



ADAPTATION FUND

**TC workshop on lessons learned
from relevant funds and institutions
for the design of the GCF:
The Adaptation Fund experience**

12 July 2011

Purpose of presentation

- Background
- Governance structure
- Institutional arrangements
- Financial modalities
- Role of the Designated Authority
- Access modalities
- Accreditation Process
- Financing criteria



Background of the AF

- Set up under the **Kyoto Protocol** of the UNFCCC
- **Goal:** to finance the full cost of concrete adaptation projects/programmes
- Financed from a **2% share of the CER proceeds** on the Clean Development Mechanism (CDM) project activities and other sources of funding
- **Operating entity:** Adaptation Fund Board
- **Operational procedures** development 2008-09
- **Fully operational in March 2010:** AFB issued call for project and programme proposals
- **September 2010:** first funding decisions
- **March 2010:** first accreditation decision
- **November 2010:** Disbursement of first tranche for Senegal programme (direct access). The project was launched and began implementation in January 2011.
- Several other projects/programmes under implementation currently



Governing Body: the AF Board

- The **Board** is composed of **16 members** and their **alternate members** representing Parties and constituencies:
 - 5 UN regions
 - LDCs
 - SIDS
 - Annex I Parties
 - Non-Annex I Parties
- Equitable and balanced representation of Kyoto Protocol Parties



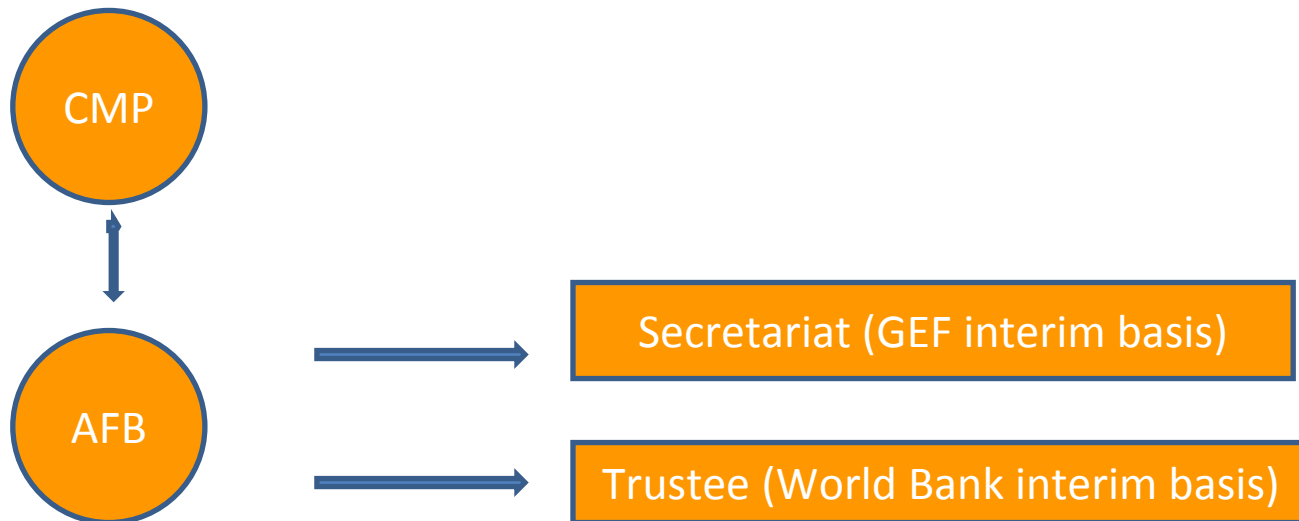
Governing Body: the AF Board

- Composition ensures non-Annex I majority:
 - balanced leadership between Annex I and non-Annex I: making decisions by **consensus** is core principle
 - ownership of the process and decisions by both groups
- **Legal capacity** conferred by Germany in February 2011: enables entering into agreements with implementing entities
- **Subsidiary bodies:**
 - Project and Programme Review Committee (**PPRC**)
 - Ethics and Finance Committee (**EFC**)
 - Accreditation Panel (**AP**)

