BRIEFING PAPER

Inrush of regional proposals seeking funding by the Adaptation Fund

Report on the 27th meeting of the Adaption Fund Board

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Summary

After the adoption of the Paris Agreement all eyes move towards implementing climate action. The Adaptation Fund provides an important function to assist developing countries in measures against climate impacts. Following a civil society perspective this briefing outlines selected talking points on agenda issues of the 27th meeting of the Adaptation Fund Board scheduled for March 2016 in Bonn, Germany.

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Content

1  Report of the Accreditation Panel ................................................................. 4
   1.1 Accreditation of Implementing Entities .................................................. 4

2  Report of the eighteenth meeting of the Project and Programme Review Committee . 4
   2.1 Review of Project Proposals ..................................................................... 4
   2.2 Report of mission to Argentina and Uruguay ........................................... 5

3  Report of the eighteenth meeting of the Ethic and Finance Committee ............... 5
   3.1 Proposal to modify the country funding cap .......................................... 6

4  Dialogue with Civil Society Organizations .................................................. 6

5  Other Matters ............................................................................................... 7
1 Report of the Accreditation Panel

The Adaptation Fund (AF) provides several ways of accessing to its resources: developing countries can either pursue the conventional path of relying on the service of a Multilateral Implementing Entity (MIE), or Regional Implementing Entities (RIEs) or utilize their own National Institutions to access the fund’s resources. Prior to receiving funds from the AF, implementing entities (multilateral, regional or national) must conclude a systematic accreditation process to verify that they meet the principles of the AF such as “the use of international fiduciary standards as well as the new adopted AF’s environmental and social policy”.

The Panel undertakes a desk-review of the application and forwards its recommendation to the board. Should the Panel require additional information prior to making its recommendation, a mission and/or a teleconference may be undertaken with regard to the country concerned. Below are the AFB decisions on accreditation of implementing entities based on the recommendation of the Panel

1.1 Accreditation of Implementing Entities

The briefing paper issued for this meeting, provided detailed insights into the accreditation pipeline as well as other issues relevant for the accreditation process by the AF. As usual, the Accreditation Panel (AP) delivered its report to Board members and observers. For AFB 27, the AP concluded the review of two applications from National Implementing Entities (NIE). After short consultations in a closed session, the Board decided to accredit the Partnership for Governance Reform (Kemitraan) from Indonesia and Dominican Institute of Integral Development (IDDI) from the Dominican Republic. In addition, the AP reported that the intersessional period between the 26th and 27th AFB meeting resulted in the accreditation of the Ministry of Finance and Economic Development (MOFED) of Ethiopia as NIE and the Caribbean Development Bank (CDB) as RIE, as well as the re-accreditation of the International Fund for Agricultural Development (IFAD). With this, the number of accredited implementing entities increases to 41 – 23 NIEs, 6 RIEs and 12 MIEs.

2 Report of the eighteenth 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 thereon.

Accordingly, at its 27th meeting, the AFB debated on the recommendations suggested by the PPRC on approval of the submitted project proposals, which are based on the technical review made by the secretariat.

2.1 Review of Project Proposals

Based on the Secretariat initial screening, the Project and Programme Review Committee (PPRC) considered and made recommendation to the AFB on the approval of different projects and concepts submitted for this meeting. For the 27th meeting, 10 single country proposals have been
Submitted to the Secretariat by accredited implementing entities, with the total requested funding amounting to USD 70,590,698: 7 concepts (USD 47,729,459) and 3 fully-developed project proposals (USD 22,861,239). The Board approved four concepts – from Panama, Guinea-Bissau, Peru and Laos – and one fully-developed proposal from Peru.

In addition, the Secretariat also received eight regional proposals (Federated States of Micronesia, six pre-concepts and two concepts) under its Pilot Programme for Regional Projects and Programmes, with a total funding volume requested of USD 78,341,203.

