable development for present and future generations. The SPREP has 21 member countries<sup>3</sup> and focuses its efforts on four key strategic areas, namely climate change; biodiversity and ecosystem management; waste management and pollution control; and environmental monitoring and governance.

The AP first considered the application by the SPREP at its sixth meeting in May 2011, where it identified several gaps regarding the institutional capacity of the applying entity. However, through continuous exchange and interaction with the Panel, the SPREP has developed capabilities in the areas of financial integrity and institutional capacity, as well as increased transparency and improved systems for preventing and dealing with fraud and corruption.

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<sup>1</sup> See [https://www.adaptation-fund.org/sites/default/files/AFB.B.22.4 Report of the Accreditation Panel.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.B.22.4%20Report%20of%20the%20Accreditation%20Panel.pdf)

<sup>2</sup> See also <http://www.sprep.org/index.php>

<sup>3</sup> American Samoa, Northern Mariana Islands, Cook Islands, Federated States of Micronesia, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Nauru, New Caledonia, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu and Wallis and Fortuna

Reflecting its latest findings, the AP decided to recommend to the AFB the accreditation of the SPREP, representing one of the few local organizations in the region which can handle medium and large projects in individual or multiple countries.<sup>4</sup>

### **2.1.2 Other Cases Under Review**

For the remaining thirteen projects in the accreditation pipeline, the AP partially requested further information and explanation from the applicants on some outstanding issues, while some proponents already showed promising progress and strong profiles to serve as implementing entities of the Adaptation Fund. As a way forward, the AP will resume their consideration at its 15th meeting or intersessionally.

## **2.2 Small Grant Window**

The review of one particular NIE (NIE039) prompted the AP to reflect on the creation of a "small grant window", presumably inspired by the South African concept for the establishment of a Small Grant Facility in the Mopani and Namakwa District Municipalities that was endorsed by the AFB at its 21st meeting.

Reason for this deliberation lies in the experiences the AP made during the accreditation process of the aforementioned NIE that has been on-going since April 2012. Being a small entity (staff of less than 10 people) nominated by a very small country, the applicant showed major gaps in terms of meeting the required fiduciary standards set out by the AF. However, with help from the AP through continuous interaction, the NIE managed to work on some of the issues addressed by the AP in early meetings.

By now, the NIE has mostly gathered experience with handling individual projects with a total budget of less than USD 50,000, while only occasionally dealing with up to USD 100,000. Nevertheless, the AP concludes that the institutional capacity to handle projects in this respective range is appropriate, after the NIE invested vast effort to develop the required systems and processes. Still, the AP also estimates that the additional steps necessary to meet the full fiduciary standards of the AF and being able to handle projects of up to USD 10 million would require extraordinary effort and commitment by the NIE and would, above all, require a respectable amount of time.

Based on these findings, also considering that NIEs from Small Island Developing States or other smaller countries may face similar difficulties, the AP considers conducting a field visit to the NIE to examine the necessity for the establishment of a "small grant window" under the AF Trust Fund that would particularly serve the needs of smaller NIEs such as NIE039, while additionally requesting the secretariat to develop options for the technical set-up of such a funding window for the next AFB meeting.

## **2.3 Re-Accreditation Process**

Besides reviewing applications, the AP also continued elaborating on the design of a re-accreditation process, a discussion that the Board initiated at its 20th meeting. According

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<sup>4</sup> A detailed rationale for the accreditation of the SPREP can be found in Annex I of the presented document

to paragraph 36 of the Operational Policies and Guidelines of the AF<sup>5</sup> the initial "accreditation will be valid for a period of 5 years with the possibility of renewal". Up until now, however, it has not been outlined how the "possibility of renewal" shall be interpreted and implemented. The accreditations of UNDP, World Bank (MIEs) and the Centre de Suivi Écologique (CSE) of Senegal (NIE) reach the five-year mark in March 2015. Therefore, a decision on this matter is needed in the near future, to allow for the necessary preparation by the implementing entities. At the 14th AP meeting, the Panel exchanged ideas and views on the matter and decided to develop a full proposal in collaboration with the secretariat for the AFB to consider at its upcoming meeting.

Building on this, the key points of the corresponding proposal that will be presented to the AFB for consideration are highlighted in the following:

The proposed procedure<sup>6</sup> requires previously accredited entities to submit a new application, describing potential changes to the organizational structure, new policies adopted, providing the latest internal and external audit reports or indicating any key personnel changes that might have occurred during the course of the 5 years since the initial accreditation had been granted. To remind implementing entities of the need to resubmit an application along with the supporting documents, entities will be notified 15 month prior to the end of their accreditation cycle.<sup>7</sup>

In concrete terms, after organizations have indicated their intention to renew their accreditation, the reapplication will be assessed according to three aspects:

- a. the continued compliance with the Fund's fiduciary standards
- b. the ability to comply with the Funds (yet to be adopted) environmental and social policy
- c. the results of the assessment of the implementing entity's performance regarding quality at entry and project/programme implementation

Regarding a timeline according to which the reapplying entity must resubmit the necessary documentation, the proposal provides an early deadline of 9 months prior to the expiration of the respective entity's accreditation, to avoid potential gaps between the expiration of an accreditation and the granting of re-accreditation.

### **3 Items to be considered by the Project and Programme Review Committee (PPRC)**

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

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<sup>5</sup> See [https://www.adaptation-fund.org/sites/default/files/OPG Revised 4.4.12 \(with annexes\).pdf](https://www.adaptation-fund.org/sites/default/files/OPG_Revised_4.4.12_(with_annexes).pdf)

<sup>6</sup> For the full proposal, please refer to Annex III of the presented document

<sup>7</sup> Accordingly the UNDP, the World Bank and the Centre de Suivi Écologique will be notified in December 2013



### 3.1 Report of the secretariat on initial screening/technical review of project and programme proposals

This document outlines an overview of all project/programme proposals submitted by Implementing Entities (IE) to the Fund, for approval at this meeting. It also presents findings of the process of screening and technical review of proposals submitted.

For this meeting nine regular projects and programmes have been submitted<sup>8</sup>, with the total requested funding amounting to US\$ 83,516,295. Five out the proposals are project concepts, with a total requested funding of US\$ 45,106,375 and four are fully developed requesting funding of US\$ 38,409,920. The proposals included average Implementing Entities management fees of 7.0%, and an average 7.8% for the execution costs. This means that all proposals are in compliance with the Board decision to cap execution costs at 9.5% of the project/programme, and Implementing Entities fees at 8.5% of the project/programmes budget.

One concept was submitted by the World Food Programme (WFP) - acting as a MIE - on behalf of the Government of Indonesia. The other four concepts were submitted by NIEs for Chile (Agencia de Cooperación Internacional de Chile, AGCI), Costa Rica (Fundecooperación para el Desarrollo Sostenible, Fundecooperación), Jordan (Ministry of Planning and International Cooperation, MOPIC) and Morocco (Agency for Agricultural Development, ADA). Three NIEs submitted fully developed proposals. These are the NIEs for Benin (National Environment Fund, FNE), Kenya (National Environment Management Authority, NEMA) and Rwanda (Ministry of Natural Resources, MINIRENA) submitted fully developed project/programme documents. The last fully developed proposal was also submitted by WFP on behalf of Nepal. It is the second time that proposals of NIEs outnumber those submitted by MIEs.

