

BRIEFING PAPER

# Briefing on the 30th Meeting of the Adaption Fund Board

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## Summary

During the 23<sup>rd</sup> session of the Conference of the Parties of the United Nations Framework Convention on Climate Change (COP23) in November 2017, the Adaptation Fund (AF) will be celebrating its 10<sup>th</sup> anniversary. The Fund will use the opportunity to showcase its adaptation projects, concrete results around the globe and gathered learning through an exhibition with the theme “10 Years of Pioneering Innovations in Adaptation Finance, Concrete Actions and Fostering Learning and Sharing”. There are numerous reasons to commemorate what the AF has achieved over the years; especially its capacity to help vulnerable communities in developing countries adapt to the effects of climate change. By pioneering innovations in climate finance, and by accompanying concrete and scalable actions, the Fund has played and continues to play an outstanding role in the urgent fight to tackle climate change. Ten years later, the AF made history with “key accomplishments” and has significantly contributed to raise ambition in the growing demand in climate finance, including supporting implementing partners worldwide under its pioneering Direct Access modality.

At their 30<sup>th</sup> meeting, members of the Adaptation Fund Board aim to discuss objectives and further steps of the Fund, with the outlook of exploring potential linkages between the AF and the Green Climate Fund (GCF). They will consider a draft Medium-Term Strategy of the Fund for 2018–2022 elaborated with inputs from various stakeholders, including civil society. Besides several other items on the meeting agenda, the Board will make decisions on funding allocation to the record number of 23 single-country proposals submitted by Accredited Entities to the AF Secretariat, with the total requested funding amounting to USD 97,576,337, including USD 42,508,247 for 13 concept notes and USD 55,068,090 for 10 fully developed proposals.

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# 1 Introduction

The Adaptation Fund (AF) is an established fund under the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC) which aims at supporting adaptation measures and projects in developing countries in order to meet the needs of the most vulnerable communities at the front lines of the negative impacts of climate change. The Fund pioneers innovative features in its modalities such as Direct Access – where national entities from developing countries can directly access funding and manage not only the design of projects but also their implementation, monitoring and evaluation – and the Readiness Support Programme, among other particularities.

At their 30<sup>th</sup> meeting, members of the Adaptation Fund Board aim to pursue discussions on several agenda items which are all relevant to the operationalisation of the Fund. They will resume their consultations on issues remaining from their 29<sup>th</sup> meeting, including objectives and further steps of the Fund, and explore potential linkages between the AF and the Green Climate Fund (GCF). Discussions will also concern the draft Medium-Term Strategy of the Fund for 2018–2022 which has been elaborated with inputs from various stakeholders, including civil society and Implementing Entities. Besides these agenda items, the Board will make decisions on funding allocation to the record number of 23 single-country proposals submitted by Accredited Entities, with the total requested funding amounting to USD 97,576,337. As usual, civil society will be given a voice in the meeting as an important stakeholder in the AF debates and decision-making processes, especially during the CSO dialogue. Through a civil society lens and with contributions from members of the **Adaptation Fund NGO Network**<sup>1</sup>, a coalition of NGOs and other stakeholders engaged in AF debates and projects, Germanwatch – a civil society organisation which has been following the AF for the past years – has prepared this Briefing Paper in the context of the 30<sup>th</sup> AF Board meeting scheduled from 10–13 October 2017 in Bonn.

## 2 Report of the 21<sup>st</sup> meeting of the Ethics and Finance Committee

This section addresses decisions the AF Board might have to consider at its 30<sup>th</sup> meeting concerning the new annex to the Operational Policies and Guidelines related to project/programme implementation, and the update of the second phase of the overall evaluation of the Fund for a three year period.

