

ACCREDITATION OF TWO NEW NIES, APPROVAL OF THE SECOND DIRECT ACCESS PROJECTS

GERMANWATCH-REPORT ON THE 16TH MEETING
OF THE ADAPTATION FUND BOARD

by Alpha O. Kaloga with the contribution of Sven Harmeling



Brief Summary

General background to the Adaptation Fund under the Kyoto Protocol

The Adaptation Fund (AF) was established under the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC) in order to finance concrete adaptation projects and programmes, which should support the adaptation of developing countries to negative impacts of climate change. This report summarises the key decisions taken during the 16th meeting of the Adaptation Fund Board.

As Germanwatch has been following all the meetings one can find elaborate information on the Adaptation Fund and the past meetings on our web page www.germanwatch.org/klima/af. Germanwatch has also established a NGO Network to help NGOs in developing countries to better accompany the implementation of projects funded by the Adaptation Fund (see www.af-network.org). If you would like to be part of AF NGO Network, please fill the Membership form (see www.germanwatch.org/klima/afn5.htm). Last but not least, you can have a simple overview on the projects submitted to the AF through the Germanwatch Project Tracker at: www.germanwatch.org/klima/afpt.xls.

Official background information and the preparatory documents for the 16h meeting can be found at www.adaptation-fund.org/afb-meeting/2377. Most of the sessions are usually webcasted at www.unccd.int/live/gef/index.php.

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1 Executive Summary

The 16th meeting of the Adaptation Fund Board (AFB) was held at Umhlanga Rocks, South Africa, on December 13-14 2011, back to back with the fifth meeting of its sub-committees for project and programme review (PPRC) and ethics and finance (EFC). The following items were discussed:

One of the key decisions adopted by the AFB during this meeting is the accreditation of two further NIEs. Interesting is that both entities - the Ministry of Planning and International Cooperation (MOPIC) of Jordan and Ministry of Natural Resources (MINIRENA) of Rwanda - are governmental ministries. The first-time accreditation of ministries will open a new window of opportunities that developing countries will deeply consider, because all of them have at least a ministry within the country that acts because of its capacities as a core recipient of foreign investment. The accreditation at this meeting augments the number of NIEs to eight, four from Africa, the Jordan one as the first for the Middle East, and three in Latin America and the Caribbean. Moreover, the Board also accredited the United Nations Educational, Scientific, and Cultural Organization (UNESCO) as a tenth Multilateral Implementing Entity (MIE) accredited by the AF. In addition, the AF discussed the modalities of the two workshops to familiarise developing countries with the accreditation process (for the Asia region and the other for the Pacific) during the first half of 2012.

In contrast to its last meeting, at which the AF only approved the project proposal Mauritius, the AF **approved at this meeting six fully developed projects** with the amount of US\$51,714,038, **endorsed three concept notes** amounting to US \$22,835,971, **not endorsed the project of Cambodia** 4,915,362 and **not approved the project of Papua New Guinea** US\$ 6,530,373.

Among the fully approved proposals only one has been submitted by a NIE namely the Agencia Nacional de Investigacion e Innovacion of Uruguay. The approved fully developed project is a revised version of the concept that has been endorsed by the Board in its 13th meeting. This project with a volume of US \$10 million is expected to last until 30 September 2017 and aims at building resilience to climate change in vulnerable smallholders in Uruguay.

Several documents also stood on the agenda of the AFB for this particular meeting which will be addressed in this report. One of these issues is the discussion related to the Adaptation Fund Annual Performance Report (AFAPR). The AFAPR becomes a critical document of the fund, as it is a kind of amalgamation of each single project status as well as on the overall performance of the AF portfolio with regard to its set objectives. The Board also discussed the lessons learnt of the review of the project proposals and consulted how it will apply the 50% cap set by the AFB for MIE projects compared to the cumulative available amount for projects funding.

The AFB also had to devote time to address a breach of the code of conduct by an AFB member who engaged in explicit lobbying with the AFB members to approve a project from his country. This happened in the context of the Tanzanian project which, after several rejections and revisions, was finally approved. The member was not present at the meeting, the AFB discussions did not lead to a clear result, but it became apparent that this must be seen as an early warning signal which needs to be clearly addressed for the future through clearer rules and potential sanctions. If such cases would happen repeatedly, the credibility of the AFB would clearly be at risk.

In addition to the decisions of the Board at its 16th meeting, this document also deals with both activities of the AF during the CMP (its report to the CMP and the review of the institutional arrangements) and minutes of the third CSO dialogue with the AF Board members as well as the side event organised by the secretariat.

The AF was delighted to acknowledge the grant pledged by both the government of **Sweden** – which for the second time in frame of its fast start has pledged **100 million Swedish Krone to the AF**- and those of the **United Kingdom** with the amount of **10 million Pounds**. This is a good signal to other wealthy nations to do, particularly because the carbon market is affected by an increasing decline of CERs prices.

2 Report of the Accreditation Panel (AP)

The Accreditation Panel (AP) of the AFB is in charge of reviewing accreditation applications for national implementing entities (NIEs), the key element in the AF's direct access approach, as well as for multilateral implementing entities (MIEs). At this meeting the AP recommended to the AFB to adopt following decisions:

2.1 Accreditation of two NIEs substantiating the direct access

Among the seven NIE applications for accreditation, the AP recommended the AFB to accredit two of them as following:

a) The Ministry of Natural Resources (MINIRENA) of Rwanda:

The AP, after having, assessed, audited, conducted a field visit to the MINIRENA of Rwanda recommended the AFB to accredit the MINIRENA as a NIE subject of following procurements:

- The MINIRENA is requested to submit to the secretariat, on an annual basis, a procurement "audit report" on the Adaptation Fund project/s under implementation in relation to the effectiveness of its procurement systems and practice. The report should contain the recommendations identified by the "internal auditor" by taking also into account any issues expressed by stakeholders.

The MINIRENA is one of the ministries of the government of Rwanda which has a legal capacity and authority to contract with third Parties as well as to receive grants from any donors and to disburse it. In addition the MINIRENA currently implements its second five years strategic plan for environment and nature resource sector (2009-2013).

b) The Ministry of Planning and International Cooperation (MOPIC) of Jordan:

After having assessed and audited the application of the Ministry of Planning and International Cooperation (MOPIC) of Jordan, the AP recommended the AFB to accredit the MOPIC as a NIE, which the AFB also adopted accordingly. Towards the accreditation of the MOPIC several exchanges have taken place between the AP and the MOPIC. Especially the field visit to MOPIC helped the AP to be sure that the concerns raised at the beginning of the accreditation process could be addressed satisfactory¹.

The Adaptation Fund Board has reaffirmed once again its commitment to the operationalization of the direct access finance modality through the accreditation of these new NIEs. Up to now eight NIEs have been accredited, among them four originating from African countries. It is worth highlighting that both new NIEs are ministries. This is an interesting development to be closely followed up, since it may open the door for more accreditation of ministries as NIEs. Ministries in developing countries dealing with international funds often have proven institutional capacities as well as are familiar to

¹ Accordingly the AP concluded that the MOPIC largely meet the Fiduciary standards of the Board and has a strong institutional capacity to deal with international and nationally funded projects. Furthermore the MOPIC has shown being able to articulate across different sectors with respect to the management and implementation of projects according to the national set priorities.

meeting standards set by foreign donors -similar to such applied by the AFB - in order to be able to manage international funds allocated in their countries. Bearing in mind that almost all developing countries have such a governmental body being very active in the overall development field, it is expected that other countries take advantage of this window of opportunity of accreditation of a ministry.

