

BRIEFING ON THE 18TH MEETING OF THE ADAPTATION FUND

WHICH FUND RAISING STRATEGY IS BEST FOR
THE AF

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Brief Summary

This briefing paper summarises the key issues that are on the agenda of the 18th meeting of the Adaptation Fund Board, which governs the Adaptation Fund set up under the Kyoto Protocol. It will take place from 26 to 29 June in Bonn.

Among the key issues are the consideration of further project and programme proposals to be approved by the AFB, the accreditation of one National Implementing Entity (NIE) from India and the authorisation for an intersessional accreditation of two additional NIEs. Noteworthy and of utmost importance during this meeting is the discussion on the fundraising strategy of the AF until the end of 2013 to help the AF scale up its resources. Also the AFB members will debate the investigative procedure to prevent the AF from misuses and mismanagements of its resources as well as document as well as on the fundraising strategy to be adopted.

Last but not the least the AFB members will make their comments on the performance review of its Trustee and Secretariat.

Imprint

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Publisher:

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June 2012

Purchase order number: 12-2-16e

This publication can be downloaded at:

<http://www.germanwatch.org/de/5006>

This project is part of the International Climate Initiative. The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety supports this initiative on the basis of a decision adopted by the German Bundestag



The Federal Ministry
for the Environment,
Nature Conservation
and Nuclear Safety

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Executive Summary

From 26th to 29th June, the Adaptation Fund Board will convene for the first during four days at its 18th meeting in Bonn, Germany. From 26th to 27th June, the Board members will convene in their respective committees, the Ethics and Finance (EFC) and the Project Programme Review Committee (PPRC).

From 28th to 29th the AB will resume its meeting. Several items analysed in this briefing paper will be discussed and considered. Among the item on the agenda of this meeting, the Accreditation Panel (AP) will present the report of its meeting held in Stockholm in charge of the accreditation of National, Multilateral and Regional Implementing Entity.

According to the recommendation of the AP, the Board will have to approve the Accreditation of one National Implementing Entity NIE from India, the National Bank for Agricultural and Rural Development (NABARD). The NABARD is one of the large banks of India, with strong fiduciary standards, anti fraud and corruption standards, which assures zero tolerance to corruption. It has been created since 1982, with the goal of sponsoring sustainable and equitable agriculture and rural prosperity. Also the AFB is requested to authorise the intersessional accreditation of two additional NIEs, which are in the pipeline and have strong prospect to master the accreditation process, should the applicants furnish the requested information. The AF has now accredited 12 NIEs and 10 Multilateral Implementing Entities (MIEs). This is an evidence that direct access is no longer a pilot programme, but a reality that is becoming popular and well appreciated by vulnerable communities.

Secondly, The AF will have to decide based on the recommendation of the PPRC about potential approval/or not approval of 18 project proposals amounted to US\$ 119,794,381 – three concept proposals requesting US\$ 19,718,689, and the 15 fully will cost US\$ 100,075,692. Among the projects submitted, two arose from direct access countries submitted by two NIEs. The projects are from Uruguay and Jamaica.

Other items on the agenda of the AF, which are worth being followed is related to the investigative procedure of the AF. The investigative procedure is a mechanism that should protect the AF against corruptions misappropriations and misuses of its resources during the implementation of projects it has funded.. The AFB is also requested to adopt the Budget of the fiscal year 2013. In addition the AF will have to discuss the Fundraising Strategy of the AF. Given the limited funds at its disposal and the increased demands after, it will be interesting to look at which smart strategy will adopt among the propositions suggested by different organisations in response to its call of submission. The Fund raising Strategy has the goal of securing US\$ 100 million until end of 2013 to help the AF scaled up its resources. Other important items will also be discussed during the AF meeting inter alia: the consideration of issues related to the 50% cap for proposals submitted by the AF and the consideration of the issue related to regional projects.

Last but not the least the AFB members will make their comments on the performance review of its Trustee and Secretariat. The AF has been requested by the SBI to provide its report on the review by 13 August 2013, so as that it could be considered by the CMP in Doha. Furthermore the AF has been requested to provide additional information on the cost of the AFB.

Also the AFB will interact with the representative of CSO in frame of its traditional CSO dialogue.

This briefing paper will highlight and summarise the key issues on the agenda of the 18th meeting of the AFB, and outline some further actions to be taken by the Board.

1 Report of the Accreditation Panel

The Accreditation Panel (AP) met on May 10 and 11, 2012 to review both new and existing applications. The teleconferences with applicants were also held to communicate, ask questions and provide direct guidance required for additional documentations. At this meeting the AP has examined 4 new applications for accreditation (NIE037, NIE039 RIE004, and RIE005¹). The AP also pursued its review of nine applications² out of which 7 ongoing NIE applications, 1 RIE and 1 MIE application. For this meeting the Panel concluded the review of the following applications:

1.1 *National Bank for Agricultural and Rural Development (NABARD)*

Only the application of the National Bank for Agricultural and Rural Development (NABARD), as National Implementing Entity of India was completed at the Panel meeting. The application was submitted in August, 2011. After long exchange between the AP through the AF secretariat and the applicant additional requested information were furnished. The main obstacle during the process was to find out the right components of the organization and to link this to the possible uses of adaptation funding.

It was agreed that the NABARD would have to use similar modalities and standards as it uses to manage foreign donation since decade. The NABARD is one of the large banks of India, with strong fiduciary standards, anti fraud and corruption standards, which assures zero tolerance to corruption. It has been created since 1982, with the goal of sponsoring sustainable and equitable agriculture and rural prosperity. Because of the listed strength, the AP recommends to the AFB to accredit NABARD as a NIE.

1.2 *Cases under review for which an intersessional decision may be appropriate*

Two applications are in the pipeline and have strong prospect to be accredited intersessionally. Accordingly, the AP requests the AF the authorisation to accredit these two NIEs, if the requested information will be sufficiently provided.

Regarding National Implementing Entity NIE023, the AP by taking into account the exchange so far held suggests conducting a field visit to this NIE, in order to better assess the application given the nature and scale of the operations of the applicant entity. This field visit is planned for July 2012. Should the findings of the field visit be consistent enough, the AP is of the view, that the AF could accredit the NIE023 intersessionally.

The second applicant is National Implementing Entity NIE037. In the inter action between the AP and the applicant, the NIE037 has provided all the information requested. However, the AP has noticed some gaps that need to be filled. According to the AP, these

¹ For the purposes of confidentiality the Accreditation Panel had used a numbering system to report of the status of each implementing entity's application.

² The Implementing Entities are: NIE018, NIE023, NIE028, NIE032, NIE034, NIE035, NIE037, RIE002 and MIE011.

gaps could be clarified through interaction with the applicant after the Board's meeting. Should the interaction be successful, the AP is of the view, that the AF could accredit the NIE023 intersessionally.