Institutional arrangements

- Secretariat: GEF on an interim basis
- Trustee: World Bank on an interim basis

KP Parties decided that the interim institutional arrangements be reviewed in 2011



Financial modalities (TBC)

- **Proceeds from monetized CERs: *US\$ 161.3 million***
- **Annex-I parties contributions:**
 - Spain *€45M*, Monaco *€10k*, Germany *€10M*, Sweden *SK100M*
 - Pledges: Australia *AU\$ 15M*, Brussels Capital Region *€1M*
 - *Paid-in contributions: US\$ 85.8M*
- **Small private donations: *€412***

As of June 30, 2011:

- Funds held in trust *US\$ 228.4 million*
- Funding availability of *US\$ 171.6 million*
- **Funds allocated by June 30, 2011: *US\$ 60.6M*** (for 10 projects/programmes)
- **Estimated funds available by end-2012:**
 - Medium estimate *US\$ 334M* (low: 286M; high: 389M)

The Designated Authority

The DA acts as the focal point for the Adaptation Fund that represents the Government

- Requirements:
 - An official (not an entity or organization) who works for the public administration of the country
 - Must be communicated to the Adaptation Fund Board (AFB) secretariat by letter signed by a Minister, Secretary at cabinet level or Ambassador, preferably via email. Does NOT require approval by the AFB
- Functions:
 - Endorsement of the accreditation application of a National Implementing Entity.
 - Endorsement of the project/programme proposal



Access modalities

Direct Access Modality

- Eligible Parties can submit their projects/programmes ***directly*** to the AFB ***through an accredited*** National Implementing Entity (***NIE***).

Traditional Access Modality

- Parties can submit their proposals through an ***accredited*** Multilateral Implementing Entity (***MIE***).

Regional Access Modality

- A group of Parties may also nominate ***regional and sub-regional entities*** (RIE) as implementing entities.



Access modalities

NIE, RIE and MIE shall:

- a. Meet the fiduciary standards** established by the AFB:
- Financial management and integrity
 - Institutional capacity
 - Transparency, self-investigative powers and anti-corruption measures
- b. Bear full responsibility** for the **overall management** of the projects and programmes; and
- c. Carry out financial, monitoring and reporting responsibilities.**



Access modalities: the Accreditation Panel

- Established by the Board to **ensure** that organizations receiving Adaptation Fund money **meet the fiduciary standards**:
 - recommendation to the Board on accreditation, conditional accreditation, suspension or cancellation of accreditation, re-accreditation.
- **Two** Board members (Chair, Vice-Chair), **three** external technical experts.
- The Board **oversees** the work of the Panel and makes all final accreditation decisions
- The Panel started working in **January 2010**



Access modalities: the Accreditation Process

- **Step 0:** The government appoints a Designated Authority. The DA must endorse the accreditation application of Implementing Entity and all IE project/programme proposals.
- **Step 1:** Submit application:
 - a. Description of how the organization meets the specific required capabilities
 - b. Attachment of supporting documentation
- **Step 2:** Accreditation Panel Reviews Application.
- **Step 3:** Panel can request additional information/clarification from organization.
 - a. Might suggest to Board that an on-site visit is required
 - b. Might suggest that technical support needs to be provided to an applicant to improve its capacity in order to attain accreditation
- **Step 4:** Panel makes recommendation to AF Board.
- **Step 5:** AF Board makes final decision on accreditation of entity



Access modalities: Implementing Entities

- **4 National Implementing Entities accredited:**
 - Centre de Suivi Ecologique (Senegal)
 - Planning Institute of Jamaica (Jamaica)
 - Agencia Nacional de Investigación e Innovación (Uruguay)
 - Fonds National pour l'Environnement (Benin)
- **1 Regional Implementing Entity**
 - Banque Ouest Africaine de Développement (BOAD)
- **8 Multilateral Implementing Entities accredited:**
 - The World Bank, UNDP, UNEP, ADB, IFAD, WFP, WMO, IADB
- **Swift** accreditation process: can be done in **3 months**
 - Accreditation will be valid for a period of 5 years with the possibility of renewal



Why aren't there more NIEs?