However caution needs to be taken that on the one hand the AF resources do not land up in general national budgets, and on the other hand that the NIEs are able to handle adaptation and environmental projects.

Last but not the least, the AFB decided to accredit the United Nations Educational, Scientific, and Cultural Organization (UNESCO) as Multilateral Implementing Entity. The AFB has through the accreditation of the UNESCO adopted the recommendation of the AP, which after having considered the application of the UNESCO was of the view that the UNESCO has a strong capacity and is able to meet the fiduciary standards. Now the AF has ten Multilateral Implementing Entities.

2.2 Accreditation applications in the pipeline

Actually, twelve applications - nine for NIEs, one for a Regional Implementing Entity (RIE) and two MIEs - are in the accreditation pipeline. As mentioned above the AP prior to this meeting has only considered seven NIE applications, out of which two have now been accredited. What is about the remaining five applications?

First of all, it is important to mention that the AP in its report requested the AFB, to allow it to submit a recommendation on accreditation of implementing entities - NIE017², NIE028, NIE029, NIE030, NIE031 and NIE032 - intersessionally, should the review of the accreditation lead to a positive recommendation. In other words, since the six other NIEs are almost reasonable for accreditation and because of the fact that the AP is just waiting for the remaining requested documents from the applicants, it is likely possible that the AP will be able in the meantime before the next AFB meeting in March 2012 to recommend to the AF to accredit these NIEs. Accordingly the Board could accredit intersessionally the suggested implementing entities.

Based on the on-going exchange between the AP and the applicant NIE017 for instance, the AP believes that many of the gaps identified have been properly addressed. It therefore decided to conduct a field visit to this NIE, in order to see first hand whether in earnest the gap identified has been closed.

Pertaining to NIE018, NIE028, NIE029, NIE030, NIE032, the AP is of the view that it will continue its interaction with the respective NIEs as more information become available.³

The “ language obstacle” is one of the barriers that have been identified for most of the accreditation applicants. This situation poses the question whether the AP should not be flexible to review application in other languages.

² Noteworthy, is to mention that the AP has agreed an unique code system- a kind of numbering- to be assigned to all accreditation applicants from time of receiving in order facilitate the referencing of their applications.

³ It is worth mentioning that some of these NIEs for instance NIE031, NIE032 etc... have already provided the information requested by the AF however in their official national languages which are not English.

On the other hand, the interaction between the AP and the Regional Implementing Entity RIE002 are still on-going and some teleconferences have been held in order to clarify the requested documentation. Once, at December 07th some days prior to the AF meeting, the AP has received the documentation it has requested to the RIE002, so that the AP was not able to timely consider it. However the AP will consider it in its next meeting and can then make its recommendation to the Board.

2.3 Regional Workshops

The secretariat of the AFB reported on the second regional accreditation workshop for the Latin American and Caribbean region, held in Panama City in November 2011. The purpose of this workshop (and the previous one held for Africa, both mandate through a CMP decision in Cancún) is to familiarise developing countries Parties to the Kyoto Protocol with the accreditation process.

In its report, the representative of the secretariat mentioned that the extension of the two days meeting - as held in Mbour Senegal - to three days led to the success of the Panama workshop. The three days workshop enabled a fruitful discussion between the presenters and the participants, which lead to a constructive interaction.

However it came also out of the workshop that translated documentation is needed to facilitate the accreditation process by non-English speaking countries.

The Board after discussion on the outcome of the Panama workshop decided to continue with the three-day meetings and to amend the ToRs of the AP to include the requirement for applicants to submit the relevant supporting documentation in English and in electronic format. Furthermore the AFB requested the UNFCCC to allow additional participants from Parties to the regional accreditation workshops in Asia and in the Pacific regions, if their Parties cover the cost of the meeting participation. The second remaining workshop - one for the Asia region and the other for the Pacific - will be convened in the first half of the 2012.

3 Report of the seventh meeting of the Project and Programme Review Committee

The Project and Programme Review Committee (PPRC) is responsible for assisting the Board in tasks related to project and programme review and implementation in accordance with the Operational Policies and Guidelines and for providing recommendations and advice to the Board thereon⁴. Thus, during the meeting, the Board debated the recommendation suggested by the PPRC on approval of the submitted project proposals, which is based on the technical review made by Secretariat. Furthermore, the PPRC initiated a more strategic discussion of the projects and programmes, rather than only spending time on the in-depth discussion of the projects. Along this line, the PPRC debated on the document prepared by the secretariat on lesson learnt from the Adaptation Fund Project Review Process as well as the Compendium of Board Decisions Related to the Project Review Cycle.

3.1 Review of project proposals

For consideration at the 16th meeting of the AFB, 14 project proposals were submitted to the secretariat by the accredited implementing entities, with the total requested funding amounting to US\$ 98,538,888. After the first initial technical review by the secretariat, three proponents decided to withdraw their submitted proposals. Accordingly, the final total budgets requested of the 11 remaining proposals amounted to US\$73,793,324, including US\$ 5,223,921 or 7.6%⁵ with implementing entities management fees and US\$ 5,441,297 or 7.9%⁶ in execution costs. The 11 proposals included 7 fully developed project documents and 4 concepts.

The secretariat also compared the funding request of MIEs with the total fund available for funding by the AFB. Accordingly and pursuant to the last report of the Trustee (AFB/EFC.7/6) the cumulative funding request by MIE as of September 30, 2011 was US\$ 61.07 million and the total cumulative decision for all projects amounted to US\$ 69.07 million compared to a total funding available for projects of US\$ 167.43 million. If the AFB had approved all the fully developed projects submitted for approval at its 16th meeting, the cumulative amount of MIEs projects would have reached 41.0% of the available funding. This is still below the 50% cap set by the AFB for MIE projects compared to the cumulative available amount for projects funding.

At this meeting - in contrast to its last meeting, where the AF only approved one project proposal (Mauritius) - the AFB decided according to the recommendation of the PPRC **to approve six fully developed projects** with the amount of US\$51,714,038⁷, **to endorse three concept** notes amounting to US \$22,835,971, **not to endorse the project of Cambodia** 4,915,362 and **not to approve the project of Papa new Guinea** US\$ 6,530,373.

⁴ See document AFB/B.6/6 on the Adaptation Fund Board committee

⁵ The implementing entity management fee percentage is calculated compared to the project budget including the project activities and the execution costs, before the management fee

⁶ The execution costs percentage is calculated as a percentage of the project budget, including the project activities and the execution costs, before the implementing entity management fee.

⁷ The total amount of the projects approved by the AFB is US\$ 121.4 million

The fully developed project of **Uruguay** as a follow-up of the project concept that was endorsed by the Board in its 13th meeting was the only direct access project among the submitted 11 projects, and the second NIE project ever approved by the AFB (after Senegal). This project - with the amount of US\$10 million and a time frame until 30 September 2017 - will be implemented by Agencia Nacional de Investigacion e Innovacion acting as NIE. The project aims at building resilience to climate change and variability in vulnerable smallholders.

The focus on financing water management investments in Uruguay will improve the efficiency in water harvesting and is expected to increase the availability of water for production and consumption, stabilizing the access to water resources. It is also expected that for instance the decrease in stocking rates will bring about major gains in the long run, since reducing overgrazing allows restoring the botanic composition of natural grassland, increasing biodiversity and the associated resilience.