1.3 Other cases under review

Nine applications 7 ongoing NIE applications, 1 RIE application and 1 MIE are in the pipeline and need further clarifications for accreditation. Because of the limited scope of this briefing paper, these applications will not be detailed analysed³.

The report of the AP also summaries both regional workshops – held in Manila, the Philippines, from 19 to 21 March for the Asia, Middle East and Eastern Europe, and in Apia, Samoa, from 23 to 25 April for the Pacific region – in order to familiarise developing countries Parties to the Kyoto Protocol with the accreditation process. These workshops were successful organised through an extensive coordination between the UNFCCC secretariat, the AP and the secretariat of the AF.

1.4 Other matters discussed in the AP meeting

In assessing these workshops, the AP consider the eventuality to organize a workshop with agencies in order to discuss with them priorities and effective mechanisms for enhanced assistance in the accreditation process. Since such an enterprise could not be founded by the AF itself, one needs to raise additional findings to make the workshop happens.

In addition, the AP plans next year at least six field visits and request the AF to incorporate the cost of these field visits in its budget of the FY13. The AP also discussed the implementation of the conditionalities tied with certain accreditations with the view of streamlining the implications of these decisions for the further work of these entities and the disposition that the AF needs to take to assure their full implementation. Accordingly, the Secretariat should continue monitoring compliance of conditions by accredited NIEs by updating the Panel at each meeting. Furthermore, the AP agreed to request the applicants to provide clear scheduled work-plan on how they are meeting the conditionalities bound with their accreditation process. This work plan should help the Panel to follow up the implementation of the conditionalities.

The next AP meeting will be 24-25 September 2012 and Implementing Entities are requested to submit their projects by 24 July.

It is always encouraging to notice that developing countries are still interested than ever in the direct access and by any means necessary are struggling to get their NIEs accredited. This is a strong signal that direct access is no longer a pilot programme, but a reality that is becoming popular and well appreciated by vulnerable communities. With respect to the AP report, it is crucial to support the capitalisation of the possibility of holding a workshop for Multilateral Agencies (MA) that are keen to assist developing countries in their accreditation process. One needs not to mention that, although the AF has

³ For more information see: AFB/B.18/4 Report of the Accreditation Panel. <http://adaptation-fund.org/sites/default/files/AP10%20Panel%20Report%20to%20AFB18%20-%20FINAL.pdf>

so far accredited 12 NIEs, hundred other developing countries are trying in vain to master the accreditation hurdle. Most of them are vulnerable developing countries to climate change with low institutional capacities. These countries need to be assisted. German-watch was since beginning in favour of the option that the MIEs will only get funding to implement an AF project in a country, only if it commits itself to assist this country to get a NIE during the implementation stage. The planned workshop will help to strategise how to achieve this. Of course, there is a conflict of interest, that the Multilateral Agency should help those organisations supposed to substitute them, it remains to reiterate that MA will always exist and remain needed. There are diverse fields, where their expertises are irreplaceable. In this century of pragmatism, these MA are, however, well advised to redefine their strategies and broaden their expertise so as to accommodate them with the reality and needs of developing countries. This process will be an interesting starting point to do so. At the time, where the AF is exploring ways to co-exist with the GCF, the facilitation of such a workshop could be an additional featuring that could enhance the uniqueness of the AF.

It is important that the AF follows up the implementation of the conditionalities bound with the accreditation of NIEs, because some of these conditionalities are not related to the implementation of the projects but rather are dedicated to the institutional set up of these NIEs. The accreditation lasts for four years. There so far no mechanism in the AF Policies that ensures the full implementation of the conditionalities.

2 Items to be considered by the Project/ Programme Review Committee

The Project and Programme Review Committee (PPRC) is responsible for assisting the Board in tasks related to project/programme review in accordance with the OPG, and for providing recommendations and advice to the Board thereon.⁴

2.1 Report of the Secretariat on Initial Screening/Technical Review of Project and Programme Proposals

This part summarises the overview of the project submitted for consideration by the Board at its 18th meeting. It deals with the AF's secretariat screening and review process of project proposals submitted to the AF for approval during this meeting. In fulfilling its review tasks the AFB secretariat was assisted by several members of the GEF secretariat technical staff.

All together 22 projects with a total US\$ 144,521,697 have been submitted by the accredited implementing entities. Among the submitted projects 4 were concept proposals – with a requested amount of US\$ 24,678,689 – and 18 were fully developed one; with a funding requested amounting US\$ 119,843,008.

⁴ Report of the secretariat on initial project/programme review:
http://adaptationfund.org/sites/default/files/AFB.PPRC_6.3%20Report%20of%20the%20secretariat%20on%20project%20review.pdf

During the screening review period four projects (one concept and three fully proposals) have been withdrawn by the proponents. The cost of the 18 remaining proposals amount to US\$ 119,794,381 – three concept proposals requesting US\$ 19,718,689, and the 15 fully will cost US\$ 100,075,692. The proposals all together incorporated US\$ 9,285,575 for the management fees⁵ and the amount of US\$ 9,294,713 for the execution cost⁶. Both fees have an average each 8.4% of the whole funding requested. In addition no one of the proposal has exceeded the execution cost cap of 8.5% and the management fees⁷ cap of 9.5% of the whole funding request. And in all proposal, there was a breakdown of the execution and administrative cost, which was in compliance with the AFB decision.

Table 1: Project proposals submitted to the 18th Adaptation Fund Board meeting

Country	IE	Financing Requested (USD)	IE Fee, USD	IE Fee, %	Execution Cost (EC), USD	EC, %
Concepts						
Argentina	UCAR	\$5,640,000	\$440,000	8.46%	\$450,000	8.65%
Paraguay	UNEP	\$7,128,450	\$558,450	8.50%	\$570,000	8.68%
Peru	IDB	\$6,950,239	\$544,489	8.50%	\$555,750	8.68%
Total concepts		\$19,718,689	\$1,542,939	8.49%	\$1,575,750	8.67%
Full proposals						
Jamaica	PIOJ	\$9,965,000	\$780,000	8.49%	\$415,000	4.52%
Argentina	WB	\$4,296,817	\$336,617	8.50%	\$342,600	8.65%
Cambodia	UNEP	\$4,954,273	\$388,123	8.50%	\$396,150	8.68%
Colombia	UNDP	\$8,518,307	\$667,333	8.50%	\$677,640	8.63%
Djibouti	UNDP	\$4,658,556	\$364,956	8.50%	\$407,800	9.50%
Egypt	WFP	\$6,904,318	\$511,431	8.00%	\$554,634	8.68%
El Salvador	UNDP	\$5,425,000	\$425,000	8.50%	\$335,500	6.71%
Fiji	UNDP	\$5,728,800	\$448,800	8.50%	\$499,000	9.45%
Ghana	UNDP	\$8,850,000	\$693,318	8.50%	\$707,657	8.68%
Lebanon	IFAD	\$7,860,825	\$615,825	8.50%	\$688,200	9.50%
Mali	UNDP	\$8,533,348	\$668,511	8.50%	\$682,337	8.68%
Mauritania	WFP	\$7,803,605	\$578,044	8.00%	\$684,335	9.47%
Mauritania	WMO	\$2,159,980	\$169,216	8.50%	\$187,750	9.43%
Seychelles	UNDP	\$6,455,750	\$505,750	8.50%	\$450,000	7.56%
Sri Lanka	WFP	\$7,961,113	\$589,712	8.00%	\$690,360	9.37%
Total full proposals		\$100,075,692	\$7,742,636	8.39%	\$7,718,963	8.36%
Total all proposals		\$119,794,381	\$9,285,575	8.40%	\$9,294,713	8.41%

