Accessing Resources from the Adaptation Fund
Contents of presentation

• Background of the Adaptation Fund
• AF institutional arrangements: Board and committees
• Available finance
• Implementing Entities, accreditation process
• Operational status
• AF project cycle
Background of the AF

• Kyoto Protocol, art. 12.8: “Share of the proceeds from certified project activities is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation”;

• COP 7 (Marrakesh, 2001): decided that an AF be established and financed from a 2% share of the proceeds on the Clean Development Mechanism (CDM) project activities and other sources of funding;

• CMP 3 (Bali, 2007): Established the AF and set up its legal framework: Adaptation Fund Board (AFB) as operating entity served by a secretariat and a trustee;

• CMP 4 (Poznan, 2008): Legal capacity to the AFB.

• CMP 5 (Copenhagen, 2009): Germany to host the AFB.
The Adaptation Fund (AF)

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
AF Institutional arrangements

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

The Parties decided that the interim institutional arrangements shall be reviewed at the CMP.6 in 2010. The SBI at its 32nd Session decided to postpone this review until CMP7. in 2011
Governing Body: the AF Board

• The Board is composed of 16 members and their alternate members representing Parties, formally elected at a session of the CMP as follows:
  – Two representatives from each of the five UN regional groups;
  – One representative of the small island developing states;
  – One representative of the least developed country Parties;
  – Two other representatives from Annex I Parties; and
  – Two other representatives from non-Annex I parties.

• Two years term, once renewable
**Project and Programme Review Committee**

**Duties:**

a) Consider and review projects and programmes submitted to the Board by eligible Parties in accordance with the Operational Policies and Guidelines;

b) Address issues arising from projects and programmes submitted to the Board, including outstanding policy issues;

c) Review the project and programme reports submitted by National Implementing Entities (NIEs) and Multilateral Implementing Entities (MIEs) in accordance with paragraph 46 of the Operational Policies and Guidelines, with the support of the Secretariat; Report and make recommendations to the Board on project and programme approval, cancellation, termination, suspension and on any other matter under its consideration; and

d) Consider any other matter the Board deems appropriate.
Ethics and Finance Committee

Duties:

a) Develop, for approval by the Board, a draft Code of Conduct for the implementation of section VII of the Rules of Procedure in order to protect Board members and alternates and the staff of the secretariat from conflict of interest in their participation, identifying cases of conflict of interest and the related procedures;

b) Oversee the implementation of the Code of Conduct and address differences in its interpretation as well as consequences of breach of the Code of Conduct;

c) Review and provide advice on the budget for the operating expenses of the Board, secretariat and trustee;

d) Advise the Board on overall resource mobilization policy and approach, including recommendations from the trustee with respect to monetization of CERs and receipt of contributions from other sources;

e) Review the financial statements of the Fund;
Duties (continued):

f) Review the performance of the Fund and NIEs and MIEs making use of both internal and external evaluations and reports from NIEs, MIEs and other sources as appropriate;

g) Address issues concerning monitoring and evaluation of projects and programmes; including inter alia, annual status reports, Annual Monitoring Reports and other matters in accordance with paragraphs 42 to 45 of the Operational Policies and Guidelines;

h) Oversee the activities of the Secretariat involving recruitment and procurement of services and other activities related to the area of responsibility of the Committee;

i) Oversee the activities of the trustee in areas relevant to the responsibility of the Committee;

j) Consider any other matter the Board deems appropriate.
Available Finance

- International levy of 2% on the shares of proceeds of the CDM (Certified Emission Reductions, CERs)
- WB as the Trustee of the AF monetizes CERs, holds proceeds in a trust fund and disburses at the instruction of the AFB
  - Initial sales and testing of market since May 2009
- As of April, 2010:
  - About USD 106 million cumulative receipts (money from sales and contributions)
  - 3.1 million CERs in the balance of the Share of Proceeds
Available Finance (2)

• CER revenue to the AF depends on:
  – Total number of CERs issued from CDM projects
  – Prices of CERs in the carbon market

• Estimated CER income:
  – Between USD 190 and 200 million made available by end-2010,
  – Between USD 263 and 404 million by end-2012 (estimates)

• CMP 5 (Copenhagen, 2009):
  – Annex-I parties encouraged to provide additional financial resources to the AF: Euros 45 million from Spain; Germany announced Euros 10 million.
Accessing AF funding: IE structure

Direct Access Modality
• Eligible Parties can submit their projects directly to the AFB through an accredited National Implementing Entity (NIE).
• A group of Parties may also nominate regional and sub-regional entities as implementing entities in lieu of NIE.

MIE Access Modality
• Parties can submit their proposals through an accredited Multilateral Implementing Entity (MIE).
Accessing AF funding (2)
Accessing AF funding (3)

NIE 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.
Fiduciary Standards (1)

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
Fiduciary Standards (2)

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 project
   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
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.
- The first Panel started working in January 2010
  - Has met in February and May, 2010.
  - Frequent virtual meetings by teleconference.
  - Meeting schedule set to enable processing of accreditation applications before Board meetings.
The Accreditation Panel (2)

Duties:

a) Review and consideration of applications for accreditation of implementing entities, based on i.e. information provided in the Application Form.