Three of the six approved projects will be implemented by the UNDP. Overall, UNDP is now going to implement 12 out of the 16 (75%) of the AF funded projects. While the project of **Cook Islands** with the amount of US\$ 5,381,600 aims at strengthening the resilience of the islands and its communities to climate change, the one from **Georgia** intends to develop climate resilient flood and flash flood management practices to protect vulnerable communities of Georgia. The **Samoa** project will enhance the resilience of coastal communities of Samoa to climate change.

UNEP will also implement two projects. In Tanzania, the project has an amount of US\$ 5,008,564 and should implement concrete adaptation measures to reduce vulnerability of livelihoods and economy of coastal communities. Approving this project faced a lot of difficulties, the previous versions of the proposal were denied approval by the Board two times, and one time it was withdrawn when it became clear that it would not be approved, an absolute record in the AF history. It is interesting to see that UNEP finally managed to address the shortcomings of this project.

The second project to also be implemented by the UNEP originates from Madagascar with the total requested amount of US\$ 5,104,925. It intends to promote climate resilience in the rice sector through pilot Investments in the Aloatra-Mangoro regions.

In addition the AFB endorsed three concept notes from Egypt, Mauritania and Myanmar. Both projects from Mauritania and Myanmar will be implemented by the UNDP once approved. Of the overall number of 15 endorsed concepts UNDP would be responsible for 10 projects (67%).

Last but not least, the AFB decided not to endorse the project concept of Cambodia as well as not to approve the project of Papua New Guinea.

It is good to see that more and more project are starting to be implemented, since funding concrete adaptation action is the core purpose of the AF. Noteworthy is to point out also the supremacy of the UNDP as the implementing entity, which has secured 75% of the funded projects by the UNDP. However, the AF should of course not become another MIE fund.

Table 1: Project proposals submitted to the 16th Adaptation Fund Board meeting

Country	IE	Financing requested (USD)	Stage	IE Fee, USD	IE Fee, %	Execution Cost (EC), USD	EC, % of Total
Uruguay	ANII	9,967,678	Full	496,250	5.24%	474,643	5.01%
Cambodia	UNEP	4,915,362	Concept	385,074	8.50%	360,288	7.95%
Cook Islands	UNDP	5,381,600	Full	421,600	8.50%	460,000	9.27%
Egypt	WFP	7,287,658	Concept	437,885	6.39%	594,273	8.68%
Georgia	UNDP	5,316,500	Full	416,500	8.50%	330,000	6.73%
Madagascar	UNEP	5,104,925	Full	399,925	8.50%	392,000	8.33%
Mauritania	WFP	7,639,287	Concept	459,013	6.39%	622,946	8.68%
Myanmar	UNDP	7,909,026	Concept	619,601	8.50%	617,182	8.47%
Papua New Guinea	UNDP	6,530,373	Full	511,596	8.50%	517,027	8.59%
Samoa	UNDP	8,732,351	Full	684,101	8.50%	698,250	8.68%
Tanzania	UNEP	5,008,564	Full	392,376	8.50%	374,688	8.12%
Total		73,793,324		5,223,921	7.62%	5,441,297	7.94%

See Report of the secretariat on initial project/programme review p.3⁸

Therefore, it is crucial that the AF keeps it set 50% cap on the available funds for projects implemented by MIE, because this cap reveals itself as a good mechanism that ensures that the AF not becomes like the GEF, where the UNDP also has almost the same predominance of secured funds.

3.2 Lessons learnt in the project review process

So far the PPRC held five meetings in which it considered project proposals initially screened by the secretariat. Nonetheless, the review process undertaken by the secretariat has often been subject to discussion in the PPRC. Several questions emerged, for instance how the project review process could be improved, which lessons have been learnt by the secretariat in reviewing the project etc. Some key issues that were raised by the proponents were inter alia how to better distinct concept and fully approved project⁹ as well as the need to clarify the notion of concrete adaptation, which enables a number of interpretations and misunderstanding by developing countries.¹⁰

Accordingly the secretariat was requested at the 15th meeting of the AFB to prepare for consideration at the 16th meeting documents addressing issues it has been confronted with in its review process, in order to help assist the PPRC in strengthening the policies and guidelines that are relevant to the review of projects and programmes.

Basically, in the review process of project proposals, the secretariat has the duty to undertake an initial technical review after reception of the proposals, based on the criteria

⁸ http://www.adaptation-fund.org/sites/default/files/AFB.PPRC_7.4%20Report%20of%20the%20secretariat%20on%20project%20review.pdf

⁹ Projects submitted to the AFB could may undergo either a one-step or a two-step approval process. In the one-step approval process the proponent shall submit a fully-developed project/programme document. Accordingly the fully developed proposal is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation. In the two-step approval process a brief project/programme concept shall be submitted as first step followed by a fully-developed project/document. For further info see Operational Policies and Guidelines of the AFB [http://www.adaptation-fund.org/sites/default/files/OPG%20Revised%209.15.11%20\(with%20annexes\).pdf](http://www.adaptation-fund.org/sites/default/files/OPG%20Revised%209.15.11%20(with%20annexes).pdf)

¹⁰ Other main issues discussed are inter alia the definition of “concrete” adaptation measures; a clearer definition of the projects/programmes execution/administrative costs; and the issue of transparency in the PPRC review process towards the public

approved by the Board as contained in the annex III of the first version of the OPG¹¹, and to provide feedback to the proponent to allow for a re-submission of the proposals or additional information before a final technical review is submitted by the secretariat to the PPRC. Prior to the re-submission of the proposal, the proponent has the opportunity to request a teleconference with the secretariat for further clarification on the initial review finding.¹²

The discussion in the last PPRC on this matter started with a presentation by the secretariat with respect to the lessons learnt in the review process¹³.

The presenter made clear that the analysis in the document cover the period from the first PPRC meeting June 2010 to the sixth meeting Sept 2011. During this period the secretariat screened 32 concepts¹⁴ and 18 full proposals representing overall 36 projects and programmes submitted. Among these proposals, 22 concept notes were endorsed of which 8 projects were later approved as full projects. In total, 11 projects including one submitted by an NIE had been approved with a total amount of US\$ 69.7 million in the period covered by the report. The average “turn around” – the time frame between the submission and the approval – so far has been 6.5 months. Only two projects were re-submitted more than two times to the Board (from Madagascar and Tanzania).

Furthermore the rate of success of one-step project proposals – immediate submission of a fully developed project - is 25% lower than those of the proposals following the two steps avenue, with 67% success rate.

Table 1: concepts and full proposals accepted as percentage of the total submitted and total endorsed/approved

	Concepts		Full proposals	
	Endorsed concepts	Concepts endorsed at first submission	Approved proposals	Proposals approved at first submission
Number	22	17	11	7
Total number submitted	32		18	
% of total submitted	69	53	61	39
% of total endorsed/approved	-	77	-	64

See The Adaptation Fund Project Review Process: Lessons Learned p.4¹⁵

Regarding the implementing entities and their submitted projects, the statistics are dominated by MIEs, in particular by UNDP (22 projects), World Food Programme (5),

¹¹ In addition to these criteria, the 10 million cap and the cap for implementing fees and execution costs are critical in the review process

¹² The Adaptation Fund Project Review Process: the lessons learnt: http://www.adaptation-fund.org/sites/default/files/AFB.PPRC_7.3%20Lessons%20learned%20on%20the%20AF%20Project%20Review%20Process.pdf

¹³ AFB/PPRC.7/3: see: http://www.adaptation-fund.org/sites/default/files/AFB.PPRC_7.3%20Lessons%20learned%20on%20the%20AF%20Project%20Review%20Process.pdf

¹⁴ The average funding requested for the 36 proposals submitted until September 2011 is US\$ 6.98 million

¹⁵ http://www.adaptation-fund.org/sites/default/files/AFB.PPRC_7.4%20Report%20of%20the%20secretariat%20on%20project%20review.pdf

World Bank (3) United Nations Environmental Programme (UNEP, 2) and one by the World Meteorological Organization (WMO).