Among the two projects submitted, two arose from NIEs. One is a concept note submitted the Unidad para el Cambio Rural (UCAR⁸) from Uruguay and one is fully developed as a logic follow up of the endorsement of the project of Jamaica submitted by the Planning Institute of Jamaica. Among the MIEs project, the UNDP has submitted ten fully developed projects – out of which three were withdrawn. The left over projects are from for Colombia, Djibouti, El Salvador, Fiji, Ghana, Mali and Seychelles. While the World Food Programme WFP put forward three fully-developed proposals, for Egypt, Mauritania and Sri Lanka, the United Nations Environment Programme (UNEP) submitted a fully-developed project proposal for Cambodia, and a project concept for Paraguay. The International Fund for Agricultural Development (IFAD) forwarded to the secretariat two proposals, of which one has been taken out; the remaining proposal is a fully-developed

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 range of management fees from 4.5% proposed by PIOJ for the Jamaica programme, to 9.5% proposed by UNDP and IFAD for the Djibouti and Lebanon projects, respectively.

⁸ The Project of Uruguay has also requested US\$30,000 as Project Formulation Grant (PFG)

project document for Lebanon. The World Bank (WB), World Meteorological Organization (WMO) and the Inter-American Development Bank (IDB) submitted each one project. The two first projects were fully-developed projects respectively from Argentina and Mauritania. The last one was the project concept from Peru.

In screening the proposal the secretariat also checked whether the cumulative amount of the funding requested by MIE do not exceed 50% of the total funds available for funding decisions in the Adaptation

Fund Trust Fund at the start of each session⁹. Upon the request of the Secretariat, the Trustee provided the information needed on available funds of the AF held in its Trust Fund in order to check the 50% cap. According to the Trustee available to support AF Board funding decisions as of May 31, 2012 amounted to US\$165.50 million and the cumulative funding decisions for projects submitted by MIEs as of March 31, 2012 amounted to US\$97.14 million, and the cumulative funding decisions for all projects amounted to US\$ 115.82 million. Should the AF funds all the submitted projects by MIEs, the cumulative funding decision for MIE projects will be US\$197.21 million, which would represent 70.1% of the sum of cumulative project funding decisions. This is out of the range of the 50% cap. Up to date the cumulative funding request of NIE represents 6.6% (US\$18,676,678) of the sum of cumulative project funding decisions and funds available to support funding decisions.

2.2 Consideration of Issues related to regional projects/programmes

The discussion on issues related to regional projects is pending since the 13th meeting of the AF. Since Germanwatch has been continuously reporting on this matter, this part will solely focus on relevant aspects to be discussed during the next AFB 18th meeting¹⁰.

However, it is important to recall that the provision of the AF gives any preference to funding of regional projects/programme compared to single projects. Although the language referring to regional project in the strategic priority¹¹ of the AF is too vague, the Board has been actively engaged in the discussion in order to find the way to finance concrete regional projects. In the discussion towards understanding, which kind of regional projects should be financed by the AF and who should implement, the secretariat has prepared several documents that outlined the practice of other funds, the implication of the interim country cap of 10 million for regional projects. In this regard, noteworthy is also the discussion of the AF at its 16th meeting to grant additional 5 million for regional projects¹² Also an ad hoc group has been set up to consider the issues of regional projects.

For this meeting the AFB has requested its members to submit their views to the secretariat by 1 May 2012. Upon this request, two members have submitted their view particularly on whether NIE could implement regional projects or whether cooperation among NIEs should be encouraged?

⁹ See Decision: B.12/9

¹⁰ See all briefings document since the 13th AFB meeting at www.germanwatch.org/klima/af

¹¹ Draft Strategic Priorities, Policies and Guidelines of the Adaptation Fund para 10 <http://www.adaptation-fund.org/document/86-draft-strategic-priorities-policies-and-guidelines-adaptation-fund>

¹² Decision B.16/28

To be able to implement a regional project a NIE should have to have the required legal authorisation but also should need to prove that they have the capacity to monitor and manage regional project. The current accreditation of NIE is only for the implementation of project taking place in their national sovereignty. Thus for the implementation of regional projects, NIE should resubmit their accreditation applications that fulfil the following standards:

i) Experience in management of regional projects; ii) an endorsement of its government and iii) the support of designated authority of some countries of region and technical capacity to exchange information and ability to arrange videoconference.

Whether NIEs should be encouraged to implement regional projects, the document highlights that such cooperation are basically welcomed. They should be initiated by the NIEs as a kind of south-south knowledge sharing, regional cooperation and reciprocal support and must therefore necessary is endorsed by the Board.

2.3 Regional project plan of Regional Implementing Entities RIE

At its last board meeting, the AF demanded the secretariat to exchange with accredited and applicant Regional Implementing Entities (RIEs) on their undertakings for regional projects/programmes in order to put in the picture the EFC at its next meeting of the essence of the discussion. In addition the AF also requested its member to submit their view by 1 May 2012 on this matter and to set up a working group in charge to follow up the consideration of regional projects plan implemented by RIEs. The Secretariat, pursuant to the AFB's request inter-exchanged with the Banque Ouest Africaine de Development (BOAD), the only accredited RIE. This part intends to highlight key outcomes of this consultation.

The BOAD has so far financed identified and implemented different sorts of regional projects. One of this is the transnational development projects, including infrastructures (transnational roads), large hydropower projects such as the Manantali dam covering Senegal, Mali and Mauritania. The approach of this project has been replicated in ex. cook stoves implementation projects in Mali and Burkina Faso. In addition, the BOAD intends to fund private sector projects submitted by individuals from different countries, although that project may be implemented in one country only. The BOAD has also experience in developing regional projects in the field of climate change mitigation. With regard to adaptation the BOAD seeks funding from the AF to finance currently a project of a single country and is exploring further regional projects.