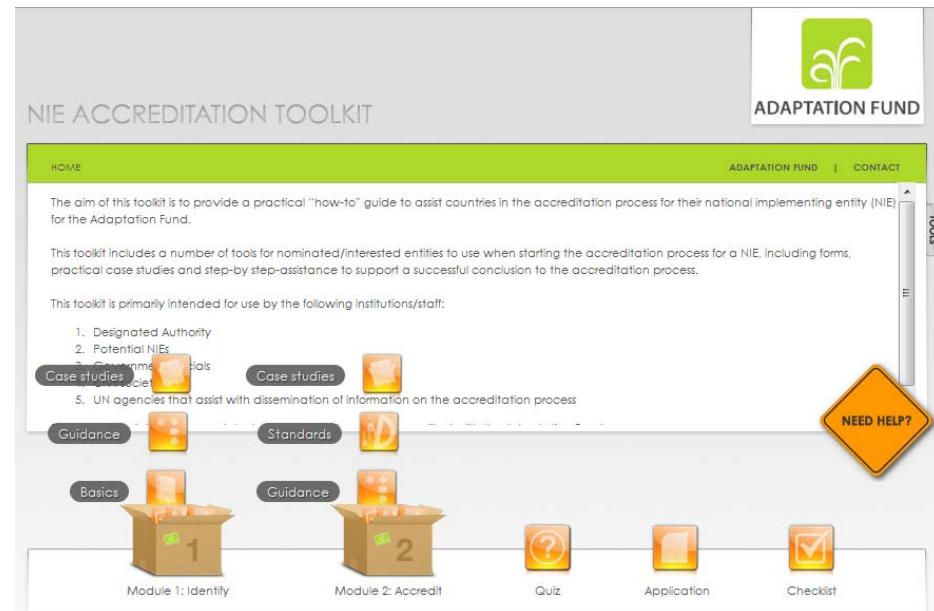
Some identified issues:

- The ***direct access modality*** and the role of the fiduciary standards ***not fully understood?***
- ***Identification*** of the most appropriate / most potential ***NIE*** within a country ***not simple?***
- Putting together ***documentation*** to support the accreditation application ***not easy?***
- Difficulties due to ***language barriers?***
- ***Lack of self-confidence?***



Measures to encourage the Direct Access Modality

- Total allocation for projects/programmes submitted by MIEs at each meeting cannot exceed 50% of cumulative resources available in the trust fund
- NIE proponents can get a Project/Programme Formulation Grant for developing endorsed concepts to full proposals
- The development of an Accreditation Toolkit in all UN languages (pictured)



Financing Criteria

- Funding provided on **full adaptation costs basis** of projects and programmes to address the adverse effects of climate change
- AF will finance projects/programmes whose principal and explicit aim is to **adapt and increase climate resilience**
- Projects/programmes have to be **concrete**: discussion on definition on-going, emphasis on impacts
- Accommodation of different country circumstances: **no prescribed sectors or approaches**
- Focus on vulnerable communities
- All projects/programmes must include a knowledge component
- Thus far received 30 project/programme proposals from a variety of sectors including, inter alia, water management, coastal management, food security, rural development, urban development, agriculture, disaster risk reduction



Thank you!