Also the three first accredited NIEs submitted each one project. Two (Senegal and since this meeting Uruguay) were approved.

Almost all sectors of adaptation activities - with coastal management (8) and water management (7) dominating the number of proposals submitted - have been covered by the proposals. In addition, different aspects of climate-related risks and vulnerability such as flood, drought, water scarcity, sea level, landslide etc. will be addressed by the projects submitted to the Board. Also, all UN regions are represented through at least one project¹⁶.

In terms of key weaknesses and strengths of the proposals identified by the secretariat in the project review process, the secretariat presented its qualitative and quantitative analysis.

Regarding the **quantitative analysis** the number of clarifications requested have been calculated in order to find out which criteria have been seen as difficult by the proponents. Accordingly, it came out that the question related to the concreteness of the project was the most asked (21% of the requested amount). The current definition is seen as broad, whereas it is one of the pivotal criteria serving as a tool for the secretariat to assess the overall design of the project as well as the link to adaptation.

It also helps the Board evaluating whether the activities in the proposals align with the project/programme level goal and objectives and finally, to assess the cohesion of the components among themselves.

Secondly, the cost effectiveness of the proposals has been also subject of a number of clarification requests. Proponents usually raised questions about this provision because of a poor description of alternative options to the proposed measures and a poor assessment of the project/programme cost effectiveness. Clarifications on the project/programme cost-effectiveness were also often requested by the proponents and mainly the queries were tied with the sustainability point of view. However since the AFB has introduced the sustainability as a separate criterion, the secretariat has noticed a decline of clarification request related to this particular item.

The other criteria that were often subject to clarification requests include the possible duplication of the proposal with other projects/programmes (8% of the total requests), the consultative process (7%), the justification of projects/programmes on a full cost of adaptation basis (7%), and finally the consistency of the project/programme with the relevant national standards (7%).

Pertaining to **the qualitative analysis**, it was mentioned by the presenter that some policies and guidelines such as the special attention to the most vulnerable communities has been further enhanced, for instance through inclusion of addition review pertaining to the consultative process involving the most vulnerable communities and gender group etc.

With respect to the lessons learnt, the secretariat was of the view that since only two projects/programmes have been submitted more than two times to the board that *a ruling*

¹⁶ Africa is the forerunner with 14 proposals, followed by Latin America and Caribbean LAC 9, the Pacific region and Asia 6 each.

on a maximum number of times that a proposal can or should be considered by the PPRC before being rejected is not necessary at this time¹⁷.

Moreover, the secretariat also noticed that NIEs have a low share of projects submitted, which is due to the increasing, but still low number of accredited NIEs. However, bearing in mind that UNDP has secured 63% of the funded projects and only four of the nine accredited MIEs have secured funding, it remains also questionable whether the other MIEs have the ability to submit projects of sufficient quality to the Board.

After a long discussion on key findings of the lessons learnt, the Board primarily requested the secretariat to post the presentation as well as the revised version of the text on its website as it deserved wider diffusion. Furthermore, the AFB requested the secretariat to develop a short and concise guidance document for project and programme proponents to better apprehend the different sections of the proposal template. This document should also contain (i) element how to support concrete adaptation actions, (ii) demonstrate the cost effectiveness of the proposals, (iii) to better address the field of vulnerability and (iv) to better explain the stakeholder consultative process that is necessary to prepare the project and programme proposals.

Based on the guidance document referred to above, the secretariat should consider the possibility of developing a specific template for project and programme concepts, with tailored guidelines on how to complete the mandatory sections¹⁸.

A number of civil society organisations, including from the AF NGO Network, made on voluntary basis a submission to the AFB secretariat on this important matter. It is encouraging that some of the critical elements, for instance those related to the consultative process, have been inserted in the document presented by the secretariat to the Board and will be reflected in the document to be posted on the website of the AFB. However, CSO remains well advised to further submit concrete language to be included in the guidance document as a kind of template, which the Board has requested to the secretariat to prepare for implementing entities.

¹⁷ See document AFB/PPRC.7/3 page 11 http://www.adaptation-fund.org/sites/default/files/AFB.PPRC_7.3%20Lessons%20learned%20on%20the%20AF%20Project%20Review%20Process.pdf

¹⁸ See document AFB/PPRC.7/3 page 13

4 Report of the seventh meeting of the Ethic and Finance Committee

According to its terms of reference, the EFC is responsible for providing advice to the Board on issues of conflict of interest, ethics, finance and audit. The EFC also met a day prior to the 16th meeting of the AFB for the sixth time to discuss several topics as following:

4.1 *Level of funding 50% cap for MIEs projects*

Background to the discussion on this agenda was the decision of the Board at its 15th meeting, requesting both the EFC and the PPRC to take up at their seventh meeting the effect of the 50% cap for MIE on the available funds and to consider action to be undertaken in case this cap will be exceeded.

In the discussion it came up that the introduction of this cap has two implications to be further clarified before the AFB decides how it should be applied. On the one side, whether the endorsed project concepts submitted by MIE should also be included in the calculation of the cap, or whether only approved projects are relevant for this cap.

For instance the cumulative funding requested of all endorsed project concepts not yet approved as full projects amounts to US\$ 52.12 million. If they all were approved, the cumulative percentage of the funding requested by MIEs compared with the available funds for projects would amount to 47.7% of the currently available funding for projects¹⁹.

In the discussion in the Board, there was a unanimous agreement of all members of the Board that the cap should be maintained. The Chair of the EFC made clear that the rationale of this cap is to encourage and support that more NIEs projects would be funded as well as to prevent the AFB to be flooded by MIE projects. Bearing this in mind, it was therefore an omission in the OPG not to clarify whether endorsed concepts should be included in the calculation of the 50% MIE cap.

Although it is easier for developing countries to use the services of MIE rather than to create or accredit a NIE, it is strategically important for the Board with its scarce resource to maintain the cap and to implement it.

After a long discussion, the AFB decided to maintain the 50% cap for MIEs. In addition, the AFB requested its members to submit by 15th January 2012 proposals to the secretariat on how to best implement the 50 per cent cap and on how to prioritize new project/programme proposals submitted by MIEs. Based on the prioritisation criteria reflected in the submissions, the secretariat was invited to prepare a document for the chairs of both EFC and PPRC, which should also include all the relevant figures and financial implications for the implementation of the cap.

¹⁹ If the AFB approves all the full developed projects submitted for approval during its 17th meeting, the cumulative amount of MIEs projects will reach 41.0 per cent of the available project.

This item is critical to the development of the AF. Having said this, it remains to remind that one of innovative feature of the AF is the direct access modality. The hegemony of the MIE projects funded by the Board is indeed in contradiction with the objective of the fund and with its direct access pilot function, which creates its special character and puts a contrast to the classic climate finance funds such as the LDCF, the SCCF, which do not provide the direct access modality to their funds. With the scarcity of its financial resources and the growing numbers of accredited NIEs, the AF is well advised to maintain this cap in order to ensure that the AF not becomes a MIE fund rather a NIE funds.

4.2 Reports on Project/Programme Implementation: CSE

This document²⁰ contains the additional revised information of the CSE on its semi annual report²¹ as requested by the Board during its 15th meeting. This request was made because of the fact that the report submitted to the Board raised some concerns pertaining to the delay observed in the implementation of the project, as well as because of a low rate of disbursement of the money allocated to the implementation.