3 Items to be considered by the Ethics and Finance committee

The Ethics and Finance Committee (EFC) is responsible for providing advice to the Board on issues of conflict of interest, ethics, finance and audit¹³. During the next meeting, which will be its 9th, the EFC will examine following documents before it makes recommendation to the Board for adoption:

3.1 Investigative procedure

This document deals with different procedures that could trigger an investigative procedure including case of misuses of the AF funds entrusted to the Implementing Entities (IE) and their Executing Entities (EE) by giving an overview of all decisions and applicable rules of the AF that could be used to prevent the AF from such a mis-management. The discussion on this matter is still ongoing and has started at the 16th meeting. Since Germanwatch¹⁴ has been covering this particular item since the upset, this part will solely focuses on new elements and their implications for the process.

All information related to cases of misconduct related to the implementation of projects funded by the AF involving the Implementing entities are within the scope of this investigative procedure¹⁵. The Investigative Function is assured by the AF secretariat mainly through a consultant hired for this purpose. Cases covered by the investigative function are corruption, fraudulent coercive practices, misuse of the resources entrusted, gross negligence, material breach.

At the next board meeting it is expected that the AF request its Secretariat to develop TORs for the Investigative consultant and authorise it to include the cost tied with this function in its Budget for the next year.

The consultant will be hired for a provisional time of two years with high possibilities of extension of the contract. It will pursue its objective in coordination with the counter partner with the goal of establishing facts on potential cases that may trigger an investigative function. The consultant will explore all indications and information received by following standard practice such as, confidentiality, protection of the whistleblowers and witness in order to determine the appropriate course to address the issues. The consultant will make then according to the substance of the findings recommendation to the EFC on the process forward and also brings the attention on any kind of conflict of interests. The investigation report is provided once the investigation is closed and should gather evidence, set forth analyses as well as outline of applicable rules and regulations that the EFC needs to consider for its recommendation to the Board. The report will be kept confidentially if it is deemed as necessary.

¹³ See document AFB/B.6/6 on the Adaptation Fund Board committee p.2

¹⁴ You can recall all Germanwatch Briefings and reports on the AF at www.germanwatch.org/klima/af

¹⁵ Cases involving executing entities working are investigated by the relevant implementing entities following their own rules and procedures.

3.2 Project Performance Report (PPR) Review Process:

The discussion at the AFB level on the annual Performance Report is still ongoing. Though, the AF has adopted the template¹⁶ to be used by the Implementing Entities (IE) for the PPR, the AF has requested at its 16th meeting the secretariat to develop a review process of the project performance reports (PPRs) and to establish a set of criteria for clearing PPRs. The template contains eight sections that encompasses questions related to *Basic Data* (section 1) such as summary of milestones achieved to *Qualitative Questions and Lesson Learned* (section 8), which are open ended questions on adaptive management and measure taken. Each section is scored. The score is not bound with the performance of the project itself, but whether it meets the report standard of the AF.

The PPR is submitted by the IE on annual and rolling basis – some projects may need to report more than once a year – from the project inception or launch until it completion. The PPR is an important document that accompanies the implementation of project funded by the AF by providing essential information on the implementation progress toward defined outputs and outcomes, the adequacy of funding's disbursement and achievement of key milestone.

For this meeting it is expected that the EFC recommends to the AF to approve the review process by the Secretariat of the PPR. The present document tries to answer the question: how does this secretariat process look like and how the Secretariat would rank the PPR?

The PPRs are sent by the IEs to the EFC through to the secretariat. The Secretariat is in charge to review the substances of the PPR and to interact with the IE, when some additional clarifications are needed, before it forwards its recommendation to the EFC. The findings of the PPR review are determinant for subsequent disbursement tranche of funds for the next implementation phase of projects. This means that the disbursement is strongly linked with the clearance of the PPR.

The Performance Report review by the Secretariat is designed to be simple, transparent and standardised. In undertaking this screen, the secretariat will not only score the report against the AF standard, but also look whether any questions regarding the report do not trigger the flag. There is a flag when a PPR score 0 on any applicable yes/no. In this case, the Secretariat will request the IE further clarifications. Question Sections 2, 3, and 4 – related to financial information, procurement data, and risk assessment¹⁷ – are at the centre for such a flag. When the checklist scores 20 or more and no flag has been raised the PPR will be cleared, otherwise the Secretariat will also request further clarifications.

Project that substantiates some shortcoming regarding the performance should provide additional information on how it intends to improve the performance.

3.2.1 Options for a Fundraising Campaign and Strategy

Aware of the increasing declined of CERs price from CDM – from whose share of Proceeds monetization the AF is mainly financed – that hinders the AF to adequately finance urgent adaptation action in vulnerable countries and of the deafening silence of Annex I

¹⁶ Annual Performance Report http://www.adaptation-fund.org/sites/default/files/AFB.EFC_7.4.Rev_2%20Annual%20Performance%20Report.pdf

¹⁷ See Project Performance Report (PPR) Review Process: p.6 The financial and procurement data is the only information that provides a check of progress made against dollar amount spent, while the risk assessment section explains measures being taken to ensure the project implementation will remain on track. http://www.adaptation-fund.org/sites/default/files/AFB.EFC_9.4%20PPR%20Review%20Process.pdf

countries Parties to the Kyoto protocol to allocate resources into the AF, the AF has initiated a Fundraising Campaign Strategy that targets a mobilisation of US\$100 million by end of 2013. Along this goal, the AF has made a public call of submission for innovative ways to achieve this goal.

In response to this call six organisations have submitted different views and options on how the AF could mobilise the targeted fund and beyond.

These part summaries both the submissions of the organisations and the proposed options and work plan of the secretariat for further follow-up of the Fund raising strategy.

3.2.2 Proposal of the Nature Conservancy

The **Nature Conservancy** in its submission has proposed two financial mechanisms:

- **The debt for Adaptation Swap**¹⁸ is a financial mechanism of conversion of debt. It requires and is based on an agreement between the indebted (recipient) and the creditor (donors) countries, in order to finance adaptation action. Accordingly, this option could help to achieve both reducing the external debt for developing countries and creating capitalised endowments by generating funding streams into perpetuity for adaptation to climate change priorities defined by developing country needs.¹⁹ The advantage of this option is that donors can leverage their resources to fund more deeds than giving direct grants while for the debtor countries, this mechanism is an opportunity to reduce foreign currency debt and substitute with local currency.

*However the agreement and its implementation is time consuming and requires several expertises of involved parties and stakeholders as well as sound monitoring and evaluation framework to implement the option. In addition further information is needed to get better insight of this proposal. T as well as to find the implication of this mechanism for the AF on adaptation project/programme be proposed containing a debt-for-adaptation swap as its internal financial mechanism, especially vis-a-vis the Fund's mandate to fund only concrete adaptation projects/programmes.*²⁰

- The second financial mechanism proposed is **Water Fund**. Water Fund is an innovative way to compensate the nature for its service. For this particular mechanism, a part of the capitals paid for the service by water users is invested in a trust fund and interest out of its capital will be used to leverage public and private funds to improve conservation practices of watershed. Accordingly, the AF could invest its resources to existing Water Funds in order to use their structure to leverage its resources.