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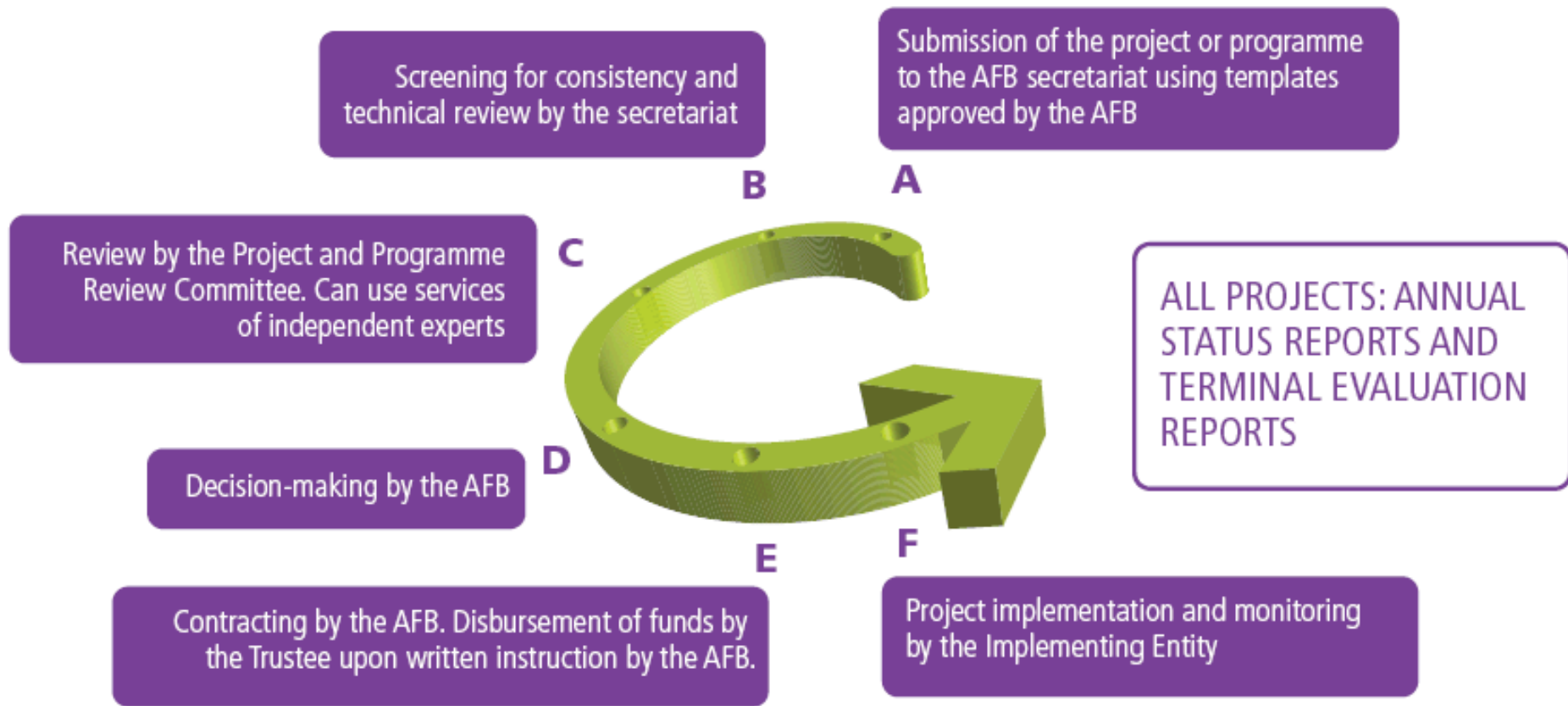


2010: First Adaptation Fund project to be financed via direct access, targeting coastal erosion in Senegal.
Coastline photos courtesy Dethie Soumare.



ADAPTATION FUND

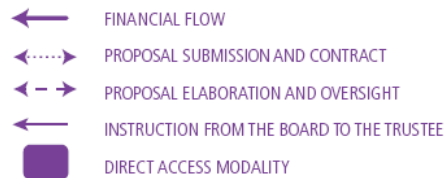
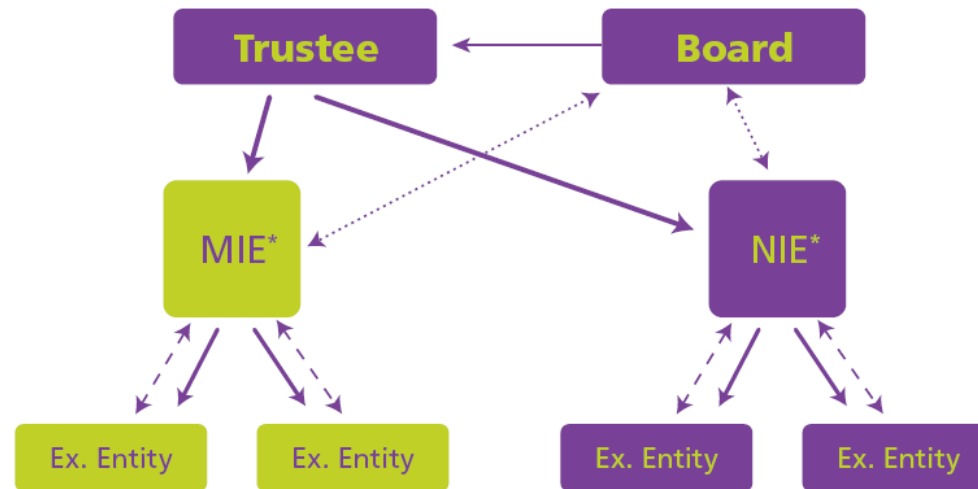
AFB PROJECT CYCLE