Actually the AFB requested the CSE through its secretariat to provide more detailed information on its status report regarding the purpose of the contracts and the operational expenses registered under the financial statement, as it was written in its report.

After studying the document, the Board acknowledged that the information provided in the annex of the document sufficiently addressed the observations made by the secretariat. The report provided was now detailed in terms of disbursements to date as well as in terms of the work plan and associated disbursement schedule for the coming year. As expected, the AFB decided to approve the disbursement of the second tranche of funds to CSE with the amount of US\$ 1,765,000.

4.3 Annual Performance Report

The Result Based Management²² adopted by the AFB defined that on annual basis the fund level portfolio should be presented through an AF Annual Performance Report (AFAPR). This document which aims to serve as tool for tracking the Fund's active project and programmes should be prepared by the AF secretariat. This Germanwatch report will analyse in more depths this item due to its pivotal role in the development of the AF, because no briefing was published prior to this meeting.

The document on Annual Performance Report prepared by the secretariat offers a detailed insight on the performance monitoring and reporting system for the AF, through a succinct analysis of the project approved and endorsed, based on management effectiveness and efficiency indicators.

²⁰ Report on project/programme implementation by the CSE: http://www.adaptation-fund.org/sites/default/files/AFB.EFC_7.4%20CSE%20report.pdf

²¹ Reports on Project/Programme Implementation: CSE http://www.adaptation-fund.org/sites/default/files/AFB.EFC_6.6%20Reports%20on%20project%20implementation%20CSE.pdf

²² AFB/EFC.1/3/Rev. 2

Until the last meeting, the AFB had approved 11 projects for a total amount of US\$ 69.8 million for funding, endorsed project concepts for a total amount of US\$ 69.4 million. In addition, the Board also approved three project formulation grants for a total of US\$ 0.06 million. Six of the approved projects are now in implementation stage and a total of US\$ 14.2 million has been so far transferred to the implementing entities. The document interestingly indicates that four projects of the 11 approved are co-financed with a total of US\$ 11.4 million, approximately 17% of the total grant amount approved, although there is no co-financing requirement.

In addition, the document contains a simple reporting system consisting of six main report documents as following:

4.3.1 Project/program Inception Report

This is a kind of communication paper to the secretariat on the official start of the project. Accordingly the project start date is the date of the inception workshop of the project. Thus, after having convened the inception workshop, the implementing entity must submit its inception report no later than one month after the workshop.

4.3.2 Project/Programme Performance Report (PPR):

This is an annual report for the EFC submitted through the secretariat by the implementing entities. The PPR should thus be sent annually after the approval of the project and the transfer of the first financial tranche²³ throughout the project implementation duration. The last PPR should be sent no later as six months after the end of the project.

The PPR should address several areas related to the overall project including, financial, procurement, risk, implementation progress, and progress toward outputs and outcomes, and against the identified milestones. It is therefore linked to the disbursement schedule, which follows after the examination of the PPR by the secretariat, which then recommends to the AFB to proceed the next disbursement or not. In doing so the secretariat should elaborate a set of criteria that should be applied in the review of the PPR. These criteria will be presented to the AFB by next meeting of the Board.

4.3.3 The Project/Program Mid-term and Terminal Evaluations (PMTE)

The PMTE²⁴ is one of the key provisions of the OPG that enables to track on mid time whether a project that last over four year is in track with it set objectives. A mid-term evaluation will be applied only to projects exceeding two years, which, however, is mostly the case.

4.3.4 Audited Financial Statement:

As agreed by both Parties, the AF and the Implementing Entities (IE), in the standard agreement contract, an independent audit of the financial grant account held by the IE will be undertaken. The findings of this audit should be submitted to the EFC through the secretariat within six months after the end of the implementation of the project.

²³ An annual report is the minimum requirement. There may be cases where the Board requests more frequent reporting or additional reports, as for example through requirements linked to the accreditation of an implementing entity.

²⁴ Guidelines for terminal evaluations were approved at the 14th Board meeting (AFB/EFC.5/5)

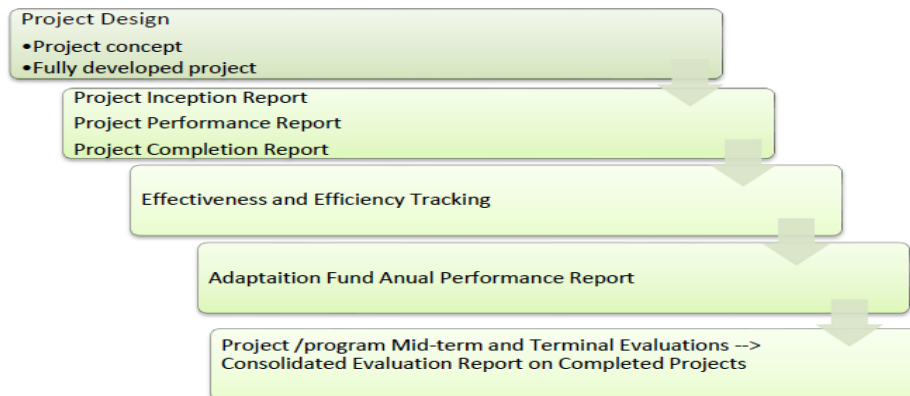


Figure 1: Reporting process²⁵

4.3.5 AF Annual Performance Report

On the fund level an Adaptation Fund Annual Performance Report (AFAPR) should also be undertaken. The AFAPR is a kind of amalgamation of each single projects report as well as on the status of the AF portfolio which tracks whether the progress is in track with the AF set objectives. It was agreed that the coverage year should be the 1 July of any given year to 30 June of the following year.

4.3.6 Adaptation Fund Evaluation Report

This occurs once after the termination of the implementation of the project and its evaluation. Accordingly an evaluator for the AF will evaluate and review on behalf of the AF this terminal evaluation and present it's findings to the EFC for consideration.

It is important to retain from the discussion on this item that after intense discussion on the document, the AFB approved the reporting process as presented by the secretariat in the document and requested through its secretariat the entities implementing its funded projects to submit the project inception report. With respect to the **effectiveness and efficiency indicators**, it is first of all important to remind that the AFB had approved its RMB indicators on the fund level which track annually the processes²⁶. Accordingly the indicators should inter alia help to: (i) secure financing, financing mechanisms, and efficiency of use; (ii) describe the project cycle efficiency; (iii) cover results driven performance; and (iv) accreditation processes.

However, due to the limited available data because of the young history of the AF, it is quite difficult to accurately track the progress. Nonetheless, the secretariat suggested to the AFB to consider the few elements available recorded in the present document which at this stage are worth to be followed, such as the accreditation process, the amount of CERs monetized, the Board, Secretariat, and Trustee operational expenses against total Adaptation Fund resources committed, the Implementing Fee against total amount of fund requested, etc.

Pertaining to the accreditation process, the document reveals that most of the NIEs that have failed in the accreditation process were mostly from government ministries. As lessons learnt, the secretariat notices that the accredited NIE originated from public

²⁵ Reporting process http://www.adaptation-fund.org/sites/default/files/AFB.EFC_.7.4.Rev_.2%20Annual%20Performance%20Report.pdf p.6

²⁶ (AFB/EFC.1/3/Rev. 2),

institutions with a link to the national governments, which facilitate a certain level of cohesion and integration among the bodies. It was also acknowledged that the accreditation process helps the institutions involved in the process to enhance their institutional capacity. In addition the documents reveal that mainly small countries with lower economic capacity joined their effort and endorsed the accreditation of RIE.

