



ADAPTATION FUND

Operational Policies and Guidelines of the Adaptation Fund

November 10-12
Panama City, Panama

The Adaptation Fund

An innovative financial mechanism:

- 1. Governing body: equitable and balanced representation of Kyoto Protocol Parties**
- 2. New funding source: international levy**
- 3. Direct access to AF resources for eligible countries**



Resources

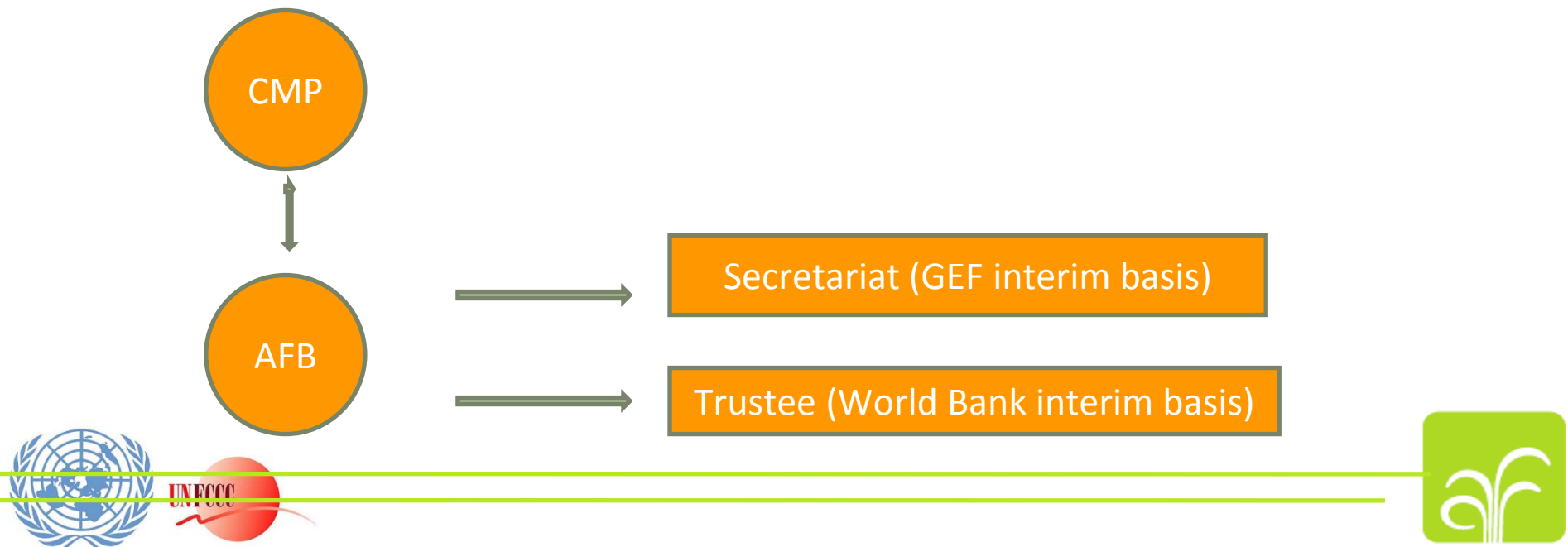
- Proceeds from monetized CERs: US\$163.2M
- Annex-I parties contributions:
 - Spain €45M, Monaco €10k, Germany €10M, Sweden SK100M
 - Pledges: Australia AU\$ 15M, Brussels Capital Region €1M
- Funds allocated by September 16, 2011: US\$ 69.7M
- Estimated funds available by end-2012:
 - Medium estimate US\$ 373M (low: 315M; high: 440M)



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



Governing Body: the AF Board

- Composed of 16 members and alternate members representing:
 - 5 UN regions
 - LDCs
 - SIDS
 - Annex I Parties
 - Non-Annex I Parties
- Equitable and balanced representation of Kyoto Protocol Parties
- Legal capacity: Germany 2011



Definitions

Projects and Programmes

- A **concrete adaptation project/programme** is defined as a set of activities aimed at addressing the adverse impacts of and risks posed by climate change. The activities shall aim at producing visible and tangible results on the ground by reducing vulnerability and increasing the adaptive capacity of human and natural systems to respond to the impacts of climate change, including climate variability. Adaptation projects/programmes can be implemented at the community, national, regional and transboundary level.