All proposals will be posted on the AF website with a possibility for public commenting

Access modalities

FIGURE1: MODALITIES FOR ACCESSING RESOURCES OF THE ADAPTATION FUND



* A Party nominates a National Implementing Entity or it may also nominate a Multilateral entity.



Project Review Criteria: emphasis on...

- **Consistency** with national sustainable development strategies
- **Economic, social and environmental** benefits
- **Meeting** national technical standards
- **Cost-effectiveness**
- **Arrangements** for management, financial and risk management, M&E, impact assessment
- **Avoiding duplication** with other funding sources for adaptation



Financing Criteria

- **Cap per country** is set at **USD 10 M**. No separate project/programme cap.
- For **projects/programmes larger than USD 1M**, a choice of a **one step** (full proposal) or **two step** process (concept approval and project/programme document)
- For **small-scale** projects (below USD 1M) **one-step** process
- NIE proponents can get **Project/Programme Formulation Grant** for developing endorsed concepts to full proposals
- Proposals to be **endorsed by a Designated Authority**. As of today, over **60 countries** have nominated one
- Proposals need to be submitted **at least 9 weeks before** a Board meeting

Access modalities: Fiduciary Standards

a) Financial Integrity and Management

- i. Accurate and regular recording of transactions and balances, audited periodically by an independent firm or organization
- ii. Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis
- iii. Produce forward-looking plans and budgets
- iv. Legal status to contract with the AF and third parties



Access modalities: Fiduciary Standards

b) Institutional Capacity

- i. Procurement procedures which provide for transparent practices, including on competition
- ii. Capacity to undertake monitoring and evaluation
- iii. Ability to identify, develop and appraise projects/programmes
- iv. Competence to manage or oversee the execution of the project/programme including ability to manage sub-recipients and support delivery and implementation

c) Transparency and Self-Investigative Powers

Competence to deal with financial mismanagement and others forms of malpractice



Where are we now: Operations

- AFB meetings since Sep 2010: **7 funding approvals**
 - Coastal protection and livelihoods in *Senegal* (CSE, direct access, 2-step process): **USD 8,619,000**
 - Reducing vulnerability and food security in *Ecuador* (WFP, 2-step process): **USD 7,449,468**
 - Water management structures and agricultural practices in *Eritrea* (UNDP, 1-step process): **USD 6,520,850**
 - Water management in *Honduras* (UNDP, 1-step process): **USD 5,630,300**
 - Reducing risks and vulnerability from floods and droughts in *Nicaragua* (UNDP, 2-step process): **USD 5,500,950**
 - Reducing risks and vulnerabilities from glacier lake outburst floods in Northern *Pakistan* (UNDP, 2-step process): **USD 3,906,000**
 - Strengthening food production and management systems in the Solomon Islands (UNDP, 2-step process): **USD 5,533,500**



Lessons Learned: Direct Access

- Lessons from the Accreditation Panel
 - Most applications are evaluated on a case-by-case basis
 - Emphasis on demonstration and evidence of the application of policies and standards, which may pose challenges for ministries; newly established organizations
 - Conditional accreditation may be a useful option if fiduciary standards are not fully met
 - » Additional capacity is required at the secretariat level, however, for monitoring
- Importance of the role of the Designated Authority
- Dissemination of information on the process via regional workshops and familiarization presentations remains crucial
- Temporary measures to ensure funding for vulnerable countries given limited funds: cap per country – USD 10 M
- Maintain swift processes to encourage accreditation
 - Senegal case: NIE accredited and first direct access project financed within 9 months