**Table 1: Project proposals for AFB 22**

Country	IE	Financing requested (USD)	Stage	IE Fee (USD)	IE Fee (%)	Execution Cost (USD)	EC (% of Total)
<b>NIE proposals</b>							
Benin	FNE	8,913,255	Full project	669,000	8.11	715,255	8.68
Chile	AGCI	9,970,000	Project concept	800,000	8.72	810,000	8.83
Costa Rica	FPDS	9,970,000	Project concept	750,000	8.13	860,000	9.33
Jordan	MOPIC	9,226,000	Project concept	723,000	8.50	703,000	8.27
Kenya	NEMA	9,999,886	Full project	720,331	7.76	805,076	8.68
Morocco	ADA	10,000,000	Project concept	0	0	850,000	8.50
Rwanda	MINIRENA	9,969,619	Full project	602,637	6.43	757,883	8.09
<b>NIE Total</b>		<b>68,048,760</b>		<b>4,264,968</b>		<b>5,501,214</b>	

<sup>8</sup> All of the nine submissions are proposals for regular projects and programmes, i.e. they request funding exceeding US\$ 1,000,000

<b>MIE proposals</b>							
Indonesia	WFP	5,940,375	Project concept	463,375	8.46	475,000	8.67
Nepal	WFP	9,527,160	Full project	746,367	8.50	129,765	1.48
<b>MIE Total</b>		<b>15,467,535</b>		<b>1,209,742</b>		<b>604,765</b>	
<b>Overall Total</b>		<b>83,516,295</b>		<b>5,474,710</b>	<b>7.02</b>	<b>6,105,979</b>	<b>7.82</b>

According to the document there were no particular issues identified during this review process. This AFB meeting marks the second time that the number of NIE proposals exceeds the amount of those from MIEs. This is inherently a good sign, as it shows the continued relevance of the direct-access modality for developing country institutions. However, as discussed during the last AFB meeting, the decreasing number of MIE project proposals may also be accounted to the ever-growing MIE project pipeline and the respective awareness thereof by potential proponents.

### **3.2 Joint Report by the Secretariat and the Trustee on the Status of the Pipeline**

At its 17th meeting, the AFB decided to establish a pipeline queuing fully developed projects and programmes that have been approved by the Board but exceed the 50% cap<sup>9</sup> that limits total funding of projects directed through MIEs to half of total resources of the AF, complemented by a set of criteria according to which projects are prioritized within the pipeline<sup>10,11</sup>. This 50% cap of total funds requested has been exceeded for the first time at the 19th meeting of the AFB, causing the creation of the pipeline with MIE projects awaiting additional funding resources.

In the course of the present AF Board meeting, the secretariat and the trustee of the AF – the World Bank – will provide an update to the Board members on the status of the project pipeline, outlined in the corresponding document<sup>12</sup>.

Since the previous AFB meeting, the AF was able to release - for the first time - a project or programme from its pipeline (for Guatemala by the UNDP), owing to the fact that the donations by Sweden and the Brussels Capital Region have been transferred to the AF Trust Fund. Therefore, the pipeline of the AF now comprises seven projects with a total amount of US\$ 48.68 million, dominated by the UNDP, which submitted six of them. Assuming the current proposal by the World Food Programme on behalf of Nepal achieved approval, the pipeline would look like illustrated in the following table.

<sup>9</sup> See decision B.12/9

<sup>10</sup> See decisions B.17/19 and B.19/5 respectively

<sup>11</sup> The criteria are sequentially applied as follows: date of recommendation by the PPRC, date of submission, and the lower “net” cost

<sup>12</sup> [https://www.adaptation-fund.org/sites/default/files/AFB.EFC\\_.13.Inf\\_.1\\_Joint report by the secretariat and the trustee on the status of the pipeline.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.EFC_.13.Inf_.1_Joint%20report%20by%20the%20secretariat%20and%20the%20trustee%20on%20the%20status%20of%20the%20pipeline.pdf)

**Table 2: MIE Pipeline as of 30 September 2013**

	<b>Country</b>	<b>Recommendation date (Criterion 1)</b>	<b>Submission date (Criterion 2)</b>	<b>Net cost, US\$ Million (Criterion 3)</b>	<b>Request, US\$ Million</b>	<b>Cumulative, US\$ Million</b>
<i>Projects added at the 19th Meeting</i>						
1	Cuba (UNDP)	12/14/2012	10/8/2012	5.59	6.07	6.07
2	Seychelles (UNDP)	12/14/2012	10/8/2012	5.95	6.46	12.53
3	Myanmar (UNDP)	12/14/2012	10/8/2012	7.29	7.91	20.44
<i>Projects added at the 20th Meeting</i>						
4	Uzbekistan (UNDP)	4/4/2013	1/28/2013	4.99	5.42	25.86
5	Belize (WB)	4/4/2013	1/28/2013	5.53	6.00	31.86
6	Ghana (UNDP)	4/4/2013	1/28/2013	7.64	8.29	40.15
<i>Projects added at the 21st Meeting</i>						
7	Mali (UNDP)	7/3/2013	4/24/2013	7.86	8.53	48.68
<i>Projects potentially added at the 22nd Meeting</i>						
8	<b>Nepal (WFP)</b>	<b>?</b>	<b>8/26/2013</b>	<b>7.86</b>	<b>8.53</b>	<b>57.21</b>

Accordingly, the total amount of additional resources required to implement all projects in the pipeline would increased to about US\$ 114 million, since only 50 cents of every dollar can be allocated to projects from MIEs.

The document then alludes to the difficult financial situation of the AF, by highlighting that the estimated funding available would permit US\$ 21-25 million in new project and programme funding approvals annually to 2020, not taking into consideration amounts required for the administrative budgets of the Board, its secretariat and the Trustee. This implies that without further donor contributions or a substantial increase in the price of CERs (which have shown only a slight increase since the last AFB meeting) - while also maintaining the 50% cap limit - it may not be possible to fund the current MIE pipeline for several years to come.

## **4 Items to be considered by the Ethics and Finance Committee (EFC)**

The Ethics and Finance Committee (EFC) is responsible for providing advice to the Board on issues of conflict of interest, ethics, finance and audit. The EFC will hold its 13<sup>th</sup> 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: FY2013

All projects funded by the AF are committed to submit an annual report on the implementation after the first year of implementation and every year thereafter. This document is the second annual performance report by the AF's Secretariat. It provides an analysis of project/programme approvals through 31 July 2013, an elapsed time analysis, expected results from approved projects/programmes, as well as a summary of progress made for projects/programmes under implementation in FY 2013. It also outlines the management effectiveness and efficiency indicators for the Fund.