Based on the recommendation by the PPRC and following the finding of its brief deliberation, the Board decided to endorse five project pre-concepts and one concept. The Board also discussed a recommendation by the PPRC, which suggested a discontinuation of the call for new proposals under the Pilot Programme, in light of the high demand for the programme, which has already surpassed its available resources (USD 30 million).

Some Board members felt it was premature to decide to discontinue the Pilot Programme, as the allocation of additional resources to the programme could also be an option to satisfy the high demand. Ultimately, the Board decided to defer the decision until tomorrow, requesting the Secretariat to revise the draft decision, taking into account the views expressed by the Board.

2.2 Report of mission to Argentina and Uruguay

The Secretariat conducted field missions to projects in Argentina and Uruguay, in order to collect and analyze lessons learned through its portfolio. In November 2015, the Secretariat visited the direct access projects “Enhancing the Adaptive Capacity and Increasing Resilience of Small-scale Agriculture Producers of the Northeast of Argentina” implemented by UCAR (the NIE for Argentina), and “Helping Small Farmers Adapt to Climate Change” implemented by the ANII (the NIE for Uruguay). This agenda item was a field report only and no decision was required by the AF.

The discussion on this agenda was resumed, building on the discussion held on the previous day, with a decision prepared by the Secretariat. After brief deliberations, the Board decided to continue the consideration of regional projects and programme proposals under the Pilot Programme, while reminding the implementing entities that the amount set aside for this pilot programme is USD 30 million. Further, it requested the Secretariat to prepare a document for prioritization among regional proposals, including the issue of project formulation grants and the establishment of a pipeline.

3 Report of the eighteenth meeting of the Ethic and Finance Committee

According to its terms of reference, 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 met for the 16th time on the two days prior to the 25th meeting of the AFB to discuss several topics as follows.

The Ethics and Finance Committee (EFC) presented its report to the Board. Among the most important issues, the EFC reported on the second phase of the evaluation of the Fund. The main objective of this phase is to provide the Board with evaluative evidence on the progress towards the Fund’s objectives as well as the main achievements and lessons learned from the implementation of the Fund’s projects. Following a brief introduction by the EFC chair, the Board discussed on
the process to determine terms of reference (ToRs) for conducting the second phase of the evaluation of the Fund. The Board decided to establish a task force to develop draft ToRs, which will be presented for the consideration by the AFB at its 28th meeting.

The Board also attended to the matter of adopting a fund-wide Gender Policy and Gender Action Plan. The Secretariat presented a revised proposal for a gender policy, incorporating the inputs received from Board members and interested stakeholders through a public call for comments, including an action plan for its implementation. Highlighting the importance of having such a policy, the Board decided to adopt the gender policy, requesting the Secretariat to amend the Fund’s Operational Policies and Guidelines accordingly.

Other decisions taken by the Board in regard to the report by the EFC included the adoption of Fund’s budgets for Board, the Secretariat and the Trustee for the fiscal year 2017.

3.1 Proposal to modify the country funding cap

At the 26th meeting of the AFB, ten countries had reached the country cap limit of USD 10 million, while six countries approached it. Several NIEs were not able to fund further projects in their countries – despite the endeavour to undergo the accreditation process. For this meeting, the Secretariat had prepared a paper that looked at different options on how to raise the country cap up to USD 20 million.

A Board member reminded that the country cap was agreed years ago and the Board hence needed to reconsider its adequacy. She mentioned that the accreditation process often takes years and requires tremendous effort by applicants to master it. It was therefore critical striking the balance between equitable access by all countries, to keep the Fund attractive for current and new NIEs, by scaling up the cap that countries can receive from the AF. Another member referred to the proposal made by CSOs on the previous day, which recommended a performance-based cap contingent on successful delivery of a first AF project.

Further, one member pointed out that discussions on the cap are evidence for the financial constraints the AF has been facing over the last years. Any change in the cap would not change the financial situation of the Fund, but rather could send a wrong signal to countries, which have already become familiar with the AF’s existing cap. Therefore he felt uncomfortable to make any change to the cap at this point in time. Rather he asked for recommendation to the CMP to guide the Board on the way forward. He was also of the view that recommendations to the CMP could be an opportunity to once again reflect the increasing demand by developing countries for more resources in the AF.