After having discussed and considered the recommendation made by the secretariat, the AFB decided to approve:

- The AF level effectiveness and efficiency results framework as presented in the document, and to request the Trustee to identify additional appropriate financial indicators to measure, in particular, the performance of the CER monetization process vis-à-vis relevant market benchmarks; and the secretariat to explore adequate performance indicators related to AFB performance in attracting additional donor contributions for inclusion in future reports; and²⁷
- Request the secretariat to circulate the review of the PPR and recommendation intersessionally to the Board for two weeks on a “non-objection” basis.
- Request the secretariat to develop the review process of the PPRs and establish a set of criteria for clearing PPRs. The procedures and criteria should be presented to the EFC at the 17th meeting of the Adaptation Fund Board.

The annual performance review is a good tool to track all activities undertaken around the AF. It is important to mention that given the limited number of projects under implementation, the information provided should be seen as a kind of baseline. On the one hand, the performance review could be used to assess the development, the effectiveness of the monetization of the CERs, the number of donors and the total disbursement and financial commitment etc. In this regard the Trustee was requested to prepare for the next meeting different options on how to measure the performance of the CERs selling. On the other the Project Performance Report should be understood as a tool to assess and to review the implementation of the AF funded projects and to ensure that there are truly fulfilling the set objectives.

4.4 Investigation to address case of misuse of funds

The AFB at its 15th meeting requested the secretariat to present to the next EFC meeting a document on how to trigger a review or an investigation²⁸ to address case of financial mismanagement²⁹.

The document presented by the secretariat at this meeting as a mean to stipulate the discussion contains a summary of investigation procedure applied by the Funds (CIF), the Global Environment Facility (GEF), the Multilateral Fund for the implementation of the Montreal Protocol (MLF), the Global Fund to fight AIDS, Tuberculosis and Malaria (the

²⁷ If any Board member objects to the recommendation, then the PPR will be discussed at the next Board meeting. If there are no objections, the Chair of the Board will direct the Trustee to transfer the next tranche of funds.

²⁸ Investigation is understood as a legally based and analytical process design to gather information in order to find out whether wrongdoing had occurred, while the review is understood as an assessment of the performance of an intervention that it referred to operationalise.

²⁹ Investigation to address case of misuse of funds page 3. http://www.adaptation-fund.org/sites/default/files/AFB.EFC_.7.4%20Investigation.pdf.

Global Fund), and the Global Alliance for Vaccines and Immunization (GAVI), as well as reviews the Adaptation Fund's applicable existing rules, policies and procedures.

Due to the limited scope of this report, one will only examines those funds that are already providing direct access such as the Global Fund and GAVI.

GAVI has a **Transparency and Accountability Policy (TAP)**³⁰ in charge of managing all cash-based support of GAVI as well as an **Internal Audit (IA)**³¹, which audit not only the secretariat but also programs and activities undertaken by GAVI's grant recipients and partners.

Thus, GAVI has two mechanisms to trigger and address misuse of fund. The most important is GAVI's own in-country audits carried out by the TAP unit on regular basis, and the second is carried out by the secretariat by examining the programme reporting or through tips in from country development partner³². Basically, there is no clear investigation procedures or compliance mechanism applied by GAVI, rather GAVI applied basic procedures used by international investigators such as due process, obtaining sufficient evidence, etc. However should suspect misuses or frauds be identified, all disbursement and funds provided will be frozen during the investigation time

Among all the funds enumerated above, the mechanism used by the Global Fund to fight AIDS, Tuberculosis and Malaria (the Global Fund) could be interesting for the AF due to its Country Coordinating Mechanism (CCM), which, despite many deviations, resembles to a certain extent the direct access modality applied by the AF.

At the Global Fund, one has the **Office of Inspector General**³³, which is an independent unit accountable to the board with the task to deal with audit, inspection, counter fraud and promotion of ethical conduct, review, investigations, assurance and validation. Its main task is to closely monitor disbursing funds by conducting comprehensive risk-based audits, encouraging the reporting of fraud and abuse with a view of ensuring that cases are criminally prosecuted where appropriate, and sharing information insofar as possible with the public if fraud or corruption is exposed³⁴. Furthermore the Global Fund has set a **High Level Independent Review on Fiduciary** to review the financial and implementation oversight practise of the Fund.

Having analysed the way of other funds to trigger fraud and address them adequately, the AFB discussed about the document on "Investigation to address case of misuse of funds", which was elaborated based on the guideline provided by the Operational Policies of the AFB. These guidelines conferred the Board inter alia to undertake independent reviews as and when deemed as necessary, the right to investigate the use of the fund or to cancel the accreditation of IE by false statement, etc. Along this, the provision of the legal agreement between the board and the implementing entities also rules the procedure

³⁰ <http://www.gavialliance.org/about/governance/programme-policies/tap/>

³¹ IA staff governs itself by adherence to the Institute of Internal Auditors' Code of Ethics. The Institute's International Standards for the Professional Practice of Internal Auditing constitute the operating procedures for the department.

³² The GAVI Alliance consists also of bilateral cooperation agencies and organizations like UNICEF, the World Bank and WHO, which have in-country presence), and referrals from the Secretariat's own programmatic staff who travel to countries on a regular basis to monitor progress. Also employees can report a potential violation to their superiors or to the Director of IA or the Chair of the Audit and Finance Committee

³³ <http://www.theglobalfund.org/en/about/structures/oig/>

³⁴ Investigation to address case of misuse of funds page 3. http://www.adaptation-fund.org/sites/default/files/AFB.EFC_7.4%20Investigation.pdf.

by financial irregularities in the implementation phase as well as clarify the reporting obligation of the implementing entities.³⁵

Nonetheless, the document pointed to certain gaps in the AF investigative procedures that need to be closed such as:

- Lack of specific rules and procedures related to how to carry out an investigation, including the distribution of roles between the Board and the implementing entities to avoid duplication of functions;
- Lack of an investigative function at the Board/secretariat level-

As a recipe to remove this gap the document suggested to the Board for the case it decides to set up an investigate procedure to choose between (a) a dedicated staff position within the secretariat or (b) an independent investigate officer or unit accountable to the Board. In addition the Board also needs to consider the steps on how it will deal with the outcome of the investigation.

In the discussion a member asked whether the investigation will only be undertaken when there may be a complain. It came out that the Board should not only act when a corruption case has happened, but rather an investigation could be triggered when the secretariat identifies something amiss in the report. Pertaining to the procedure, it is important reminding that the accredited IEs have to have their own mechanism to deal with such mismanagement as required in the fiduciary standards. The Board has only the duty to call public's attention to this procedure and any initiative by the AF itself should intend to complement the IE's existing procedure.

After a long discussion in the EFC and later on in the AFB, the AFB after having explored possible ways to dealing with irregularities as a kind of "sword of Damocles" over the head of any funds, decided to request the secretariat to propose an investigation procedure for the AF at its next meeting, that should contain specific functions on how to carry out an investigation by giving an appropriate mandate to initiate, undertake and complete an investigation that enables the AFB to prevent and address adequately irregularities related to its fund. The procedures should also encompass a way to handle irregularities that will be also available of its website.