As of 31 July 2013<sup>13</sup>, 28 projects/programmes for a total US\$ amount of 184.3 million have been approved for funding.<sup>14</sup> In addition, the Board also approved seven project formulation grants for a total of US\$ 209,000. Twenty-two projects are currently under implementation, for a total grant amount of US\$ 143.9million. A total of US\$ 59 million has been disbursed to implementing entities (32% of approved amount)<sup>15</sup>.

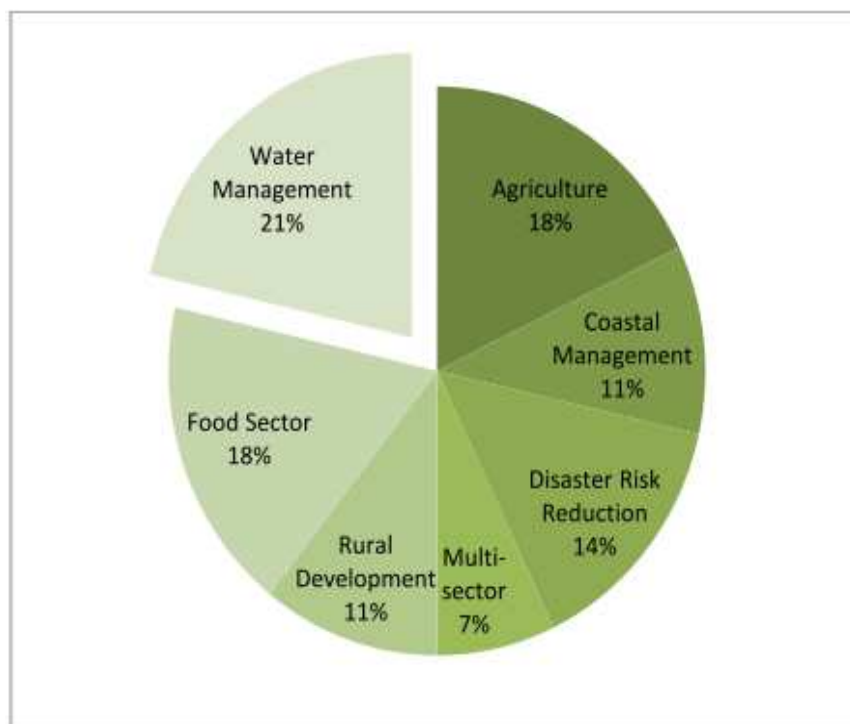
<b>Approvals Cumulative</b>			
Projects approved			28
Grant amount (excluding fees and execution costs)			157.2
Execution costs			13.64
Entity fees			13.50
Grant amount approved			184.3
Fees as percentage of total grants approved			7.9%
<b>Approvals by FY</b>			
	FY 11	FY 12	FY 13 <sup>5</sup>
Projects approved	10	15	3
Grant amount (excluding fees and execution costs)	51.3	90.2	15.7
Execution costs	4.9	7.7	1.04
Entity fees	4.4	7.9	1.2
Grant amount approved	60.6	105.8	17.9
Fees as percentage of total grants approved	7.8%	8.1%	7.2%
<b>Projects Under Implementation</b>			
Total number under implementation			22
Value of projects under implementation			143.9
Percentage of total grant amount approved			78%

Figure 1: Adaptation Fund at a glance (As of 31 July 2013)

<sup>13</sup> The 31 July date was taken instead of the end of FY13 (30 June) to include the final Board meeting of FY13 (originally scheduled for end of June but because of scheduling conflicts was undertaken the first week of July)

<sup>14</sup> At its twelfth meeting the Board decided "That the cumulative budget allocation for funding projects submitted by MIEs, should not exceed 50 per cent of the total funds available for funding decisions in the Adaptation Fund Trust Fund at the start of each session. That cumulative allocation would be subject to review by the Board on the recommendation of the Project and Programme Review Committee at subsequent sessions; (Decision B.12/9)

<sup>15</sup> See Document AFB/EFC.13/3 [Annual Performance Report: FY2013](#) to be found on [https://www.adaptation-fund.org/sites/default/files/AFB.EFC\\_.13.3 Annual Performance Report 2013\\_0.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.EFC_.13.3%20Annual%20Performance%20Report%202013_0.pdf)



**Figure 2: Numbers of projects by sectors**

In terms of geographical distribution, the Asian region with eleven projects/programmes has received the largest share totalling US\$ 68.2 million in grants (37%), followed by Latin America and the Caribbean with eight project /programmes totalling US\$ 57 million in grants (31%) and Africa US\$ 53.7 million (29%). In addition the AF has funded a myriad of adaptation activities covering key major adaptation sectors.

The AF required from its accredited entities, to start the implementation of the projects, no longer than six months after the first cash transfer. This has not always been the case, as domestic political changes in the recipient countries often lead to the delay of the inception of the project. The start of any projects is marked by the submission of the inception report which should follow, no longer than one month after the inception workshop. Currently, three projects have exceeded the conceded time to start the projects.<sup>16</sup> The implementing entities of those projects have transmitted an explanation of the reason of the delay.

In term of compliance of the projects with the seven key Fund-level outcomes, the document points out the difficulty to aggregate indicators at the portfolio level with the Fund-level outcomes. This is due to the diversities of activities and purposes of the AF projects, which renders challenging to provide aggregated quantitative results comparable with all portfolios. Also the flexible nature of the Fund's results framework and the lack of common measurement of the indicators is an impediment. This is due to the fact that project and programme proposals are only required to report on one Fund level outcome indicator.

To address this, the secretariat has suggested steps to improve the system. This change has been developed in the tracking system to be also considered at this meeting, as well. At this stage, it is important to mention that the document suggests a revision to the

<sup>16</sup> Two of the proposals have been implemented by WFP in Mauritania and Sri Lanka and one by IFAD in Lebanon

results tracker and the addition of several impact indicators to facilitate the aggregation of Fund level results, to provide accurate information on performance, to demonstrate progress toward the Fund's stated goals. This should facilitate the coordination and streamline performance information. All these elements are critical to the Fund in its drive for transparency and will aid in demonstrating value for money<sup>17</sup>.

In reviewing the PPRs the secretariat detected to main issues: i) *Implementing entities are not providing data on expenditures at the output level*; ii) *The results tracker is either not being completed or is being completed incorrectly*. With regards to the first issues, many implementing entities have been providing data at a component level, which is made up through aggregation of several outputs. This renders therefore difficult to break down those aspects of the project/programme that are being funded at a particular stage. It therefore suggests providing output level expenditure data, to adequately allow the Fund to know, where funds are ultimately being directed, thereby increasing transparency and accountability. With respect to the second issue, the secretariat has introduced a checklist to clear the PPRs. This measure is meant to overcome the period between the submission of baseline, the mid-term report and project completion report, during which projects proponents are not required to provide completed result trackers.

The document also mentioned that the secretariat is working to track closely two issues: i) on gender, the assessment consists of looking at the extent the gender balance is reflected in the AF funded projects. Last but not the least, the Secretariat is working towards appraising the structure of projects, as to score to which extent they are framed to allow replicability and up-scaling of interventions.