In case an application is not immediately approved the following considerations may be taken:

(b) Determination of whether technical support needs to be provided to an applicant implementing entity to improve its capacities in order to attain accreditation, and the extent of the required support;
The Accreditation Panel (3)

Duties (continued):

c) Determination of the existence of exceptional circumstances that would justify the use of an external assessor to help resolve difficult/contentious issues;

d) Determination of the need to require additional information or resubmission of an application from an applicant implementing entity;

e) Determination of whether an on-site visit and/or observation of the designated implementing entity is required;

f) Make recommendations to the Board on the issues above, as applicable.
The Accreditation Process

• **Step 0:** The government appoints a Designated Authority. DA must endorse the nomination of a potential NIE and the project and programme proposals.

• **Step 1:** Submit application with DA endorsement:
  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 and/or observation of an organization 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:** Accreditation Panel makes recommendation to AFB.

• **Step 5:** AFB makes final decision on accreditation of entity.
Operational Status (1)

- Operational Guidelines and Procedures approved by AFB in September 2009 and contained in the Handbook
- Invitation to apply for NIE accreditation sent to all Non-Annex I parties
- Invitation to apply for MIE accreditation sent to select multilateral agencies
Operational Status (2)

- Accreditation of first NIE and 6 MIEs in June 2010:
  - NIE: Centre de Suivi Ecologique, Senegal
  - MIE: United Nations Development Programme (UNDP), The World Bank (IBRD), IFAD, ADB, WFP and UNEP

- First call for proposals in April 2010: 8 proposals:
  - Senegal (direct access), Egypt, Mauritania, Mauritius, Nicaragua, Pakistan, Solomon Islands, Turkmenistan
AF funding for projects and programmes

Some principles:

• Funding provided on full adaptation costs basis of projects and programmes to address the adverse effects of climate change.

• AF will finance projects whose principal and explicit aim is to adapt and increase climate resilience.

• AFB has not prescribed sectors or approaches: accommodating different country circumstances
Proposal evaluation: 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
AFB PROJECT CYCLE

Screening for consistency and technical review by the secretariat

Submission of the project or programme to the AFB secretariat using templates approved by the AFB

Review by the Project and Programme Review Committee. Can use services of independent experts

ALL PROJECTS: ANNUAL STATUS REPORTS AND TERMINAL EVALUATION REPORTS

Decision-making by the AFB

Contracting by the AFB. Disbursement of funds by the Trustee upon written instruction by the AFB.

Project implementation and monitoring by the Implementing Entity

All proposals will be posted on the AF website with a possibility for public commenting
AF project cycle (2):

Simplified review and approval process

• One step for project documents for projects/programmes less than $1M

• Two steps for other projects/programmes above $1M (concept approval and project/programme document) directly by the Board meetings (4-5 times a year)

• Proposals to be endorsed by a National Designated Authority. As of June 2010, 22 Countries:
  • Algeria, Argentina, Colombia, Cyprus, Egypt, Guinea-Bissau, Honduras, India, Jamaica, Madagascar, Mauritania, Mauritius, Nicaragua, Pakistan, Philippines, Samoa, Senegal, Solomon Islands, Sri Lanka, Turkmenistan, Uruguay, Viet Nam
AF project cycle (3):

- Possible to attach the 'designation‘ to a project proposal (signed by Minister).
- Proposal template:
  - Background, objectives, components, financing
  - Justification, implementation arrangements, endorsement
  - Proposals need to be submitted at least 7 weeks before a Board meeting
Thank you!

www.adaptation-fund.org
secretariat@adaptation-fund.org
# Accreditation Application – Sample Form

## SECTION I: Background/Contact

<table>
<thead>
<tr>
<th>Field</th>
<th>Details</th>
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<tbody>
<tr>
<td>Nominated Entity (if NIE):</td>
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<tr>
<td>Invited Entity (if MIE):</td>
<td></td>
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<tr>
<td>Address:</td>
<td></td>
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<tr>
<td>Country:</td>
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<td>Postal Code:</td>
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<td>Fax:</td>
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<tr>
<td>Web Address:</td>
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<tr>
<td>Contact Person:</td>
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<tr>
<td>Telephone:</td>
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<tr>
<td>Email:</td>
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</tbody>
</table>
SECTION II: Financial Management and Integrity

Specific Capability Required

a) Accurately and regularly record transactions and balances in a manner that adheres to broadly accepted good practices, and are audited periodically by an independent firm or organization;
b) Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;
c) Produce forward-looking financial plans and budgets
d) Legal status to contract with Adaptation Fund Board