### 2.1 New annex to the Operational Policies and Guidelines related to project/programme implementation

In order to enhance Operational Policies and Guidelines (OPG) related to project/programme implementation, the AF Board has requested the secretariat to consolidate all previous decisions related to requests for direct project services, requests for material change, and requests for revi-

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<sup>1</sup> [www.af-network.org](http://www.af-network.org)

sion of original activity/output/outcome and/or associated indicators and targets into a new annex to the OPG. Consolidated input by the secretariat focus on four main aspects: (1) Implementing Entities providing execution services; (2) Direct Project Services (DPS); (3) material change, and (3) revision of the original target indicators for activities, outputs or outcomes.

On execution services provided by Implementing Entities (IEs), the annex suggests that in the exceptional case when a request is made by governments to IEs to provide all or part of the execution services related to the project they seek to implement, the Board caps execution costs for projects/programmes implemented and executed by the same entity at 1.5% of the project/programme cost, as per decision B.17/17. Implementing entities should only provide execution services in exceptional cases on written request by the recipient country providing rationale for such request. Such services should be identified prior to project approval or during implementation, as the executing entities can estimate that they are unable to provide certain services, for instance procurement and payment management.

On Direct Project Services (DPS), while in some cases reconsideration of executive capabilities may happen, services provided by Implementing Entities instead of Executing Entities should be considered prior to project approval. Execution services provided by IEs should be submitted for consideration at the time of project approval, while clarification of requested services and capabilities should happen beforehand. DPS shall be submitted before an agreement is signed between IEs and government or executing entities. In case DPS are submitted for a project that has already been approved, IEs shall submit all relevant justification explaining how cost was established, along with a letter from Designated Authority of the AF for countries of the project/programme.

The Ethics and Finance Committee (EFC) has defined “material change” as a cumulative budget change at output-level between revised budget and original budget involving 10% or more of total budget for project/programme. As such, request for material change shall be submitted prior to implementation of the change, and existing caps on IEs fees and execution cost shall not be exceeded.

Furthermore, a revision of the original target indicators for activities, outputs or outcomes is being suggested. In that case, IEs are requested to inform the AF secretariat of any changes in project activities as quickly as possible. IEs should obtain prior approval from the Board if there is any change in project outputs or outcomes and this has to be communicated to the secretariat with a letter from the National Designated Authority (NDA) endorsing the changes. The same applies to project output/outcome indicators and/or associated targets.

As a way forward, the new Annex to the Operational Policies and Guidelines (OPG) will be presented by the EFC, as requested in decision B.29/33, to the AF Board for its consideration during its 30<sup>th</sup> meeting.

## **2.2 Update of the second phase of the overall evaluation of the Fund**

The re-establishment of a long-term evaluation function for the AF was discussed at the 18<sup>th</sup> meeting of the EFC. Based on the Committee recommendation, the Board decided at its 27<sup>th</sup> meeting to request the secretariat to prepare options for providing the Fund with an evaluation function, building upon previous work related to the evaluation framework of the AF, for consideration by the EFC. At its 19<sup>th</sup> meeting, the EFC reviewed options prepared by the secretariat to re-establish a long-term evaluation function for the Fund. Based on these new recommendations, the Board decided to request the secretariat to present further information on options to implement such long-term evaluation. The secretariat presented two possibilities for consideration by the Board: Option 1, “Through the Global Environment Facility (GEF) Independent Evaluation Office (GEFIEO)”

and Option 2, “Through a Technical Evaluation Reference Group (TERG)”, including cost implications.

At its twentieth meeting, the EFC may wish to make progress by considering the indicative three-year evaluation work plan and estimated budget as well as technical expert guidance and input arrangements for these two options and suggest a way ahead.

From a civil society perspective, Option 2 which suggests establishing a Technical Evaluation Reference Group (TERG) seems to be a good option. In fact, such a group could gather several stakeholders – including a civil society representative – that would provide relevant expertise, experiences and insights to this process, hence making it inclusive, transparent and diverse in its knowledge and contributions. The AF NGO Network is willing to collaborate with the EFC and the AF secretariat and Board in this regard, and could contribute by nominating, supporting and facilitating the role of a representative of the network in the TERG, if that option is approved by the Board.