The AF could invest collaboratively with accredited NIEs its resources to create new water funds, as a kind of local funding that can mobilise funds to finance adaptation in the ground. At this stage, it is relevant to use the mechanism to embed in a project/programme proposal, rather than becoming a source of new funding for the Fund's Trust Fund at this stage. By designing this mechanism, it is important to find a way how could the Water Fund matches with the provisions of the AF

¹⁸ AFB/EFC.9/Inf.1: Options for a Fundraising Campaign and Strategy Institute for Global Environmental Strategies (IGES): Views and Inputs on Options for a Fundraising Strategy and Campaign for the Adaptation Fund p. 3

¹⁹ There are different types of potential debt for Adaptation inter alia bilateral swaps, commercial swaps and bilateral swaps funded by third party. See AFB/EFC.9/Inf.1: Options for a Fundraising Campaign and Strategy: Suman Apparusu on behalf of Nature conservancy: Generating new and additional financial flows for adaptation to climate change Submission of The Nature Conservancy to the Adaptation Fund Board and its Secretariat April 30, 2012 p.2

²⁰ Summary of the secretariat AFB/EFC.9/5 Options for a Fundraising Campaign and Strategy

3.2.3 Proposal of Institute for Global Environmental Strategies

The **Institute for Global Environmental Strategies** (IGES) proposed seven options of financial mechanism to be explored by the AF in its fundraising strategy²¹. Because of the scope of this briefing paper, one would pick out only three of them, which are in our point of view worth being followed.

Individual donations by using the facility of the UN Foundation and Adaptation certificates: These options have a low level of predictability, because of their reliance to countries politics and charitable environmental aid organisations. It is not complicated as the above mentioned options and the transaction and transfer will be easily since the AF would use the facility of the UN Foundation.

The Adaptation certificates are issued to be bought by the Organisations willing to participate in the scheme. The transaction of the certificate are recorded in the so called Adaptation Fund Registry, which will be published on the AF web site and used by the contributors for its public relation and corporate social responsibility strategy.

Regarding this option, the secretariat is of the point of view that is indispensable to gauge the appetite of potential donors. In its consultation with the potential donors, particular highlight should be given on the feature and uniqueness of the AF so as to provide strong argumentations why the donors should allocate money into the AF. In doing so, two presentations are planned to reach potential philanthropic organisation in America and Europe. The outcomes of the meetings, as per recommendation of the Secretariat to the AF, should present to the AFB by no longer than at its first meeting in 2013 in order that it decides the next steps.

Promissory Notes and Bonds: The Adaptation Bond has the potential to exploit market based financing that can generate huge amount of money than individual donations. It also has the potential to enhance formally the pledge by the donors. However, there are some risks bound with promissory notes such as the uncertainty that financial guarantee are not honoured. In addition, its implementation postulates certain institutional arrangement.

For the time being the AF Secretariat suggest keeping the option in sight until it is clear how to accommodate the option to the AF. At the same time the AF should keep on in its interaction with potential donors at each international environmental fora.

Disaster Risk Insurance: The funding window for disaster risk insurance by building on existing and on-going initiatives can potentially facilitate PPPs. The experiences showed that without public finance support, it remains quite difficult to attract finance from private insurance companies to cover high risks embedded in social and economic structures in developing countries.

In addition the option is too vague and it is not clear how it will be applied to the AF. Also, it needs to be clarify how such a commercial oriented mechanism could fit with the provision of the AF.

²¹ These options are: 1) Individual donations (UN Foundation); 2) Issuance of Adaptation Certificates, 3) Promissory notes, 4) Debt for adaptation swaps, 5) Disaster risk insurance, 6) Investment guarantees for adaptation, 7) Adaptation Fund Bonds

3.2.4 Proposal of Perspectives

Perspectives also submitted a proposal titled driving meaningful Adaptation Action through an **Adaptation Market Mechanism (AMM)**. AMM could enable the allocation of adaptation funds through additional enticement of public and private actors. Yet market has not been used to tap adaptation purposes, although there are several markets instruments used to finance for mitigation action. The goal of the suggested Adaptation Market Mechanism (AMM) is to fashion a market that can encourage private and public actors by providing financial enticement. The proposed of AMM includes concept of tradable permits but also of project-based offsets by maximising cost effectiveness of adaptation measures.

However it is questionable how the AF could negotiate adaptation target on international level. Therefore it is essential that the option being discussed within the UNFCCC process, before the AF could tap its potential.

3.2.5 Proposal of Higher Group Foundation

Higher Group Foundation suggested the concept of **Vulnerability Reduction Credits** which are set up through a baseline. In order to implement this option it is primarily important to make out a pilot project by undertaking an assessment of baseline and setting guidelines for vulnerabilities. Also trivial is to raise awareness of government and stakeholder involved on the notion of vulnerability so as to incentivise their support for VRC credits.

The option is interesting strategy to sustainably reduce the vulnerability. Its implementation however requires an accommodation of the Policies and Guidelines of the AF. In addition a framework is needed to supervise, verify monitor and evaluate the mechanism. This is time consuming and will bring additional cost with.

3.2.6 Conclusion

In term of next steps, the Secretariat suggests the Board requesting it to continue its analysis of debt-for-adaptation swaps, water funds, disaster risk insurance and investment guarantees, taking into account the Fund's experience on its own portfolio of projects and programmes, and in consultation with the trustee. In addition the Secretariat proposes to organise two workshop for philanthropic organisation as it is above mentioned as well as assist the Chair to organise a follow up meeting on the dialogue.

Without doubt the AF Fund Raising Strategy is a good starting point to secure additional funding for the AF, however, realising the objective of US\$ 100 million by the end of 2013 is in deed very challenging, given the current global financial situation. The options presented in the document are all interesting and could more or less be assigned to the AF. In doing so the AF should emphasis its feature and structural uniqueness by demonstrating the comparative advantages to allocate money into the AF. At the same time it should sent a strong signal that it meets the needs of the recipient countries while it ensures that the money it disburses are well managed and deliver the agreed and expected benefit.

3.3 Board , Secretariat and trustee Budget for Fiscal year 2013 (FY13):

As each June session of the AF, the AFB is requested to approve the fiscal year for the upcoming fiscal year. This part will deal with the document that outlines a detailed overview of the Budget of Board, Secretariat and trustee Budget for Fiscal year 2013 FY13 from July, 2012 to 30 June, 2013.

Noteworthy is that the actual estimated of the FY12 is US\$ 1017197 less than the approved budget of FY12. The overall proposed budget for secretariat cost for the FY13 adds up to US\$ 3,270,411 to cover the costs of the operations of the Board and secretariat. This represent an increase of the travel cost US\$ 451619. Out of the amount US\$ 828,524 should be used to cover the AF secretariat staff and US\$ 223,023 for the GEF Staff cross support cost.