## **4.2 Results Tracking**

The Adaptation Fund Strategic Results Framework includes the long-term goal, outcomes, outputs, and a small set of indicators for the Fund as a whole. The Adaptation Fund works toward the achievement of the overall goal and outcomes. Thus, any funded activities through the AF needs to align with the Fund's results framework and directly contribute to its overall objective and outcomes<sup>18</sup>.

Given the growing portfolio and the increasing number of projects under implementation, the AF would benefit and track its own evolvement, if it amends its approach of collecting data as well as adding new impact criteria to its own standards, as done in most of the funds. The rationale of introducing this document is to improve the process currently in place and allow the AF to steadily adjust and improve its practices as it evolves.

Background to this discussion commenced at the 10<sup>th</sup> meeting of the AFB, as the Fund introduced a results framework, structured to meet the objectives of reducing vulnerabilities and improving the adaptive capacity to face the impact of climate change. The Fund's current results framework consists of seven key outcomes, covering a broad range of activities from improving physical infrastructure or restoring natural habits to raising awareness or diversifying livelihoods.

Consequently, there is a need for results tracking that foremost introduces indicators to enable the comparison across projects and programmes. At the project level, as

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<sup>17</sup> AFB/EFC.13/3, p.9

<sup>18</sup> AFB/EFC.1/3/rev.1 June 16, 2010

mentioned above, the AF could benefit from the amendment of its data collection approach, by introducing impact-level indicators, on which all its funded projects could report. The Fund is faced with the difficulty that its flexible reporting modalities not allow comparability across project/programmes. The information so far provided by the IEs are incomplete, due to the incompleteness of baseline provided by the implementing entities in the first year. This baseline is essential to take stock of the situation as the very beginning of each projects and tools to track the result. Even projects pursuing the same outcomes, the indicators provided by the different implementing entities are often not the same, as the aggregation of different data by different entities renders difficult the comparison across projects and programmes. This exacerbates more or less the tracking tasks, whether the Fund is on track with its overall objectives. Currently, the Secretariat is adjusting the Fund's excel sheet based tracker to incorporate impact-level indicator. It has also integrated news data requirements to ensure that the baselines become complete.

At the Fund level, there is a broad recognition of the integration of direct access into the Fund's result framework. Other aspects of an overall evaluation of the Fund should be to examine its accreditation process. Thereby, it will be useful to assess how far national institutions through the accreditation have strengthened their capacity to mobilize climate finance. The evaluation should draw lessons and develop in-depth few case studies on the impact of the accreditation process on entities. In addition, direct access as innovative feature of the Fund has not yet been fully integrated into the Fund's result framework. As of now, some quantitative indicators such as (number of Number: of NIE applications received, of NIEs accredited, of proposals submitted by NIEs, etc.) have been tracked. Nonetheless, the AF's secretariat has been engaged in discussion with entities about these benefits of using the direct access modality, without a systematic recording of accredited entities' experience. To begin tracking data on this experience, the secretariat will develop an exit survey for accredited entities to take. Such a survey is vital for the collection of basic qualitative data.

The document also provides a timeframe for accreditation and the secretariat will continue to follow the latest trends in resilience measurement and feedback lessons learned from the Fund's experience with projects/programmes on the ground.

*The fund-level outcome and output indicators could serve as a basis to analyse sub-sections of the portfolio or to undertake qualitative analyses. However, the project level remains the pedestal that guarantees that the AF will meet its objectives.*

*First, it is important that the AF adopt clear distinction between qualitative - such as fund-level outcome and output indicators - and quantitative - such as number of communities, households, or individuals - standards. While the quantitative standards are easier to track, the qualitative standards require a clear definition and description in the project proposal to allow better understanding how to collect and subsequently track them. As adaptation is local-specific, the AF is well advised to set its criteria as flexible as to allow the proponents to truly reflect the local-specific needs. However, the flexibility should be accompanied with a stringent baseline, before the start of any projects. The baseline is, in our view the reference document that should guide the whole result tracking exercise. It is important that the annual Project Programme Report includes the advancement of the implementation against the set indicators identified in the baseline. The implementing entities should strive to achieve these standards to ensure a high quality process and associated outputs, in the design stage of the CBA project cycle.*

*The three impact areas are good starting points, as they are broad and could be generic according to the specific local adaptation needs. For instance, for*

***a) Reduction in vulnerability, increased adaptive capacity of the communities***

*One needs some clear and achievable goals for reducing vulnerabilities and increasing adaptive capacity of target groups to climate change. For instance, one can use the number of target communities, households and individuals that have been identified are particularly vulnerable to climate change. The indicators should also include an approach that takes into account different vulnerability of gender, children, elderly as well as other relevant social, political and economic differences.*

***b) Increased ecosystem resilience***

*For this, one needs indicators for how the ecosystem services protected through the project have, for instance, improved the livelihoods of the targeted people; or indicators for the impacts of current and future climate hazards on livelihoods of different groups and on the ecosystems upon which they depend. Last but not the least; one could also introduce indicators on ecosystem services that have been increase as consequence of the implementation of a project.*

***c) Strengthened policies that integrate climate resilience strategies into local and national plans***

*For this, one needs indicators on existing (local/regional/national) government policies and programmes that may represent opportunities or barriers for adaptation.*

## **4.3 Financial Issues**

### **4.3.1 Adaptation Fund Trust Fund: Financial Report Prepared by the Trustee**

As is customary at each AFB meeting, the trustee of the AF - the World Bank - will present a report on the financial status of the Adaptation Fund Trust Fund to the EFC.

Accordingly, as of September 30, 2013 the total resources received amount to US\$ 342.53 million, consisting of US\$ 188.61 million originating from CER sales and US\$ 151.32 million on the part of donations. The increase in the donations account is referable to the execution of the donation agreement with Sweden and the Brussels Capital Region, whose contributions of 100 million Swedish krona (about US\$ 15 million) respectively US\$ 1,586,400 have been received in the Adaptation Fund Trust Fund. Since April 2013, the CER monetization programme brought about US\$ 370,000 in new additional resources. Deducting the funding decisions to this date leaves the total amount to support new funding decisions at US\$ 127.35 million.

The document presented by the trustee also contains a projection of funds available up to December 31, 2020 based on analytic estimates of CER issuance and current level of pledges. Depending on the underlying scenario regarding CER proceeds (low, medium, high), the total amount of resources available for the period up to end-2020 thus ranges from about US\$ 170 million to US\$ 200 million (or up to US\$ 25 million per year).

As stated, the available document captures the financial status of the AF Trust Fund up to September 30, 2013. However, the trustee will also hold a presentation at the Board



meeting revealing a revised and updated status report that also entails most recent financial developments.