### **3 Issues remaining from the 29th meeting of the Board**

At its 29<sup>th</sup> meeting, the Board concluded its discussions before finalising decisions on a number of items which were deferred to be discussed at the 30<sup>th</sup> meeting. Items remaining from the previous meeting include the medium-term strategy for the Fund; strategic discussion on objectives and further steps of the Fund with outlook view to explore potential linkages between the AF and the Green Climate Fund (GCF), updated Operational Policies and Guidelines to include procedures related to the Readiness Programme and an updated results framework of the Readiness Programme.

#### **3.1 Medium-term strategy for the AF for 2018–2022**

At its 27<sup>th</sup> meeting in March 2016, having discussed the agenda item “Issues remaining from the twenty-sixth meeting”, (c) “Proposal to modify the country cap”, the AF Board noted that there was a need for consideration of the Fund’s strategic direction. The secretariat was requested to prepare options for a framework for a medium-term strategy for the Fund, which would reflect the strategic priorities of the Fund, and will be approved by the UNFCCC’s Conference of the Parties. The findings of the Phase I of the overall evaluation of the Fund, the financial situation of the AF, discussions on potential linkages between the AF and the GCF, progress being made on accreditation of implementing entities, as well as the Readiness Programme are considered as significant issues in this regard.

As a result, the draft Medium-Term Strategy for the AF for the period 2018–2022 was prepared with inputs from various stakeholders, including Implementing Entities and Accredited Entities, recipient governments, members of the AF NGO Network and other relevant actors such as AF contributors. The strategy’s Theory of Change is derived from the United Nations’ Agenda for Sustainable Development and the Paris Agreement, with the overall aim to enhance adaptive capacities and resilience and to reduce vulnerability of people and ecosystems to climate change. One key aspect highlighted by the strategy is the difference between the adaptation costs and finance gap in meeting these costs. As such, it is suggested to improve understanding of costs and measures as well as raise expectations for effectiveness in order to mobilise more ambition around adaptation needs. The strategy emphasizes that country ownership is essential for effectiveness and for increasing quality of adaptation projects and measures at local level. Other areas such as gender-

responsiveness, local participation in AF projects, value of traditional knowledge and experience sharing from local actors are also highlighted as relevant.

The draft AF Medium-Term Strategy refines the Fund's niche to improve its contribution towards the UNFCCC, its vision to enhance developing countries' adaptive capacities, strengthening resilience and reduction of vulnerability via an inclusive, transparent and participatory process in line with the goal of protecting people, livelihoods and ecosystems from climate change impact. In this regard, it is expected that the strategy contributes to enhance the adaptive capacity of vulnerable communities and people, strengthen their resilience and reduce their vulnerability. There are three strategic focuses identified in the draft strategy: Strategic Focus 1: Action, Strategic Focus 2: Innovation and Strategic Focus 3: Learning and sharing. All of these would contribute to the strategy's success which is based on its ability to adding and refining where necessary to ensure effectiveness of adaptive capacity.

The draft strategy also suggests pursuing and further enhancing dialogue with the Adaptation Fund NGO Network, among other relevant stakeholders involved in the Fund's activities and proceedings, as a way to continue ensuring transparency, access to information, learning and knowledge sharing.

### **3.2 Strategic discussion on objectives and further steps of the Fund: potential linkages between the Adaption Fund and the Green Climate Fund**

Since the 24<sup>th</sup> meeting of the Adaptation Fund Board, there have been several discussions and consultations about potential linkages between the AF and the Green Climate Fund (GCF) on complementarity and coherence. Upon request by the Board, the AF secretariat produced document AFB/B.24-25/1 about "Potential linkages between the Adaptation Fund and the Green Climate Fund", which was built upon the options outlined in document AFB/B.20/5 on "Strategic prospects for the Adaptation Fund", discussed at the 20<sup>th</sup> Board meeting in March 2013. Since the 25<sup>th</sup> meeting, the secretariat has continued interacting with the GCF secretariat in the areas identified by the Board to enhance complementarity, namely accreditation, readiness support, results-based management and project pipeline. Moreover, the Conference of the Parties to the UNFCCC had, by decision 7/CP.21, encouraged the GCF Board to improve its complementarity and coherence with other institutions.