The AF is well advised to use an innovative way to prevent any misuse or corruption that can jeopardise its reputation. The AF – with a tiny number of developed countries willing to pledge money to - cannot afford the corruption accusation that hit the Global Fund the last year. It is important that the AF sets up a strong mechanism that detects and prevents such case of financial irregularity or material breach either through the annual report of the IE or through an independent investigate officer. The direct access as operationalized by the AF is an opportunity and a responsibility as well. This responsibility applied on the one hand to the accredited NIEs, which should sent a strong signal that developing countries can take their own destiny in their hand by implementing the project with their own institution as well as by managing the fund being entrusted. On the other hand the responsibility applies also to the AF itself, which should show that it can not only raise to the challenge of adaptation through innovative feature by enabling direct access but also show that it zero tolerance to corruption is truly implemented, but also it is able to protects it fund. An important step could also be that the AF would

³⁵ The document proposed clear and detailed reglementations that this standard agreement should contains with the view of triggering and addressing any irregularities. Investigation to address case of misuse of funds pp. 7-8. http://www.adaptation-fund.org/sites/default/files/AFB.EFC_7.4%20Investigation.pdf.

publish on the website the most relevant documents submitted by the NIEs/MIEs which describe their procedures in order to prevent misuse. This would also allow the public within the countries to play an adequate role.

4.5 Implementation of the code of conduct

As its name shows the EFC of the Board is also in charge of addressing ethical issues in the work of the Board, to formulate a basic code of behaviour of Board members as well as to set mechanisms that should apply when there is a breach of the code of conduct. However, it remains essential to remember at this stage that the AF has so far no clear provisions on how to deal with violation of the code of conduct, as well as with the case of lobbying.

Background of the insertion of this item in the agenda of the EFC was the experienced lobbying of a board member for the approval of projects submitted by its respective country. In this open AFB session it became clear that this has to be seen in the context of the difficulties that the project from Tanzania (submitted through UNEP) had to face, which was denied approval for several times. Finally, it was approved in a revised version at this meeting. Thus, the discussion in the board on this matter started at the 15th meeting of the AF³⁶. At that meeting the Board decided that lobbying³⁷ represents a breach of code of conduct and accordingly requested the Board member whose behaviour has drawn the attention of the EFC to explain the situation for further consideration by the Board.

At the 16th meeting, it was accordingly expected that the suspected member would explain its version of the story. However, since the respective member was not present at the meeting. Board members were only able to discuss the next steps to be undertaken. In the discussion, there was all unanimous not to delete this item from the agenda until it has being clarified. Several members expressed the need of the Board to send a strong signal, since it represents indeed a matter of integrity and credibility of the Board. Along this line it was proposed by some members to issue a letter explicitly demanding a hearing with the interested Board members.

Some members pointed out that it is well advised to exhaust any steps before the public hearing. Therefore it is of utmost important to primarily define the modalities of lobbying or any breach of code of conducts and the sanctions and procedures that they may trigger before sending any letter. In addition it is utmost important to grant the suspected member the chance to explain its view

At whole, the discussion was intense, while Board members wanted to save the reputation of the Board, some of them plead to take into account cultural diversity when talking about lobbying. The Board after the long discussion decided to defer consideration of the agenda item until its 17th meeting, by requesting the EFC in the time being to consider the implementation of the code of conduct at its next meeting.

³⁶ For more information see: Germanwatch's report on the 15th meeting of the AFB:
<http://www.germanwatch.org/klima/afb2011-09r.pdf>

³⁷ In the Discussion in the board it came up that conflict of interest does not exist by allowing himself to be told improperly about a project, but rather by tolerating a discussion when it is clear that members have been the subject of lobbying.

It is important to carefully follow the discussion on this item. The Tanzanian case constitutes a precedence case which, if happening in the future with other projects, would severely undermine the credibility of the Board. The Board itself has set strong standards for the implementing entities to follow, so itself should not be different from it and also should not apologise explicit lobbying efforts with cultural differences. It is therefore crucial to further elaborate what constitutes a breach of the code of conduct and what sanctions are then to be taken.

4.6 Report of the Trustee

The EFC made in its report to the Board also presented the financial status of the AF Trust Fund. The presenter declared that many changes occurred since the last AFB meeting. The monetization has continued until 5th of October, when the CDM register has been closed in order to improve its security and protect itself from theft attack on CERs market. There is so far no opening date made public yet. In addition he regrettably mentioned that the CERs price has been increasingly declining, which forces them to revise down their estimation of the CERs Price until 2012 – (Low estimation of CERs price is around US\$6.40 with fund available in 2012 lying around US\$ 261.89 million, and the high estimation with CERs price is US\$ 9.60, estimate of fund available will be in 2012 around US\$ 343.73 million).

In addition 5.4 million Tonnes CERs are available to be monetized and this will rise up to 12 million Tonnes CERs according to UNEP Risoe estimates of CER issuance to end of 2012. Of this 2/3 is HFC 23, which need to be sold this year, while the rest are “green CERs” and could be monetized until 2015.

After a question and response on certain technical aspects of the CERs monetization the AFB decided to instruct the trustee to continue to abstain from CER sales until market prices increase as the level set by the AF. In addition, the AFB requested the trustee to consider the sell of the Adaptation Fund’s CERs related to HFCs as a matter of priority.

Under these bad lines pertaining to the scarce resources of the AF, it is important to mention that **Sweden for the second time in frame of its fast start pledged 100 million Swedish Krone**. The government of Sweden deserves the award of friends of the AF. Also the United Kingdom pledged 10 million Pounds to the AF, which is an important step and signal of support from the government. The Board congratulated these countries and further invited other Annex I countries to do so.

5 Adaptation Fund at the COP17/CMP7

5.1 Report of the AF to the CMP17

As usual at the CMP, the AF reported back on its progress achieved as well as on all activities it has undertaken during the year according to its mandate. In doing so, the Chair, Ana Fornells de Frutos from Spain, in her statement to the CMP mentioned that the Fund is fully operational and is now focussing on its core business, which is to finance concrete adaptation actions in developing countries. She furthermore stated that the accreditation process for the AFB is in full swing³⁸ and has held during the year two workshops (in Africa and in Latin America) to familiarise developing countries in these regions with the accreditation process. In addition the Fund has so far approved 11 project proposals (before the 16th AFB meeting) in developing countries and endorsed 12 project concepts. It is expected that these concepts will soon submit the fully developed projects.

However, the AFB chair expressed her deep concern that during the fiscal year 2011 no new financial pledges were made by wealthy nations to the Fund. Worrying is the increasing decline of the carbon price, which at each of the last meetings obligated the Trust Fund to revise down its estimate of potential resources available for funding projects at the end of 2012.

As usual a working group was set up by the CMP in order to acknowledge the work accomplished by the Adaptation Fund Board and to guide it further. The CMP in its decision took note of the report of the AF and acknowledged the positive outcomes achieved by the Board and encouraged to further do so. It also explicitly encourage wealthy nations to provide funding to the Adaptation Fund, which will be additional to the share of proceeds from clean development mechanism project activities.

5.2 Review of the institutional arrangements of the AFB

Also on the agenda of the AF at the CMP was the review of the institutional arrangements of the AF³⁹. The purpose of the review is to assess all matters relating to the arrangement between the Adaptation Fund and both trustee and secretariat with a view to ensuring its effectiveness and adequacy, including in relation to its institutional arrangements.

In the first working group meeting set to study the findings of the review, the representative of the G77 and China at the very beginning mentioned that it is very difficult to consult on the review since the report of the independent consultant⁴⁰ hired to undertake the review, was published some days before the CMP, which did not allow the Parties to adequately study the document given particularly the number of other tough agendas to be discussed during the CMP. Moreover he noticed that both the secretariat and the trustee have commented the consultant document and their proposition are

³⁸ See the Report of the Accreditation Panel in this report, to have an insight into the state of accreditation of implementing entities.