#### **4.4 Issues Remaining from the 21st AFB Meeting**

##### **4.4.1 Proposal of Environmental and Social Policy**

Introducing a new policy into an operationalised fund, whose operation policies and guidelines are already designed and applied, is always not an easy undertaking. Yet, at the beginning of his chairmanship, Mr. Hans-Olav Ibrekk from Norway highlighted that this year, the AF Board needs to endow the Fund with sound Environmental and Social Policy (ESP) that should upgrade the Fund among the innovative among its pair under the finance architecture. For the AF, the introduction of ESP means explicitly adopting an ESP, and amending its Operational Policy and Guidelines, as to include the ESP into its existing requirements for risk assessment and management, as well as including the ESP into its accreditation process. However, this is not meant to change the relationship and responsibilities between the Adaptation Fund Board (the Board), implementing entities (IE), and executing entities. IE will remain accountable for risk management associated with the projects and programmes. Nevertheless, such risks should be explicitly assessed and understood to include environmental and social. In addition, the future (re) accreditation implementing entities will also appraise the capacity and commitment of IE to address environmental and social risks.

The ESP is meant to ensure that the AF funded project would not derive in any unnecessary environmental and social harm to the beneficiaries and ecosystems. After a first run of discussions on the proposed ESP at its last meeting, the AFB tasked its Secretariat to „*revise the proposal for an Adaptation Fund environmental and social policy incorporating inputs from Board members and interested stakeholders received through the public call for comments*<sup>19</sup>“.

Several organizations, institutions and think-thanks have responded to the call for public comments on the existing ESP proposal. This is evidence, on the one hand, that several stakeholders track the AF and have real interest in the work of the AF. On the other hand, this shows that the issue of ESP is of utmost relevance for many stakeholders, who very much appreciate this new impetus paved by the Fund.

The adoption of an ESP will put the AF's policy in line with practices of leading international funds such as the GEF, the World Bank and other International or regional Bank for Reconstruction and Development and International Development Agency and the GCF. This is result of the recognition that there will be no sustainable development without taking into account policy that avoids unreasonable and unintended harms. At the time of rationalization of the financial mechanism of the convention, in which funds relevance will determine their future role, this matters a lot. It will position the AF better and make it more relevant.

The ESP of the AF sets forth here is designed to encompass and being integrated in all activities of the AF. Currently, some of the accredited multilateral and few national implementing entities have set up or are about to design a policy that deals with harms, associated with their intervention in project areas. However, this means for the rest of the accredited IE, there is a need for capacity building to apply these new safeguards.

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<sup>19</sup> Decision AFB/B.21/6

As mentioned above, the introduction of the ESP will require an amendment of existing requirements, such as for effective consultation so that they are consistent with the Fund's current requirements for consultative processes in the development of projects/programmes with "particular reference to vulnerable groups, including gender considerations."<sup>20</sup> It also means that the screening process of project proposals takes also into account the impacts, risks and harms that could result from the implementation of a project, to rank them following certain criteria. Depending on the level and categories of risks, the IE should rank the proposed proposal and suggest way to address those risks adequately.

As aforementioned, the role and responsibilities of the AF and its IE and executing agency will not change due to the new ESP. Nevertheless, according to the draft ESP, all IE running projects of the AF's shall:

- (i) have an environmental and social management system that ensures environmental and social risks are identified and assessed at the earliest possible stage of project/programme design,
- (ii) adopt measures to avoid or where avoidance is impossible to minimize or mitigate those risks during implementation, and
- (iii) monitor and report on the status of those measures during and at the end of implementation<sup>21</sup>.

The above processes should be, of course, in line with the AF standards of consultative processes. In addition, the ESP foresees a compliance with international laws, allows equitable access, and promotes the inclusion of marginalized and Vulnerable Groups by respecting human, indigenous, core labour rights. In addition, it should foster gender equity and women's empowerment, protect human habitat, physical and cultural heritage and public health, avoid involuntary resettlement; conserve biodiversity, land and soil. All these important principles will be assessed in the next chapter, depending on whether the AF NGO network has concrete suggestion on how to best operationalise them.

With regard to the management of the ESP, the new policy foresees, to ex-ante assess the capacity of any IE to apply the Fund's standards already at the accreditation level. Hence, at the accreditation the IE risk management shall commit, with proven capacity, to assess and respond to the environmental and social risks of projects/programmes supported by the Fund in light of this environmental and social policy. In other words, the Accreditation Panel will examine to which extend, the to be accredited IE could be accountable to environmental and social risks. Accordingly, it shall be able to assess upfront the risks related to a project and present a plan, and appropriate measures to reducing or mitigating all environmental and social impacts; and that the implementation of such measures is monitored and reported.

In doing so, according to the document the IE shall adopt an Environmental and Social Policy Delivery Process. This process is composed of;

#### *4.4.1.1 Screening of Environmental and Social Risks by the Implementing Entity*

The screening process means first exploring all risks and harms related to a given project to be submitted. Secondly, this assessment shall also consider all potential -direct, indirect, transboundary, and cumulative- impacts in the project's/programme's area of influence that could result from the proposed project/programme. Thirdly, this requires a

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<sup>20</sup> Adaptation Fund, OPG, "Instructions for Project or Programme Funding for Adaptation Fund," part II(H)

categorization of the risks and proposed commensurate actions that reflects the level of risks identified. The AF's ESP is broken down in three categories as following:

1. Category A: projects/programmes, with high potential adverse impacts;
2. Category B: with less adverse than Category A projects/programmes, because for example they are fewer in number, smaller in scale, less widespread, reversible or easily mitigated;
3. Category C: those projects/programmes with no adverse environmental or social impacts

For Category B, there is some flexibility that allows the approval of the project, subject of additional agreements, which are concluded in the MoU. The AF Secretariat could at any time of the screening process of projects request further clarifications pertaining to some potential risks, which in their views are not adequately cover in the submission.

#### 4.4.1.2 *Environmental and Social Assessment*

Basically, the environmental and social assessment has to be completed upfront before submission of many projects to the AF. The rationale of doing so is to categorize the projects according to the risks they are associated with. The requirements for social and environmental assessments are more stringent in nature, if the projects are ranked under the two first Categories.

The assessment shall thus (i) *consider all potential direct, indirect, transboundary, and cumulative impacts and risks that could result from the proposed project/programme; (ii) assess alternatives to the project/programme; and (iii) assess possible measures to avoid, minimize, or mitigate environmental and social risks of the proposed project/programme*<sup>22</sup>.

In some Category B projects/programmes, proposed activities requiring such assessment represent a minor part of the project, and when inclusion in the proposal is not feasible, a timeline for completing the environmental and social assessment shall be undertaken before the construction begins. This shall be incorporated in the agreement between the Board and the implementing entity following the project/programme approval and the advancement towards addressing those risks need to be reported through the annual project/programme performance report<sup>23</sup>. In this case, the findings of the environmental and social assessment are to be transmitted to the AF's Secretariat as soon as they are finalized.

All submitted proposals are subjects of screening process against the AF policies and guidelines by the secretariat, which include its ESP. In screening proposals, the secretariat may require further information from the implementing entity on the environmental and social assessment, mitigation, and management of risks, if deemed necessary.