All amounts in US\$		Approved FY12	Actual Estimated FY12	Proposed FY13
BOARD AND SECRETARIAT				
01	Personnel	1,727,768	1,304,128	1,755,747
02	Travel	1,057,810	591,727	717,400
03	General operations	297,264	195,614	297,264
04	Meetings	515,000	489,176	500,000
Sub-total Board and secretariat		3,597,842	2,580,645	3,270,411
TRUSTEE				
01	CER Monetization	678,000	514,000	520,000
02	Financial and Program Management	140,000	157,000	173,000
03	Investment Management	70,000	85,000	70,000
04	Accounting and Reporting	55,000	56,000	56,000
05	Legal Services	55,000	34,000	15,000
06	External Audit	90,000	42,000	60,000
Sub-total trustee services		1,088,000	888,000	894,000
07	Special Initiative: FIF IT Systems			150,000
Sub-total trustee		1,088,000	888,000	1,044,000
GRAND TOTAL ALL COMPONENTS		4,685,842	3,468,645	4,314,411

The World Bank as Trustee will charge the AF for its services US\$ 1,044,000, which is a decrease of US\$ 44,000 compared to the approved budget for the ending fiscal year. It is also important to highlight that the actual estimated budget for the Trustee is US\$ 888,000 less than the approved budget for US\$ 1,088,000 FY12. This amount consist of US\$ 520,000 for CER Monetization services, and US\$ 374,000 for all other trustee services, and a one-time amount of US\$ 150,000 to cover a new integrated trustee-secretariat Information technology system.

3.4 Work plan for Fiscal Year 2013 FY13

The approval of the budget for a fiscal year is always linked with the work plan of this fiscal year. The document listed all the activities undertaken by the AF during the fiscal year 2012 that ends by end of June as well as the planned work plan for the FY13. During the FY12 the AFB undertook several activities that have been continuously reported in our briefing and report paper on the AFB meeting.

The AF has inter alia conducted accreditation workshop with the support of the UNFCCC secretariat four regional workshops Africa in Senegal, Latin America and Caribbean region in Panama, Asia and Middle East and Western Europe region in the Philippines, and finally, Pacific region in Apia, Samoa . It is however important to recall certain of those activities that are pending and will be worked out during the next fiscal year

Among these issues, the review of the institutional arrangement is the most important one²². The SBI invited the AF to provide its report on the review by 13 August 2013, so as that it could be considered by the CMP in Doha. Furthermore the AF has been requested to provide additional information on the cost of the AFB.

Among the actions planned for the FY13 there will be a monitor and review of the operation of the AF, including its administrative arrangements and the expenditures incurred under the Adaptation Fund. In addition to the actions mandated by the CMP, the AFB plans in its tentative work plan to implement its partnership with the UN Foundation that would raise funds for the AF through an online donation. Along this line the AF intend to undertake fundraising activities through the manager of the AF and further considers its fundraising strategy. Also during the FY13 it is expected that the AF further considers its investigative procedure. In addition the AFB plans to conduct an overall evaluation of the Fund²³, to establish a project pipeline as soon the 50% cap of MIE projects are exceeded and revise the terms of reference of the Accreditation Panel.

3.5 Budget for the Work programme of the Evaluation Function for the 2013

This part shortly presents the proposed Budget to cover the cost of the planned activities for the FY13. As recall, the AF has entrusted its evaluation function to the GEF Evaluation Office for an interim period of three years and adopted the Evaluation Framework²⁴. The Evaluation Function is in charge of all issues related to the evaluation supported by the Evaluation Framework. These include the evaluation of the effectiveness of all projects supported by the AF and report to the AF the lessons to be learnt **Evaluation Function (EF)**.

Evaluation Activity	Cost	Estimated by end of FY2012	FY2013 budget request
Evaluation Framework	Consultant	\$9,000	0
Final Evaluation Guidelines	Consultant	\$1,000	\$1,000
Adaptation Fund Evaluation Report	Consultant	0	\$3,000
EO Staff Costs		\$12,000	\$8,000
Travel to AFB meetings		\$6,200	\$6,000
Total		\$28,200	\$18,000

In addition it should recommend minimum evaluation standards within the AF necessary to ensure improved and consistent measurement **Advisory Function**; and the provision of quality control of the minimum evaluation requirement **Oversight Function**. In fulfilling this task, the EF should develop an annual Evaluation Work Programme that includes all aspects related to the implementation of the EF. The main tasks are

²² Decision 6/CMP.6, paragraph 3 and 1/CMP.3 para 33

²³ Report of the 10th meeting of the AFB Annex IV para 24

²⁴ Evaluation Framework: <http://www.adaptation-fund.org/document/evaluation-framework>

3.6 Direct CER sales to government

According to the mandate the World Bank (WB) acting as interim Trustee of the AF, the WB is in charge of the monetisation of the share of proceed of CDM project activities, from whose monetization the AF is mainly financed. Accordingly, the WB should undertake the monetization of the AF's Certified Emission Reduction (CER) certificates in compliance with the principles of cost effectiveness, inclusiveness and transparency. Based on the experience and the changing reality on the Carbon Market, the AFB, by taking into account the performance so far delivered by the Trustee, requested the WB to "*present a concrete proposal for direct CER sales to governments, including the preparation of a standard legal agreement as well as to undertake necessary amendment to the CERs sales Guidelines.*"

This part of the briefing paper summarises the new WB's CERs sales policy to sovereign government, the legal standard as a framework that regulates the direct sale of CERs to government and the required amendment of the current guidelines for monetisation in order to enable this options.

Currently CER sales are monetized by two distinct methods²⁵: i) on carbon exchanges, at prices prevailing in the market, and ii) through larger Over-the-Counter (OTC)²⁶ transactions, at minimum prices agreed in advance through brokers and dealers.

Though governments are basically eligible to purchase the AF CERs, the Trustee has not been trading with them. One of the reasons of this reluctance is obviously the lack of net benefit compared to the carbon exchanges or the OTC. Selling CERs to government has longer not being seen as lucrative because of the lack of liquidity in the carbon market to absorb the volume of sales needed by the AF. This situation may have been changed with the increasing supply and the declining demand of CERs in the market Government's purchase could however be beneficial, when they would buy the Fund's industrial gas and hydro-derived CERs, whose large amount could not be sold all at once on the market, because of the customary market prices. So, according to the Trustee, vending to the government the AF's certificate by warranting the cost effectiveness could be seen as a possibility to diversify the pool of buyers .To achieve this, some amendments and disposals should be granted.