Definitions

Projects and Programmes

- Projects/programmes concern activities with a specific objective(s) and concrete outcome(s) and output(s) that are measurable, monitorable, and verifiable.
- An adaptation programme is a process, a plan or an approach for addressing climate change impacts that is broader than the scope of an individual project.
- Parties may undertake adaptation activities under the following categories:
 - Small-size projects and programmes (proposals requesting up to \$1 million); and
 - Regular projects and programmes (proposals requesting over \$1million).



Strategic Priorities

- **The Adaptation Fund:**
 - assist developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation
 - finance concrete adaptation projects and programmes that are country driven and are based on the needs, views and priorities of eligible Parties



Strategic Priorities

- **The Adaptation Fund:**
 - Should finance projects/programmes with particular emphasis on the most vulnerable communities;
 - In developing projects and programmes to be funded under the Adaptation Fund, eligible Parties should consider information included in reports from the IPCC and information generated under the Nairobi work programme on impacts, vulnerability and adaptation to climate change.



Strategic Priorities

- To finance concrete adaptation projects and programmes that:
 - take place in developing country Parties that are Parties to the Kyoto Protocol (Decision 10/CP.7)
 - are country driven and are based on the needs, views and priorities of eligible Parties (1/CMP.3)
 - take into account, *inter alia*, national sustainable development strategies, poverty reduction strategies, NCs, NAPAs and other relevant instruments, where they exist (5/CMP.2)



Strategic Priorities

- **In assessing project and programme proposals, the Adaptation Fund Board shall give particular attention to:**
 - Consistency with national sustainable development strategies, including, where appropriate, national development plans, poverty reduction strategies, national communications and national adaptation programmes of action and other relevant instruments, where they exist;
 - Economic, social and environmental benefits from the projects;
 - Meeting national technical standards, where applicable;
 - Cost-effectiveness of projects and programmes;
 - Arrangements for management, including for financial and risk management;
 - Arrangements for monitoring and evaluation and impact assessment;
 - Avoiding duplication with other funding sources for adaptation for the same project activity;
 - Moving towards a programmatic approach, where appropriate.



Strategic Priorities

- **The decision on the allocation of resources of the Adaptation Fund among eligible Parties shall take into account:**
 - Level of vulnerability;
 - Level of urgency and risks arising from delay;
 - Ensuring access to the fund in a balanced and equitable manner;
 - Lessons learned in project and programme design and implementation to be captured;
 - Securing regional co-benefits to the extent possible, where applicable;
 - Maximizing multi-sectoral or cross-sectoral benefits;
 - Adaptive capacity to the adverse effects of climate change.



Key Decisions

Adoption of the following key strategic decisions:

- Prioritization of the direct access modality
- Cap on maximum level of funding for MIEs → 50% cumulative funding decisions
- Option of a project formulation grant for NIE proponents → \$30k