#### 4.4.1.3 *Environmental and Social Management Plan*

All proposals associated with social and environment risks need to be accompanied by an environmental and social Management that identifies those measures necessary to avoid,

<sup>21</sup> Document AFB/B.22/5 Proposal of ESP, p.9, <https://www.adaptation-fund.org/sites/default/files/AFB.B.22.5.ProposedEnvironmentalandSocialPolicy.pdf>

<sup>22</sup> *ibid*, p.9

<sup>23</sup> *ibid*, p.9

minimize, or mitigate the potential environmental and social risks, as condition sine qua non for their approvals.

#### *4.4.1.4 Monitoring, Reporting, and Evaluation*

The monitoring and evaluation as well as any annual project/programme performance reports shall include a section on the status of implementation of any environmental and social management plan, including those measures required to avoid, minimize, or mitigate environmental and social risks.

#### *4.4.1.5 Public Disclosure and Consultation*

The IE should involve all relevant stakeholders in assessing the environment and social impact that come along with the identified projects. In addition, the finding as well as any proposed management plan of this assessment is made available for public consultations that are timely, effective, inclusive, and held free of coercion and in an appropriate way for communities that are directly affected by the proposed project/programme. Lastly, the secretariat of the Fund is requested to disclose the information received. During the implementation of the projects, the IE should in reporting to the Board on the evolution of the projects shall provide any actions undertaken to address the risks along the management plan

#### *4.4.1.6 Grievance Mechanism*

A grievance mechanism should be put in place by the IE that provides people affected by projects/programmes supported by the Fund with an accessible, transparent, fair and effective process for receiving and addressing their complaints about environmental or social harms caused by any such project/programme.

### **4.4.2 Integration of the Fund's ESP into the Accreditation Process**

When it comes to direct access under the financial mechanism of the Convention, the AF has been playing a pioneering role, just not only for allowing direct access to its resources, but most importantly for having piloted and implemented these innovative access modalities. However, the AF lies behind other multilateral institutions, when it comes to mitigating environment and social risks that come forth from the implementation of certain activities it may finance. It is generally acknowledged nowadays, that the appliance of ESP during the implementation of project (ex-post) is not sufficient for meeting the safeguards. To a greater degree, it is rather important to ensure –before the accreditation (ex-ante)- that the entities receiving funds at their institutional level commit at the highest managerial level to abide the environmental and social policy.

This document outlines option for the Board, on how to take the AF's ESP along into the accreditation process. It presents three options for modification of the accreditation process and outlines the necessary changes that the accreditation process may require for the Accreditation Panel experts to assess the ability of the applicants to comply with the proposed policy.

Option 1: This option requires from all accredited entities of the AF to provide evidence of capacities to comply with the environmental and social policy. It would also require the development of a new process overlaid on the accreditation process to review the standards of currently accredited IEs. In addition, all applicants currently under review

would be asked to provide evidence of their ability to comply with the policy. This means in other word that any entities should bring proof of capacity to comply with the policy upon approval. In addition, it implies that it would retroactively change the condition of IEs by requiring them to be submitted to a new accreditation process in order to meet the new standards.

Option 2: Keep the status quo, by relying on review for compliance with environmental and social policy. This is the simplest way for the AF. However, it will strategically place the AF in a bad position compared with other climate fund that applied an ex ante application of environmental and social safeguard, as key requirement for the accreditation process.

Due to the pros and cons of the two-elated options, the AF Secretariat proposes a third one “phase-in the policy through a tiered approach“. This option proposes different requirements at different stages of the accreditation process

Option 3: a tiered approach to rolling out the environmental and social policy by setting four categories.

#### *4.4.2.1 Accredited IE with approved projects/programmes*

For accredited IEs, there will be no retroversion assessment of the accreditation status against of compliance with the AF’s ESP. This will happen only in the re-accreditation. However, additional reporting requirements are necessary, as to nonetheless ensure that the projects currently implemented will not bring any environmental and social harm. This additional information will be transmitted via the Project Performance Report (PPR) contained in document AFB/B.22/5 and during the monitoring and evaluation of AF Projects.

#### *4.4.2.2 Accredited implementing entities without approved projects*

This option will apply to those IE, whose compliance with the AF’s ESP has not been assessed at the accreditation stage, but still have not received any funding from the AF. In this case, in approving a proposal, the IE will commit to apply the Fund’s ESP in implementing the approved project. The ESP will be subject of a paragraph in the agreement signed with the Board and will thus be legally binding. Therefore, accredited implementing entities will have to use the amended project/programme submission template that will include information relevant for compliance with the environmental and social policy, if approved, and the modified PPR.

#### *4.4.2.3 Entities under review by the Accreditation Panel*

This option is for entities that are under review by the Accreditation Panel or quite advanced in the accreditation process. Accordingly, Entities that are close to being recommended for accreditation may be treated like those already accredited entities, but which have not yet received any funding for project/programme implementation as described above. Depending on how advanced they are in the process leading to a positive recommendation by the Accreditation Panel, these entities may receive guidance or support through the accreditation process for compliance with the environmental and social policy, if approved.

#### *4.4.2.4 New applicants for accreditation*

The ESP of the AF will apply in the future to all entities seeking (re-)accreditation by the AF. They shall accordingly (i) have an environmental and social management system for

assessment of environmental and social risks at the earliest possible stage of project/programme design, (ii) adopt measures to avoid or where avoidance is impossible to minimize or mitigate those risks during implementation, and (iii) monitor and report on the status of those measures during and at the end of implementation.

#### **4.4.3 Required amendment in the Operational Policies and Guidelines**

The document outlines the required amendment in the Operational Policies and Guidelines (OPG) of the AF proposed by its Secretariat, as to ensure that implementing entities have the ability to implement the policy. Noteworthy is that some accredited IE will need further capacity building, as to allow that they are able to implement truly the ESP. Thus, the whole ESP discussion should go hand in hand with the readiness activities under consideration by the Board. The major change in the OPG will happen in the request for project/programme funding from the Adaptation Fund, particularly in the instruction for preparing a request for projects/programmes funding from the Fund. This instruction has been modified for a better insertion of the ESP in the requirements to the IE stipulated in the OPG. Of course, because of the scope of this paper, one cannot get in depth with all amendments. Rather, this part will emphasize key modifications that are worthwhile being mentioned.

Firstly, the best ESP will only make sense if it is subject of a meaningful, inclusive consultation with the beneficiaries and relevant stakeholders. From NGO perspectives, the consultative process paragraph (H) is one of those important criteria. The new amendment stipulates that environment and social assessment should take place as early as possible and should involve all stakeholders. In addition, it states the management plan, which schedules and provides appropriate measure to mitigate and avoid risks related to the project shall be made available for public consultations that are timely, effective, inclusive, and held free of coercion and in an appropriate way for communities that are directly affected by the proposed project/programme.

Secondly, the focus on the most vulnerable group remains one of the utmost requirements to ensuring a best application of environmental and social safeguards. Paragraph (B) of the instruction provides guidelines how to ensure when implementing project and programmes of the AF a special focus is given to the most vulnerable. The adjusted amendment to integrate the ESP foresees that any risk of marginalization of minority groups or indigenous people should be ruled out.