Basically selling to government brings high costs for legal and other costs to the Adaptation Fund, the buyer and the trustee. The Trustee therefore recommends selling CERs to governments; only if the buyer agrees to purchase a minimum number of 500,000 CERs, so that this proceed could be comparable to alternative sales methods²⁷. In doing so, necessitates also setting – a minimum of 50,000 and maximum of 200,000 CERs sold per day – so that the sales are spread evenly over the years. In addition, the Trustee dissuades from setting a *price premium to cover transactions costs*, since this could cause uncertainty for both purchaser and supplier, as the real cost could not be truly assessed until the transaction will not be completed. For transparency sake, the Trustee recommends therefore all parties engaged in the deal to disclosure all information regarding any sales be-

²⁵ AFB/EFC.9/9: CER Monetization - Proposed Amendments to Monetization Program Guidelines to Permit Direct CERs Sales to Governments p.3

²⁶ Over-the-counter (OTC) derivatives are contracts that are traded (and privately negotiated) directly between two parties, without going through an exchange or other intermediary

²⁷ This minimum is subject to review and adjustment by the trustee based on prevailing CER market prices and observed transaction costs.

fore the transactions. This has no negative impacts to the CERs prices. In addition the agreed price should emanate from an unbiased benchmark and the price that will derive should be accounted as percentage of this benchmark. In other words, when the Trustee and a buyer agree to trade at a given time certain amount of CERs, the price will be the average of the highest bid price and lowest ask price²⁸.

Another option will necessitate, that not only, the buyer joins the BlueNext exchange, but also should have to settle the CER purchase on this exchange. The cost of such an arrangement is limited and shared by the actors. The advantage of this option is that all transactional and juridical activities are expected to be minimal or undertaken in frame of the BlueNext exchange. The purchaser would assume all costs associated with such membership and other requirements, and the cost to the Adaptation Fund would be limited. The disadvantage of this option however, is an obligatory membership to the BlueNext exchange and the length of the process of trading.

Since the main objective of the monetisation is to provide the AF with financial resources and not to supply government or the market with saleable CERs. The objectives of transparency, price maximization and inclusiveness should therefore take precedent over objectives that may involve 'reserving' CERs for purchase by governments on an equitable basis.²⁹ This is given because the experience that buyers are not willing to pay a premium price for CERs at the carbon market, because these are AF's one. Yet, one could reach to some extent a higher price by putting in the CERs basket, hydro, industrial gas, and so-called Green CERs, which are quite difficult to sell in high quantity at once.

Considering the above outlined pros as well as cons and the suggested modalities and guidelines for sale to government to be met, the Trustee recommends the AF to directly sell to government the CERs

The annex to the document related to the legal agreement frames these above-mentioned conditions in juridical terms and should serve as basis for the agreement for the CERs trade between the Trustee and the governments. The third part of the document amends the current guidelines for CERs sales in order to reflect the necessary provisions to enable the direct sales to governments.

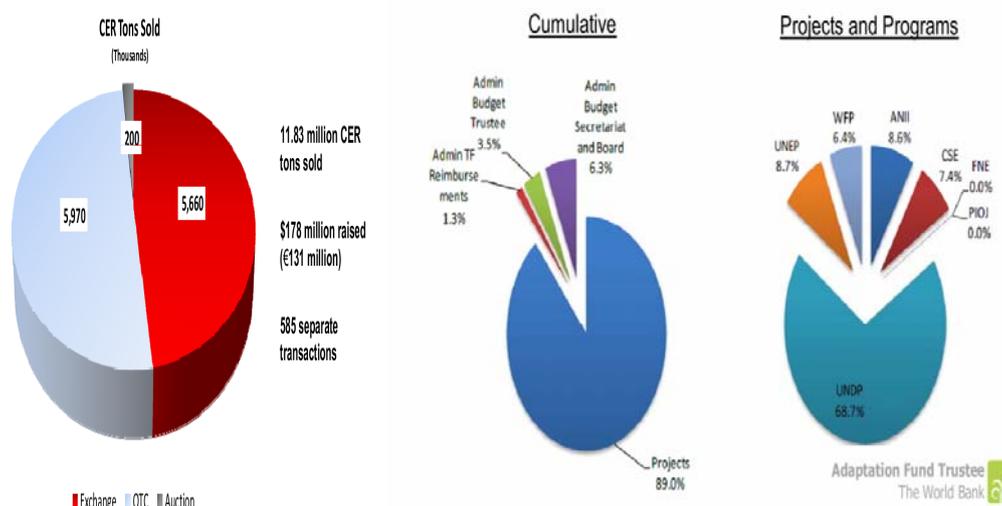
The option to sell CERs basket of hydro, industrial gas is an interesting option to encourage those countries, which are hesitant to pledge into the AF. Where there is no political will to allocate money into the AF, the purchase of AF CERs will be an alternative, that could replace the traditional way of climate finance, with the advantage to overcome the over surplus of certificates in the carbon market. However, the technical part to be undertaken by the Trustee should be accompanied with the political call of the AF.

Update on Status of Resources and CERs Monetization:

According to the Trustee, the AF Trust Fund has received US\$ 291.50 million. Out this amount, the cash receipts from CER sales proceeds amounts to US\$ 170.65 million, the cash receipts from Contributors is US\$ 119.46 million. Up to the issuance of the documents the cumulative cash transfer is US\$ 32.31 million which means that the Funds Held in trust is US\$ 259.19 million. The funds available to support new funding decision as to Mai 31 is US\$ 165.50 million

²⁸ For instance, if the highest bid price is 3.90, and the lowest ask price is 4.00, the trustee and the government would agree to average of the two, or 3.95

²⁹ AFB/EFC.9/9 p.5



This graphics are in the document Trustee Presentation: pp. 5-6³⁰

3.7 Performance Review of the Secretariat and Trustee:

The review of the institutional arrangement is a long standing issue that was supposed to be closed in Durban. As the AF was established, two institutional arrangements – with the GEF providing the secretariat service and the World Bank acting as the Trustee of the AF – on interim basis have been adopted. It was also adopted that this arrangement will be reviewed to ensure the effectiveness and adequacy of the with a view to the CMP adopting an appropriate decision on this matter at its seventh session.

In order to independently undertake this review a consultant has been hired to undertake the examination of the role and services provided by the WB and the GEF. The findings and recommendations of the consultant as well as the comments of both institutions on the review have been published short prior to the CMP 7 in Durban. So Parties were not able to debate the review arrangement, because in their view, the comment of the AFB itself was missed. The AFB was requested to submit its view on the findings for inclusion in an information document by March 2012 so as Parties could be able to start negotiating at the SBI in Mai in Bonn.

Since the AFB was not able to provide the information requested because the Ad hoc working group establish to formulate this information has not closed its task, the SBI invited the Adaptation Fund Board to make available in its report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its eighth session its views on the report on the review of the interim arrangements of the Adaptation Fund by 13 August 2012. The SBI further invited the Adaptation Fund Board to provide additional information on the administrative costs of the Adaptation Fund Board³¹.