Access modalities

Direct Access Modality

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

Multilateral Access Modality

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

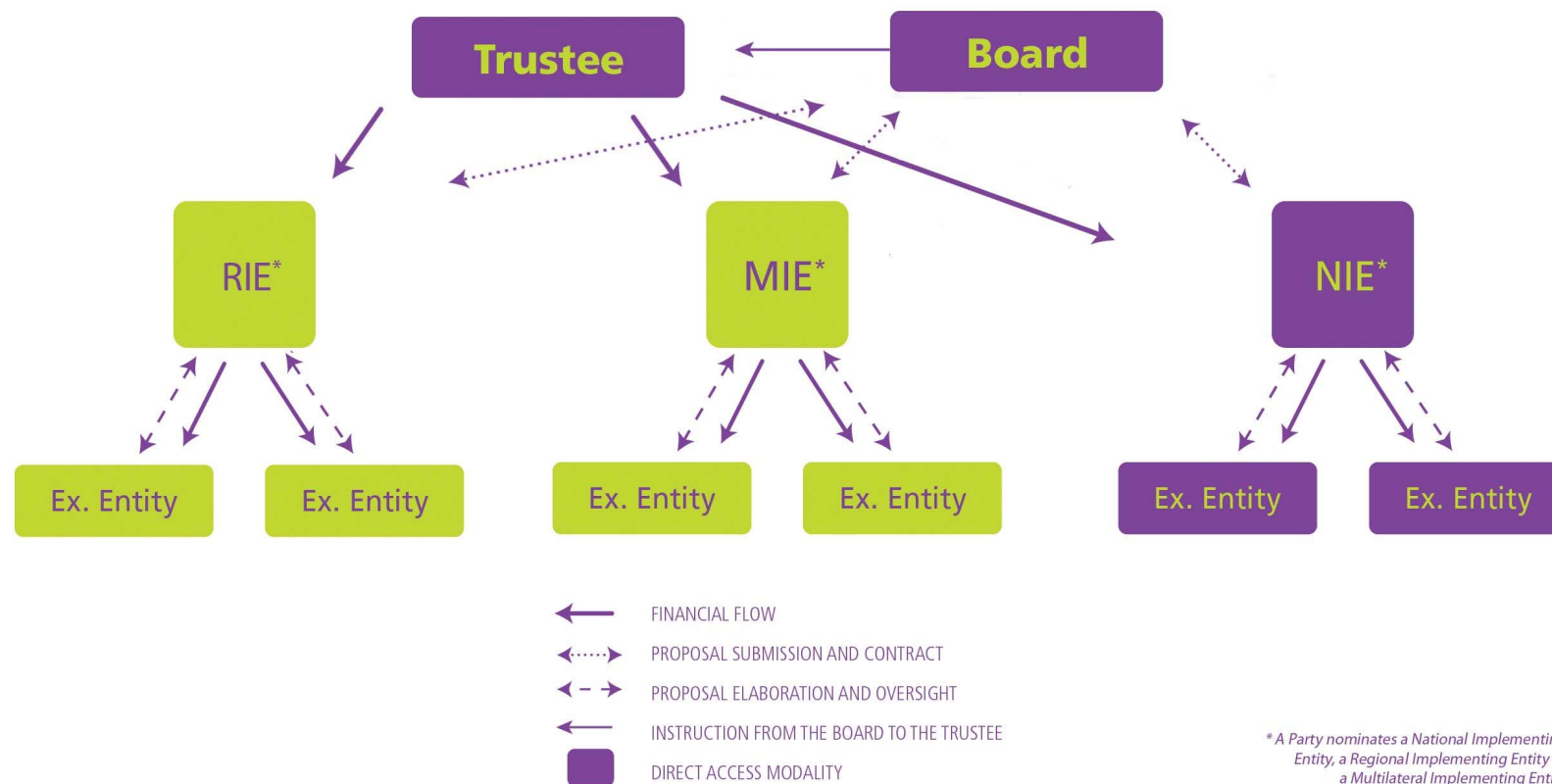
Regional Access Modality

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



Accessing the Resources of the Adaptation Fund

FIGURE 1: MODALITIES FOR ACCESSING RESOURCES OF THE ADAPTATION FUND



Designated Authorities

Institutional background:

- Each Party shall designate and communicate to the secretariat the authority that will represent the government of such Party in its relations with the Board and its secretariat.
- The Designated Authority shall be an officer within the Party's government administration.
- The communication to the secretariat shall be made in writing and signed by either a Minister, an authority at cabinet level, or the Ambassador of the Party.