Description of how entity meets capabilities required

<table>
<thead>
<tr>
<th>Inventory of Current Organizational Environment</th>
<th>Document References</th>
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<tbody>
<tr>
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</table>
## Examples of Supporting Documentation

<table>
<thead>
<tr>
<th>Required Competency</th>
<th>Verification</th>
<th>Supporting documentation that may be provided</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Management and Integrity</strong></td>
<td></td>
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</tr>
<tr>
<td>a.</td>
<td>Production of reliable financial statements that are prepared in accordance with internationally recognized accounting standards</td>
<td>Audited Financial Statements</td>
</tr>
<tr>
<td>b.</td>
<td>Production of annual external audited accounts that are consistent with recognized international auditing standards</td>
<td>i) Audit Committee’s Terms of Reference and ii) External Auditor Reports (if possible)</td>
</tr>
<tr>
<td>c.</td>
<td>Production of detailed departmental accounts</td>
<td>Sample of departmental account</td>
</tr>
<tr>
<td>d.</td>
<td>Demonstration of use of accounting packages that are recognised and familiar to accounting procedures in developing countries</td>
<td>Description of accounting package used</td>
</tr>
<tr>
<td>e.</td>
<td>Demonstration of capability for functionally independent internal auditing in accordance with internationally recognized standards</td>
<td>Policy or other published document that outlines the entity’s internal auditing function</td>
</tr>
<tr>
<td>f.</td>
<td>Demonstration of use of a control framework that is documented with clearly defined roles for management, internal auditors, the governing body, and other personnel</td>
<td>Policy or other published document that outlines the entity’s control framework</td>
</tr>
<tr>
<td>g.</td>
<td>Production of financial projections demonstrating financial solvency</td>
<td>Business plan/corporate budgets for the next fiscal year</td>
</tr>
<tr>
<td>h.</td>
<td>Demonstration of proven payment/disbursement systems</td>
<td>Procedures describing the payment/disbursement system</td>
</tr>
</tbody>
</table>
SECTION III: Requisite Institutional Capacity

Specific Capability Required

a) Ability to manage procurement procedures which provide for transparent practices, including in competition
b) Capacity to undertake monitoring and evaluation
c) Ability to identify, develop and appraise projects
d) Competency to manage or oversee the execution of projects/programmes, including ability to manage sub-recipients and to support project/programme delivery and implementation

Description of how entity meets capabilities required

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<tr>
<td><strong>Requisite Institutional Capacity</strong></td>
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<tr>
<td>a. Evidence of procurement policies and procedures at the national level that are</td>
<td>Procurement policy, procedures, or guidelines</td>
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<td>consistent with recognized international practice (including dispute resolution</td>
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<td>procedures)</td>
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<tr>
<td>b. Demonstration of existing capacities for monitoring and independent evaluation</td>
<td>Policy or other published document that outlines monitoring and evaluation</td>
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<td>that are consistent with the requirements of the Adaptation Fund</td>
<td>requirements</td>
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<td>c. Evidence of a process or system, such as a project-at-risk system, that is in</td>
<td>Procedures for project-at-risk system or similar process/system</td>
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<td>place to flag when a project has developed problems that may interfere with</td>
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<td>the achievement of its objectives, and to respond to redress the problems</td>
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<tr>
<td>d. Demonstration of availability of/access to resources for and track records of</td>
<td>Sample of appraisals undertaken</td>
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<tr>
<td>conducting appraisal activities</td>
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<tr>
<td>e. Evidence of institutional system for balanced review of projects, particularly</td>
<td>Operational manual or written procedures for project review system</td>
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<tr>
<td>for quality-at-entry during design phase</td>
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<tr>
<td>f. Evidence of risk assessment procedures in place</td>
<td>Policy or other published document that outlines the risk assessment procedures</td>
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<tr>
<td>g. Demonstration of an understanding of and capacity to oversee the technical,</td>
<td>Sample of project documents and criteria used to monitor project implementation</td>
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<tr>
<td>financial, economic, social, environmental, and legal aspects of projects and their</td>
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<td>implications</td>
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<tr>
<td>h. Demonstration of competence to execute or oversee execution of projects/programmes</td>
<td>Independent evaluation reports of completed projects/programmes</td>
<td></td>
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</tbody>
</table>
SECTION IV: Transparency, self-investigative powers, and anti-corruption measures

Specific Capability Required
a) Competence to deal with financial mis-management and other forms of malpractice

Description of how entity meets capabilities required

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<tr>
<td>a.</td>
<td>Demonstration of capacity and procedures to deal with financial mismanagement and other forms of malpractice</td>
<td>Documentation, if existing, supporting avenues for reporting compliance/other business conduct concerns</td>
</tr>
<tr>
<td>b.</td>
<td>Evidence of an objective investigation function for allegations of fraud and corruption</td>
<td>Procedures describing the role and authority of the ethics or related administrative support function</td>
</tr>
</tbody>
</table>