³⁹ For more detail on the draft decision of the UNFCCC see doc: Draft decision -/CMP.7 http://unfccc.int/files/meetings/durban_nov_2011/decisions/application/pdf/cmp7_review_adaptation_fund.pdf

⁴⁰ http://www.adaptation-fund.org/sites/default/files/Review%20of%20Interim%20Arrangements-Final_0.pdf

attached as annex to the report. However, the Board itself as a core instance in this performance review has not commented it yet. He therefore suggested to enable the AFB to provide its point of view pertaining to the different options proposed by the consultant.

Having said this, to which extend the Board –if it deemed as necessary- could implement certain propositions of the performance review text on its own was discussed. With respect to this, divergent views emerged in the discussion. While developed countries wanted that the AFB should provide also its comment on the review in form of a submission to the UNFCCC, developing countries were in favour of allowing the Board to start implementing some findings of the review as possible. In doing so one could avoid any delay that would affect the activities of the fund.

After a long discussion, Parties agreed to request the Adaptation Fund Board to submit as soon as possible after its first meeting in March 2012 its views on the report on the Review. In addition it requested the Subsidiary Body for Implementation to consider the initial review of the Adaptation Fund at its thirty-sixth session⁴¹.

⁴¹ Draft decision /CMP.7 para 1-2.

6 Sideline Activities of the AF at the CMP 7: Side event, Photo Context, CSO Dialogue

The AFB and its secretariat also convened a well-attended side event, at which the six accredited NIEs from Senegal, Jamaica, Uruguay, Benin, South Africa and Belize were represented. The representatives of the different NIEs introduced their respective organisations and shared with the audience their way towards the successful accreditation at the AFB. They all said that the accreditation process is a tough but manageable process. Noteworthy is the case of Belize, which as a very Small Island Developing State has mastered the process within three months. Among the NIE present at the side event, only the CSE of Senegal is coordinating a project funded by the Fund so far. The representative of CSE mentioned that they currently truly started the implementation of the project, after having spent more than half a year by issuing contract with the different firms, which will carry out specific components of the projects.



First place picture by Md. Mahbubur Rahman of Bangladesh in the region Gopalganj, Bangladesh entitled Jute Cultivation- Fight against the Climate Change.

The AF secretariat also used **the side event to announce the winners of its 2011 Photo Contest**⁴². In frame of its communication strategy the AF organised for the first time this year a photo contest with the aims of raising awareness and showing the landscape of adaptation projects undertaken all over the world.

Criteria set for the photo contest were inter alia: quality of the picture showing adaptation strategies, and not only the impacts of climate change. Md. Mahbubur Rahman of Bangladesh for his striking photo (see above), which was placed first. Photos from Mexico, India, and Madagascar were also selected as winners.

The AF also convened **in Durban a day before its regular meeting a CSO dialogue**. The CSO dialogue has been initiated by the AF in December 2010 in order to give the CSO closely following the AF a space of communication and active consultation on key issues related to the AF that are critical in point of view of NGO. As planned the CSO

⁴² <http://www.adaptation-fund.org/page/photo-contest-winners-announced>

dialogue took place on 11st December a couple of hours after the long exhausted COP deliberation plenary. Despite the fatigue, the present representatives of both and CSO AFB members used the two hours meeting to exchange and share views on key issues related to the projects funded by the AF as well as to suggest some key points to be considered by the upcoming meeting.

Rachel Berger in her function as co-chair of the Adaptation Group of Climate Action Network International and member of the Advisory Group of the AF NGO Network⁴³, highlighted that the AF recent development further underscores its role as model for the future. She then presented the member of the AF NGO network and invited them to shortly report on the several activities they have undertaken during the year.

Emmanuel Seck from ENDA (Senegal), Indi Mc Clarmont from PANOA Caribbean (Jamaica), Isaac Ferrera from Fundación Vida (Honduras) and Krystel Dossou from OFEDI (Benin) reported each on different activities they have undertaken in their respective countries with respect to the network. While Indi said that she is attempting to influence the design of the project in the interest of the most vulnerable people in project area particularly in Negril Jamaica, Isaac mentioned his relationship with the UNDP, and explained that during the year he focused on more awareness raising around the AF as well as on adaptation to climate change at whole. Krystel reminded his active role in the accreditation process of Benin NIEs. He now intends to play a role in the identification and design of the Benin project. Emmanuel Seck conducted this year several field visits in the three project areas –Joal, Rufisque and Sally- and organised an expert workshop with key stakeholders involved in the project. The close collaboration with the CSE as NIE and Dynamique France (executing entity) led into a concrete request of the CSE to his organisation ENDA to undertake an impact assessment of the project on both on the people and on the environment as well as to develop assessment indicators for the measurement.

Alpha Kaloga (Germanwatch, host of the AF NGO Network), presented the position of NGOs regarding the project review criteria, which they have voluntarily submitted to the secretariat some weeks ago. In his point of view, the focus on the most vulnerable communities in developing projects and programs as stated in the strategic priorities of the AF is one of the innovative features of the AF. However, this feature is not adequately reflected in both the project template as well as in project review criteria. He therefore on behalf of all these NGOs which had signed the submission called for a better implementation of the above-mentioned provision as well as a truly inclusion of these vulnerable communities in the projects submitted from upset until the last stage of the final evaluation.

The Board members were pleased to have such important information about the project regions and dignified the pivotal role of CSO in the development of the AF. The impact assessment to be undertaken by ENDA was subject of several questions by AF Board members, who also encourages the other members of the network to do so.

For instance regarding the photo contest, the AF Board requested the secretariat to consult with CSO including the AF NGO Network, to help organise a second contest. This is a great opportunity and an evidence of the good relationship. However, it is important despite this relationship, that the NGO preserve their independency from the Adaptation Fund.

⁴³ The AF NGO Network - as an independent network from the AF - has been initiated and established by Germanwatch with the collaboration of a number NGO all of the world with the aim at enabling a multistakeholder participation mainly of the most vulnerable in the implementation of the projects funded by the AF. The initiative is funded by the International Climate Initiative of the German Federal Environment Ministry.

7 Other matters

7.1 Election of the Chair of the AF and its committee

As usual at the end of each year the Board proceeded to the election of its chair and those of its committee. The new chair of the AFB is Mr Luis Santos (Uruguay, Latin America and Caribbean Countries) and its Vice-Chair is Mr Anton Hilber (Switzerland, Western European). In addition Mr Jeffery Spooner (Jamaica, Latin America and Caribbean Countries) will chair the Project Programme Review Committee (PPRC), his co-chair will be Mr Hans Olav Ibrekk (Western European), while Mr Yutuka Matsuzawa (Japan, Annex I Parties) will chair the Ethics and Finance Committee (EFC), seconded by Ms Medea Inashi (Georgia, Eastern Europe). The Accreditation Panel will be chaired by Ms. Angela Churie-Kallhauge (Sweden, Western European), and her co chair is Santiago Reyna (Argentina, Latin America and Caribbean Countries).

7.2 Board meeting for 2012

The first meeting of the AF will take place in Bonn, Germany, from March 14 to 16, 2012. At this meeting it is expected that the secretariat will present the documents related inter alia to the possibility of the cost savings by reducing the number of meetings a year to three, as well as procedures for taking intercessional decisions in lieu of at Board meetings and the implication of the reduction of the board meeting for the project cycle and the accreditation process on reducing the number of Board meetings held each year.

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