Since the AFB has so far not published its view on the review and because of the fact that Germanwatch has prepared on behalf of the AF NGO network an analysis of the findings and the implications of the options outlined in the consultant's document³², this part will

³⁰ Trustee Presentation: Update on Status of Resources and CER Monetization: pp. 5-6 http://www.adaptation-fund.org/sites/default/files/AFB.B.18.Inf_4%20Trustee%20presentation%20-%20Update%20on%20Status%20of%20Resources%20&%20CER%20Monetization.pdf

³¹ Conclusions approved by SBI 36 on agenda item 6a of its agenda.

³² Performance Review of the Interim Arrangement of the Adaptation Fund: <http://germanwatch.org/de/download/3637.pdf>

only outlines some key elements that the should take into account in deliberating its position on the whole performance review.

3.7.1 institutional arrangement with the GEF providing the secretariat service

Regarding the institutional arrangement **with the GEF providing the secretariat service**, it is important that the AFB:

1. To enable the secretariat – as recommended by the consultant of this document – to endorse (but not to reject) the project concepts submitted to the AF.

The review suggests because of the experience gained by the AF Secretariat – with the support of the GEF expert – in reviewing project, allowing the Secretariat to endorse (rather than rejecting) the project concepts. This means that the Secretariat should forward to the AF only fully developed project and programmes for final approval ore those projects concepts to be rejected.

In doing so, the AFB particularly the PPRC could save significant time, which could be better allocated more time on issues related to project implementation such as an in depth examination of the report as well as on strategic issues related to the project to be funded. Since this would give the secretariat a strong role in the project approval process, it would be crucial to gradually scale up the AF secretariat's staff.

2. To have **an independent Secretariat as a stand-alone body within the GEF premises**. this option does not mean to cancel the current institutional arrangement, but rather to accommodate it to the reality and needs of the AF. The independent Secretariat will be lead by a Head of Secretariat responsible for the AF Secretariat staff and accountable to the AF, as proposed in option 2 of the review's recommendation. The institutional arrangement with GEF has helped the fledgling AF to grow from scratch to become a fully operational institution. However the AF is now sufficiently operational to act as a stand-alone body with its own managerial responsibility. This option would help to avoid the expensive relocation to Bonn of the AF secretariat, and at the same time strengthen the independence of the AF Secretariat vis a vis the GEF. In doing so, the Board should:

- a. Provide the secretariat with the minimum dedicated staff to be able to fulfil its core responsibility such as the review of project proposals it has received. This could be performed by gradually scaling up the number of dedicated staffs so as to avoid any capacity and expertise gaps in the review process. undertake
- b. Provide the Secretariat with a Senior Executive manager, solely accountable to the AFB.

This would allow, in contrast to the current set-up, for an effective, focussed and continuous leadership, worthy of a growing organisation such as the AF. It is a cost effective option. In addition it would enable the AF secretariat to use the services of the GEF Secretariat, should this be necessary. Since the AF is not legally empowered to employ people. So the AF needs to remain affiliated to an institution, which is so empowered to handle so.

Institutional arrangement with the IBRD acting as Trustee

For the continuation of this institutional arrangement it is important that the AFB:

1. To request the Trustee to restrict the number of its staff attending the AFB meeting to one.

2. To put in place a procedure for checking the AF's share of proceeds from CDM project activities as held by the Trustee. This would ensure that the amount of CERs held is accurate, complete and transferred on time. Since this issue has not yet been addressed or regulated either in the MoU with the Secretariat or the ToS with the Trustee, the proposed procedure should allow the AF to request the secretariat to independently confirm upon its agreement:

- a. The number of CERs due to the Adaptation Fund from the Clean Development Mechanism in the Share of Proceeds account;
- b. The number actually sold; and
- c. The value credited to the Adaptation Trust Fund as proposed in the NGO's recommendation.

According to the consultant, although the reporting of the CERs monetization is all-embracing and wide-ranging, there is a lack of information with respect to the strategic asset allocation of the resultant cash proceeds (incl. donations) by instrument counterparty and tenor.³³

3. Bearing in mind the fact that there is no clear liability of the Trustee for any losses of funds the IBRD Trusteeship, and taking note of the silence on the risk exposure of the investments transacted by the Trustee, the AF is well advised to get more involved in the investment strategy of the Trustee.

According to the consultant, the AF seems not to be adequately informed on the magnitude of the scheme set up within the IBRD to enable the exemption of its portfolio from losses resulting from unrestricted movements of capital. Regarding this particular finding the review recognises that it is sensible to disclose information about counterparties and that this is a common practice in all international funds.

The involvement of the AF in the investment strategy of the Trustee is by no means a micromanagement of the Trustee. Rather, this could be carried out on the basis of risk exposure and investment procedure, which informs the AF "through its secretariat" about the investment strategy of the Trustee. This should help to avoid both a loss of funds and any possible legal disputes upstream. This does not imply an oversight role of the Secretariat over the Trustee, but rather should ensure a strong accountability of the Trustee by the AF for any losses incurred during the investment period.

This would also address the issue relating to the lack of detailed investment-management reports. The above-mentioned procedures should give accurate information about the liquidity returns and ensure an even cash flow. It is also in accordance with the readiness showed by the Trustee in its comments to share information on its investment strategy for the AF funds and to discuss the most suitable investment for each tranche with the AF members. In addition the AF, as a Fund to finance adaptation actions in developing countries should lead by example in placing its resource in the flow of capital to solution to problems arising from natural resource depletion, pollution, demographic changes, sustainability, and climate change.

³³ see Ref FCCC/KP/CMP/2008/11/Add.2 pursuant to paragraphs 24, 25, 26, 27 and Performance Review of the Secretariat and Trustee p.38

4 CSO dialogue with the Adaptation Fund Board:

As usual, the Board members of the AF will interact with the representative CSO. This CSO will be marked by the visit of five members (from Senegal, Jamaica, Honduras, Benin and South Africa) of the Adaptation Fund NGO Network³⁴. It is expected that the five members of the AF NGO Network give an update on both the implementation of the projects funded by the AF as well as the state of debate and involvement of stakeholders in their countries on issues related to the AF. Germanwatch will also present the suggestion of the CSO to the Board as well as interact with the Board members on the future strategic development direction of the AF.

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³⁴ Emmanuel Seck, ENDA (Senegal) Isaac Ferrera, Fundacion Vida (Honduras) Indy McLymont-Lafayette, Panos Caribbean (Jamaica) Krystel Dossou, OFEDI (Benin) Bettina Koelle, Indigo (South Africa). The AF NGO Network has been initiated by Germanwatch and other NGOs to accompany the implementation of direct access projects financed by the AF in the interests of the most vulnerable communities.

Germanwatch

Following the motto "Observing, Analysing, Acting", Germanwatch has been actively promoting North-South equity and the preservation of livelihoods since 1991. In doing so, we focus on the politics and economics of the North with 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 endeavour to approach our aims by advocating fair trade relations, responsible financial markets, compliance with human rights, and the prevention of dangerous climate change.

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