After intense discussion, the Board decided to maintain the established cap per country. Furthermore, it requested the Secretariat to prepare, for consideration by the Board at its next meeting, options for a framework for a medium-term strategy for the Fund based on strategic priorities of the Fund approved by the CMP.

4 Dialogue with Civil Society Organizations

Board policy on observer participation, as the practice of observer engagement in Board meetings is less interactive compared to other funds. Additionally, the members suggested that the decision of revising the country funding cap should balance fairness with reward for early adopters, con-
cretely suggesting the raised country cap to be available only if a first project to the tune of USD 8 million is successfully implemented. The AFN reported on in-country implementation and showed the status of its project tracking in South Africa. Lastly, the AFN followed up to a request at AFB 26 to analyse project delays of AF projects. The representative following his presentation announced that the AFN would compile their information in a submission to the Fund. Transparency International announced to repeat an analysis of the AF’s transparency and anti-corruption policies in 2016, praising the development of the AFB since 2012 but also citing more advanced policies at the level of the Climate Investment Funds and the Green Climate Fund.

5 Other Matters

On linkages between the AF and the GCF, the Secretariat presented a document with options under consideration for the establishment of operational linkages with the GCF, through a) either accreditation or an ad hoc agreement or a memorandum of understanding; and b) the possibility of institutional integration between the two funds.

The discussion was short on this agenda item, as the GCF has yet to consider this matter at the Board level. However, the AFB decided to request its Co-Chairs to continue consultations with the Co-Chairs of the GCF on potential linkages between the two funds. It also requested its Secretariat to continue its collaboration with the GCF Secretariat and to update the document for the next Board meeting, taking into account the outcome of these discussions.

On potential linkages between the AF and the GEF, the CEO of the GEF made a presentation on how the AF could partner with the GEF in the future, with the goal of enhancing the work between the two funds. In the discussion that followed, a member of the Board noticed that the two funds are funded by the same donors and are operating in some cases in the same countries. It is therefore important for the two funds to explore areas of collaboration. He also emphasized the need of coordination between the two funds in the project regions where they are operating. Along the same lines, one member asked for options on how the evaluation office of the two funds could closely cooperate.

The Secretariat made a presentation on the Fund’s communication strategy. The presentation highlighted the range of activities undertaken by the Secretariat since the last meeting, particularly during the COP21. The presenter listed a range of outreach activities carried out by the Secretariat during the COP. He also mentioned that the Secretariat issued several case studies from projects, uploaded YouTube videos, and prepared brochures and posters that were distributed at the COP.

The Trustee presented the financial situation of the Fund. Since the start of the CER monetization, the AF has generated USD 195.75 million through CER sales. The trustee continues only over-the-counter transactions, as other forms are not cost-efficient anymore. The cumulative amount committed to approvals amounts to USD 362.80 million, out of this amount USD 331.03 million are pending to be transferred to implementing entities. The total funds available for funding decisions amount to USD 177.65 million as of December 2015.

On Resource Mobilization, the chair of the fundraising strategy advised the Board to focus on donations, as the revenue from CER monetization is not expected to generate sufficient resources to help the Fund rise to the increased project demands.

Finally the Board adopted the dates for the next meetings that will all be held in Bonn: AFB28, 4–7 October 2016; AFB29, 14–17 March 2017; and AFB30, 10–13 October 2017.
Germanwatch

Following the motto “Observing, Analysing, Acting”, Germanwatch has been actively promoting global equity and the preservation of livelihoods since 1991. In doing so, we focus on the politics and economics of the North and their worldwide consequences. The situation of marginalised people in the South is the starting point of our work. Together with our members and supporters as well as with other actors in civil society, we intend to represent a strong lobby for sustainable development. We attempt to approach our goals by advocating for the prevention of dangerous climate change, for food security, and compliance of companies with human rights.

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