#### **4.4.4 Assessment of the revised ESP against the submission of the AF NGO**

Following the example of other stakeholders and organizations, the AF NGO Network has responded to the call of proposals by the Secretariat, by submitting its views on how to enhance the AF's ESP. This part analyses the proposed ESP proposed by the AF Secretariat against the propositions made in the AF NGO's submission and the numerous other submissions. It aims at identifying those areas that are in our view not sufficiently addressed.

The proposed policy at the last board meeting read more as guiding principles rather than a policy. It was also not every explicit in providing guidance on how the principles should be guided, applied, how trade-offs and synergies are to be managed and more importantly how compliance is to be effected. The AF NGO, hence very much appreciates the

insertion of the ESP into the *instruction for preparing a request for projects/programmes funding from the Fund*,<sup>24</sup> as well as the proposed changes to *accreditation application to integrate ability of applicant to comply with Fund's environmental and social policy*<sup>25</sup>. This holistic approach is very important in setting up an environment and social policy framework.

The new proposed policy is more comprehensive than the first draft proposal discussed at the last Board meeting. It also boosts the Fund's objective to help vulnerable communities to adapt to climate change, by covering the major concerns to the global communities.

However, it remains in some parts generic and lacks providing in-depth guidelines on how to better operationalise the ESP. Further, it is important that the ESP provide some definition of key elements such as indigenous people, by clarifying who is seen as this group and how they should be protected through the ESP. It is appreciated that the ESP is kept as simple as possible, to allow flexibilities and the taking into account national circumstances in the implementation of the ESP. However, the trade-off should not be on the cost of consistency. Often, simple guidelines give a big room for confusion and interpretation. For instance the term "significant", which is often used in the AF's ESP, is by nature vague, if it is not clearly defined or given tools to measure the significance of some measures. In the "Categories B" for instance, where the impact are not high ranked like in Category A, or they are fewer in number, smaller in scale, less widespread, reversible or easily mitigated. This means that a "significant" negative impact may be felt by a certain percentage of affected communities or at a specific site only, but when this impact is set against the broad scope of the project, this negative impact may be rendered "insignificant." In addition, it is important that the AF provide more clarity with respect of the categorization of projects. In doing so, one needs a set of criteria, to be fulfilled for each category. Particularly, the trend line between Category A and B should be further defined.

In addition, to some extent, the new document fails to provide clarity on what would be considered an acceptably low level of environmental and social risk. Nor it is clear about what would be considered to 'have potential to cause significant environmental or social harm'. After due diligence screening of the new document, it is important to us that the Board pay due attention to some elements in the new text, by considering the following comments:

With respect to Environment and Social Principles: With respect to the compliance of the AF's funded projects with domestic laws, it is important that, -in case that some recipient countries do not truly implemented UN declarations and rights- that the IE running the AF projects commit, as far as it is nationally possible, to adhere to the law with the highest standard of environmental or social protection.

Principle 4 and 7, which are related to marginalized group and indigenous peoples respectively, we suggest introducing the notion of Free Prior and Informed Consent (FPIC). The rationale behind is to inform them about the magnitude and potential impacts

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<sup>24</sup> AFB/B.22/5.Add.1: Environmental and Social Policy: Operationalization: Proposed Amendments to Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund related Templates, and Instructions, to be found on: [https://www.adaptation-fund.org/sites/default/files/AFB.B.22.5.Add\\_1\\_Revisions to OPG and related templates.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.B.22.5.Add_1_Revisions%20to%20OPG%20and%20related%20templates.pdf)

<sup>25</sup> AFB/B.22/5/Add.2: ESP of the AF option for the Accreditation Process to be found on [https://www.adaptation-fund.org/sites/default/files/AFB.B.22.5.Add\\_2\\_Environmental and Social Policy Operationalization Options for the Accreditation Process.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.B.22.5.Add_2_Environmental%20and%20Social%20Policy%20Operationalization%20Options%20for%20the%20Accreditation%20Process.pdf)

that may arise from the intended projects, as well as collectively design the adequate measures to address the risks identified. Although, these vulnerable groups are recognized in the AF's principle and taking on board in the consultative part of the instruction for project funding (OPG), it is important in order to avoid any social impacts, that the beneficiaries clearly consent and endorse the finding of the environment and social assessment. To this end, it is important that they be at the center of any assessment and consultation process. This means that they will not only participate in, but consulted in a meaningful way. Any environmental and social assessment should therefore have an annex in which the potential impacted group should stipulate their informed consent. This should ideally happen during the conceptualization phase. The FPIC has to deal with the involuntary resettlement (Principle 8). In our view, the to be displaced persons need to be informed about the intended resettlement and their right to avail themselves. They should be consulted during the consideration of options available. And then, they should consent whether the intended intervention, may be not reasonable in their views. In addition, during the FPIC, beneficiaries should be offered technically and economically feasible and culturally appropriate resettlement alternatives and fair and adequate compensation.

*Environmental and social management system:* The amendment in the instruction for preparing a request for projects/programmes funding from the Fund in its paragraph E covers how the Environmental Impact Assessments (EIAs), should be thoroughly undertaken, and how to address social and environmental risks associated with the projects. It also outlines key elements that should be considered and covered by undertaking those assessments. However, the criteria outlined are silent on how to ensure a Free Prior and Informed Consent (FPIC), in term of meaningful consultations. In the paragraph (H) of the same documents related to the consultative process, it remains unclear, how the consultative process for the impact assessments should look like. The document is here silent on the level of inclusion of, and consultation with the groups identified in the ESP's principle. Rather, it demands a disclosure of the finding. In our view, the mitigation and avoidance of any risks require a meaningful consultation in both during the assessment of the impacts and the elaboration and implementation of management plan. Furthermore, in our view, consultation with the relevant stakeholders does not automatically imply into consent for the project/ programme. When there are some risks identified that are associated with a given project, it is important that the affected groups give their consent, that the measures planed to address those risks reflect their interest and will not lead to any conflict between beneficiaries and not beneficiaries.

In term of grievance mechanism, the link of the grievance mechanism to the complain mechanism of the Fund is not adequately clarified. In the case of ESP, the grievance mechanism should be effective on the ground. Beneficiaries, or potential affected should be informed about the mechanism as well as options to make sure that their concerns are taken on board. CSO could play a due role of this mechanism, in order to provide an unbiased addressee of the complaints received.

The document does not present any sanction options, in the case of non compliance with the ESP safeguards. Basic questions such as to what extent can grievance mechanisms stop a project/programme that creates adverse impacts, impose sanctions and/or make implementing agencies/entities accountable? If there is damage to the community, to which entity does the liability attach?



#### 4.4.5 Option for programme to support readiness for direct access

At the last Board meeting, the Board members discussed a range of support activities the Fund could initiate in order to increase the preparedness of potential entities seeking accreditation by the AF, as well as to enable accredited entities to submit ambitious, high quality projects. As a result of this discussion, the AF requested its secretariat to prepare a document containing options for support by taking into account the comments made by the Board as well as recommendations made by the Accreditation Panel and the Project and Programme Review Committee at its last meeting.