Designated Authorities (cont.)

- The main responsibility of the Designated Authority is the endorsement on behalf of the national government of:
 - a) accreditation applications as National Implementing Entities submitted by national entities;
 - b) accreditation applications as Regional or Sub-regional Implementing Entities submitted by regional or sub-regional entities; and
 - c) projects and programmes proposed by the implementing entities, either national, regional, subregional, or multilateral.



Identification of an
appropriate NIE
candidate



Designated Authority (DA) is:

- The Government focal point towards the Adaptation Fund Board / AFB Secretariat
- Responsible for endorsing the use of selected implementation modality
 - NIE, MIE or RIE?
 - Which organization is the most suitable?
 - If NIE, which organization best meets criteria for applying accreditation?



Designated Authority (DA) is:

- Responsible for endorsing each project/ programme submitted for AF funding from the country
 - Understanding of the needs and priorities
 - Knowledge of adaptation-related and sector strategies and policies
 - Understanding of other adaptation activities taking place (avoidance of duplication)



Designated Authority (DA) is:

- Responsible for observing project/programme during implementation
 - Reviewing mid-term report
 - Ensuring that government continues to endorse
 - The Implementing Entity
 - The project or programme being implemented
- Eligible to call off project implementation if it ceases to endorse the IE or the project



Designated Authority (DA) is:

- A person, not an institution
 - Clarity on authority
- Specifically appointed to this task
 - Not automatically through other focal point roles, such as DNA, GEF Focal Point, etc.
- Has to bear sufficient authority at the government level to perform this function.



Appointment of DA

- The Adaptation Fund Board on April 8, 2010 sent out letters to all eligible countries requesting them to appoint DAs.
- The communication to the secretariat shall be made in writing and signed by either a Minister, an authority at cabinet level, or the Ambassador of the Party.

