

Climate Finance Advisory Service



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Daily Briefing

**26th Adaptation Fund Board Meeting
(18 March 2016)**

This is the Climate Finance Advisory Service (CFAS) Daily Briefing. Produced at key meetings and negotiations by the CFAS expert team, the Daily Briefings try to provide a concise, informative update on key discussions that have taken place at each day of the meeting and give an overview of substantive points of action or progress. Please note that this is an independent summary by CFAS and not officially mandated by the AF Board or Secretariat.

During the meetings, CFAS experts are available to provide advise to and answer specific questions for Board Members, Alternates and their advisers from developing countries. The CFAS team can be reached via cfas@germanwatch.org.

The CFAS Team

Summary from 18 March 2016

On Friday, 18 March 2016, the Adaptation Fund Board (AFB) resumed for the second day of its 27th meeting in Bonn, Germany. The day before, the AFB adopted several decisions based on the report of its two committees; the Ethics and Finance Committee and the Project and Programme Review Committee.

Readiness Programme: Phase II Progress Report and proposal for Fiscal Year 2017

A representative of the Secretariat of the Fund made a presentation on the progress made since the approval of the second phase of the readiness programme (RP) last year. He highlighted that in the new phase of the RP, the programme had evolved from concrete objectives to a holistic programme, with four components with multiple activities under each component. In addition he underscored that the programme had also helped to increase the visibility of the Fund and foster partnerships with other institutions. He further indicated that since the launch of the programme, nine Implementing Entities (seven NIEs and two RIEs) had been accredited.

In the following discussion, several Board members pointed out that the RP was pivotal for the Fund to enhance access for developing countries. They argued for the programme to become a standing feature of the Fund. One member emphasized the importance of addressing human capacity

constraints as part of the programme, stating that institutional capacity building went hand in hand with human capacity building, as institutions are managed by people. Further, some members suggested increasing the coherence with other bodies of the Convention, such as the Adaptation Committee, the Standing Committee on Finance and the Green Climate Fund among others. One member regretted the lack of any reference to NAPs and NAPAs, which are, in his view, the basis for the development of adaptation projects and questioned whether the AF could not support the elaboration of those plans. In response, the Secretariat indicated that linkages to national plans are already part of the project development guidelines. However, the AF does not have a mandate to support the development of such plans. After intense discussion, the Board took note of the progress made in the phase II of the programme. Further, it approved to integrate the RP into the AF work plan and budget. Finally, the Board approved the budget for the Fiscal Year 2017 (FY2017), with the funding of USD 616,500.

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 endeavor 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.

Pilot Programme for Regional Proposals

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.

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 AFB.

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.

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