Soon after its call for proposals and accreditations in 2010, the Fund has recognised the needs of supports for certain eligible countries to meet its fiduciary standards, in order to success the accreditation process. To address these issues, four regional workshops had been organised by the UNFCCC Secretariat in collaboration with the AF Secretariat, with the view of familiarising Parties with the AF's fiduciary standards required for accreditation. Besides the AF efforts, several other capacity building initiatives have been set up by multilateral, e.g. the United Nations Environmental Programme (UNEP)<sup>26</sup> and the United Nations Development Programme (UNDP)<sup>27</sup> and bilateral agencies such as the German Society for International Cooperation (GIZ)<sup>28</sup>, to help developing countries to understand the AF standards and get their national institutions accredited.

Nonetheless, this has not lead to the increase of the number of accredited institutions even the number of accredited national implementing entities has stagnated throughout this year. This shows, notwithstanding the support provided, it is still difficult for countries to identify the suitable institution and upgrade them accordingly, as to meet the AF's fiduciary standards. On the other hand, experiences of the AF shows that even national implementing entities master the accreditation process, they are often not able to submit qualitative proposals for funding to the AF. As evidence, out of the 15 so far accredited NIEs, there are only four that have been able to secure funding for projects.

It is hence overdue that the AF strengthens its effort of further supporting countries through tailored readiness programme that will enhance the ability of existing and potential NIEs to access adaptation finance – including in the context of the establishment of the Green Climate Fund<sup>29</sup>. The intended programme could build on the innovative features of the AF. In doing so, the intended programme could help vulnerable countries to access to adaptation finance necessary to increase the adaptive capacity of their vulnerable communities. The support programme is meant to pursuit the clear goal of increasing the number of accredited NIEs as well as the submission of high quality projects. At this time, when the AF is about its ESP, the programme shall be seen as a great opportunity to better explain the new safeguards as well as their operationalisation within the entities and around all issues tied with AF's projects.

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<sup>26</sup> UNEP's Direct Access Support Programme and Services

<http://www.unep.org/climatechange/adaptation/AccessToAdaptationFinance/UDASP/DirectAccessSupportProgrammeandServices.aspx>

<sup>27</sup> UNDP Strengthening National Institutional Capacities for Direct Access to Climate Finance

[https://www.adaptation-fund.org/sites/default/files/Ms.\\_Colon\\_UNDP\\_0.pdf](https://www.adaptation-fund.org/sites/default/files/Ms._Colon_UNDP_0.pdf)

<sup>28</sup> GIZ Capacity development for direct access to climate finance

<http://www.giz.de/Themen/en/dokumente/giz2012-en-climate-finance-capacity-development.pdf>

<sup>29</sup> AFB/B.22/6; Options for a Programme to Support Readiness for Direct Access to Climate Finance for National and Regional Implementing Entities, p.5, to be found at: [https://www.adaptation-fund.org/sites/default/files/AFB.B.22.6\\_Options\\_for\\_a\\_climate\\_finance\\_readiness\\_programme\\_for\\_NIEs\\_and\\_RIEs.pdf](https://www.adaptation-fund.org/sites/default/files/AFB.B.22.6_Options_for_a_climate_finance_readiness_programme_for_NIEs_and_RIEs.pdf)

<p><b>Goal:</b> Increase the opportunity of developing country Parties to directly access climate adaptation finance</p> <p><b>Impact:</b> Concrete adaptation undertaken in developing countries through direct access modality is increased</p> <p><b>Outcome 1:</b> Increased capacity of national and regional entities to meet the Fund's fiduciary standards and [if approved] comply with the environmental and social policy of the Fund (Indicator(s): no of NIE/RIE applicants; no. of accredited NIEs/RIEs)</p> <p><b>Outcome 2:</b> Increased capacity of national and regional organizations to undertake project/programme appraisals and assess risks, including environmental and social risks, within adaptation projects/programmes (Indicator: no. of quality projects/programmes submitted by NIEs/RIEs and approved by the Board)</p> <p><b>Outcome 3:</b> Improved availability of knowledge for accessing adaptation project/programme finance through knowledge sharing among implementing entities Indicator(s): no of hits/downloads of materials from online platform; Improved understanding (measured through training/workshop surveys))</p> <p><b>Outcome 4:</b> Increased ability of national and regional entities to leverage adaptation finance (Indicator(s): no of enabling policies adopted, amount of adaptation finance leveraged during implementation of AF project/programme, amount leveraged through other sources of funding)</p>
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**Figure 3: Outline of elements that could be included in a AF Readiness Programme**

The programme for support for readiness identifies a variety of activities designed to best assist developing countries to meet the AF's standards and safeguards. The entities will be provided with support for inter alia; a) *development of procedures for screening projects for environmental and social risks; b) for undertaking project environmental and social risk assessment and for formulating risk management plans; c) development of a policy/avenues for public disclosure and consultation; iv) Development of transparent and effective mechanisms for receiving and resolving complaints about environmental and social harms caused projects/programs*<sup>30</sup>. The programme encourages for instance grant for accredited national and regional entities to get prepared to submit strong proposals or to meet the required standards and safeguards for accreditation. This grant will be allocated to existing initiatives, in form of additional Project Formulation Assistance Grant, or micro grant for accredited NIEs. The grant will be disbursed either through relevant institutions providing support or through accredited NIEs themselves. In addition, a series of workshops and trainings are also planned to explain the fund's requirement and strengthen south-south cooperation. It will also take advantage of the existing initiatives and shall strive to not duplicate the on-going processes. But rather, it will aim at coordinating them, with the goal of ensuring that they effort primarily seek to help countries to meet the AF's standards and draw lessons from previous failure. In doing so, technical assistance is planed to countries through suitable institutions, as far they are proposed by the proponents and depending on their expertise. Also, a pilot programme -limited to two or three entities- will be funded, in order to help the entities to up-scale the replication of the outcomes of the projects. This is an important point, as it

<sup>30</sup> AFB/B.22/6 pp.7-8

will help the Fund to meet its overall goal. Last but not least, the support programme will have a knowledge management component to disseminate lessons learnt from the AF, show cases of best practices and enhance south- south knowledge exchanges.

*As mentioned above this work programme is a great imitative and contribute not only to the visibility of the fund, but will position the Fund strategically among other institutions financing adaptation actions in developing countries. The work programme as it is outlined is well designed and could be more ambitious; if there will not be a budget constraint. Along this point, the AF NGO recommends the programme to be extended in term of scopes and activities. With respect to the budget, the programme should have its own funding raising strategy, and funding held separately as not to mingle with the fund held by the Trust Fund for concrete adaptation projects. The special fund strategy for support should convince potential donors, in the position to do so, to finance dedicated support programmes for readiness run by the AF. Although, the first focus of the support programme should be to prepare entities to meet the AF's standards, it should not be solely limited to this. Rather, the programme should also strive to insert as an ongoing exercise those emerging requirements, for instance, like those to be put in place by the GCF. In our view, the document should also give more emphasize to those countries that are not accredited yet, or reluctant due to their fear of not being able to meet the AF's standards. It should open the doors not only for those in the accreditation pipeline, but also those that are interested in.*

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