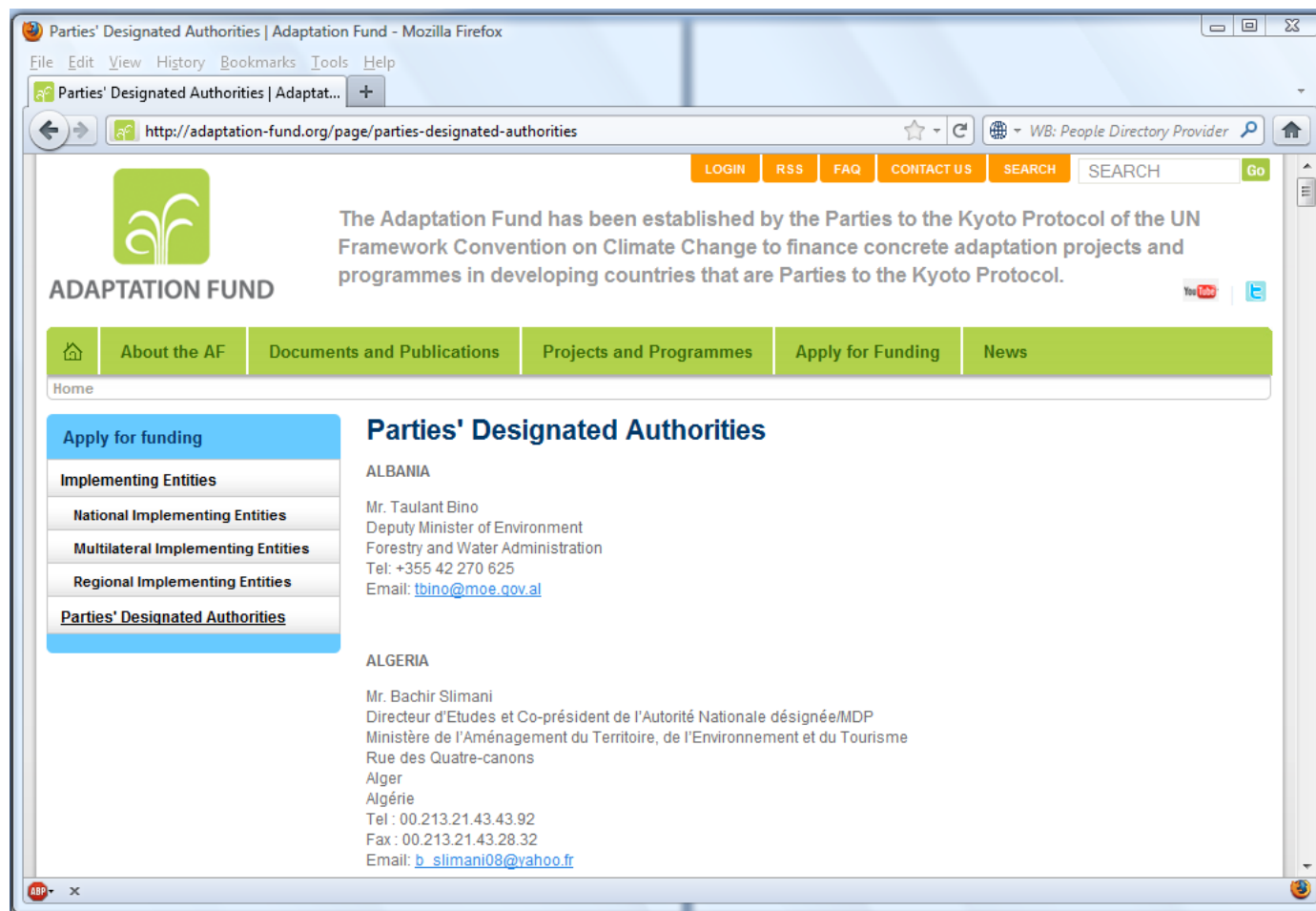


When to appoint a DA?

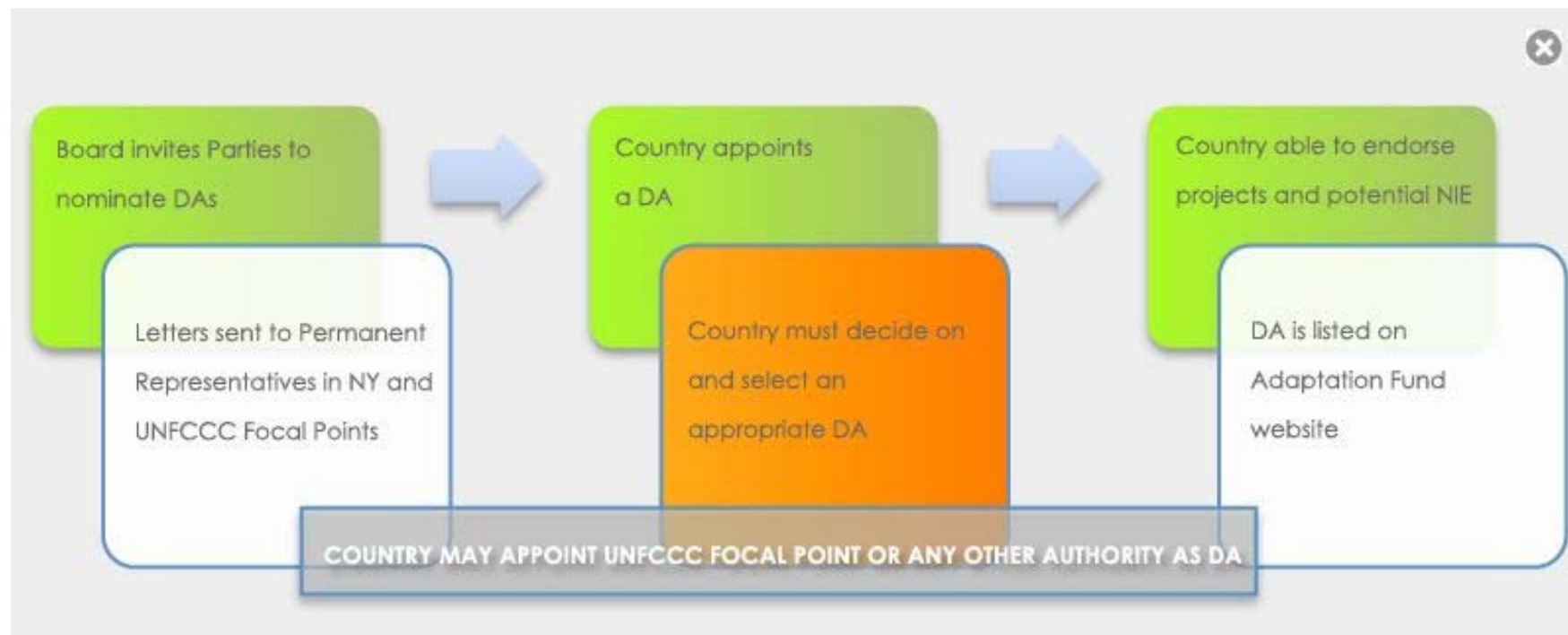
- Even if there is no active plan to have an AF project in the country, having a DA appointed ensures that the country can readily endorse national/regional implementing entities and project ideas
- Deciding on DA may take some time
- If no project / accreditation application, no additional burden to DA