At this 30<sup>th</sup> meeting of the Board, further discussions will be undertaken to explore potential linkages between the AF and the GCF, drawing on previous discussions and consultations on the matter.

Having considered an extensive desk review of the documents and information related to the AF and the various options suggested, such as the Fund going through accreditation under the GCF by submitting an application, similar to what other type of applicant implementing entity have to do, and taking into account the update provided by the AF secretariat on the matter, the Board may want to consider and decide at this meeting to, (a) based on decision 29/40, request the Chair and Vice-Chair, assisted by the secretariat, to attend "an annual dialogue" initiated by the GCF in order to enhance complementarity; and to (b) request the Chair and the secretariat to report to the Board at its 31<sup>st</sup> meeting on the progress made in this regard, with an overview of an operational linkage with the GCF through a legal agreement or a Memorandum of Understanding (MoU), as another option apart from the accreditation one.

### **3.3 Updated Operational Policies and Guidelines to include procedures related to the Readiness Programme**

This item will be discussed by the Board at its meeting, in order to consider new changes related to the Operational Policies and Guidelines for Parties to access readiness support and resources from the Adaptation Fund. The new changes suggest considering the following:

- Under the Review and Approval of Concrete Adaptation Projects and Programmes, it is suggested to add an intersessional project/programme review cycle where submission of funding proposals shall be possible ;
- An addition of Guidelines for the Review and Approval of Project/Programme Grants under the Readiness programme and readiness Grants for technical Assistance and South-South Cooperation is made ;
- Implementation of Readiness Intervention in Project Performance Reports (PPR) is also recommended under the Readiness Programme.

### **3.4 Updated results framework of the Readiness Programme**

An updated Results Framework of the Readiness Programme will also be considered by the Board at this 30<sup>th</sup> meeting. On this item, members will have to consider a number of new changes on the matter, focusing on:

- Addition of emphasis on national, regional and community resilience ;
- Addition of output aims and indicators for advanced readiness for National Implementing Entity (NIE), Regional Implementing Entity (RIE), and Multilateral Implementing Entity (MIE) via workshops, seminars, and cooperation indicated by number of events, partner organisations and grants approved ;
- Increased learning indicated by number of tools and guidelines shared with NIE, MIE, RIE and level of improvement by sharing experience.

## **4 Conclusion**

The 30<sup>th</sup> meeting of the Adaptation Fund Board is taking place at a crucial moment, just a few weeks before the 23rd sessions of the Conference of the Parties (COP23) to the United Nations Framework Convention on Climate Change (UNFCCC) starting in November 2017 in Bonn, Germany. At the conference, the future of the AF will be further discussed, exploring options how the Fund can serve the Paris Agreement and under which operational guidelines this may be applied in the post Paris era.

Another important milestone this year is the commemoration of the 10<sup>th</sup> anniversary of the Adaptation Fund. The Fund is celebrating this journey, drawing on what it has achieved over the past years, especially its capacity to help vulnerable communities in developing countries adapt to the effects of climate change. By pioneering innovations in climate finance, and by accompanying concrete and scalable actions, the AF has played and continues to play an outstanding role in the urgent fight to tackle climate change. Ten years later, it has made history with key accomplishments and has significantly contributed to raise ambition in the growing demand in climate finance, also by implementing projects. At COP23 next month, the AF will be hosting a Special Event



as an opportunity to showcase key achievements in supporting adaptation projects with concrete results around the globe. An exhibition with the theme “10 Years of Pioneering Innovations in Adaptation Finance, Concrete Actions and Fostering Learning and Sharing” will be presented at the conference as well as an avenue to engage the broader public on what the Fund does and has done.

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