DAs Listed on AF website



DA appointment process



Note: More information in the NIE Accreditation Toolkit



Identification of NIEs: Observations

- **There appears to be an absence of a robust process for undertaking selection of appropriate NIEs**
- **The Fiduciary Standard is not given adequate consideration during the selection process**
- **Inadequate due diligence**
- **Focus is primarily on handling international donor/loan funds with low priority on project management capabilities.**



NIE Role

- **Para 27 of the Operational Policies and Guidelines for parties to access resources from the Adaption Fund clearly defines the role of NIEs as below:**
- **The NIEs will bear full responsibility for the overall management of the project and programmes**
- **The NIEs will bear all the financial, monitoring and reporting responsibilities**



What is accreditation

- **To check and certify an organization's capabilities for carrying out the required tasks for meeting the defined goals**
- **Required tasks include maintenance of accounts and preparation of financial statements, provisions for external and internal audit, procurement, project management and creating and maintaining an ethical and corruption-free environment**
- **The goal is to successfully complete the projects within planned budget and time and also meet the objectives outlined in the project document**



Verifying Capabilities

- Does the organization have appropriate processes and systems defined and documented to undertake the tasks and achieve the stated objectives (refer previous slide)
- Does the organization have adequate checks and balances to monitor, control and report on the activities
- Does the organization have adequate competence at various levels for implementing the processes and systems effectively and efficiently



Criteria for Accreditation

- **The organization should be able to demonstrate/showcase capabilities in terms of policies/framework and give adequate evidence of experience in effectively carrying out the activities required**



Selecting a potential NIE

- Selection should be through a defined process and not just a one off decision
- Designated Authority (DA) needs to play a key role throughout the process



Suggested Process

- **DA to set up a Selection Committee (SC) of 2 or 3 persons**
- **Based on the requirements of the Fiduciary Standard the SC should identify a few potential NIEs.**
- **Based on preliminary assessment develop a shortlist of 2 or 3 suitable entities**
- **Undertake due diligence of the shortlisted entities**
- **Identify gaps relating to the Fiduciary Standards for the selected entities**



Process contd

- **Examine potential of each entity to bridge the gaps**
- **Select most appropriate entity**
- **Work with entity to fulfill the gaps**
- **Work with entity to complete accreditation application and supporting documentation**
- **Verify final application before submission to the Adaptation Fund**



Thank you! Gracias!

