



ADAPTATION FUND

AFB/EFC.15/5
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Ethics and Finance Committee
Fifteenth meeting
Bonn, Germany, 9-10 October 2014

Designation of Multilateral and Regional Implementing Entities

Background

1. At its twenty-third meeting the Adaptation Fund Board (the Board), in the context of the accreditation of the European Bank for Reconstruction and Development (EBRD), discussed the definition of Multilateral Implementing Entities (MIEs) and Regional Implementing Entities (RIEs) and the distinction between them. The Board decided:

to request the secretariat to prepare a document on the designation of Multilateral and Regional Implementing entities that should draw on classifications of other organizations and should include the resource implications for any changes made to those classifications.

(Decision B.23/5)

2. The following paper provides classifications of implementing entities, as found in other organizations and as enshrined in the Adaptation Fund's (Fund) operational procedures and guidelines.

Classifications

Adaptation Fund

3. Within the Fund's own Operational Procedures and Guidelines (OPG), paragraphs 29-30 include a definition for RIEs and MIEs, they are:

"29. ...In addition to the nomination of an NIE an eligible Party may also nominate a RIE/[Sub-regional] SRIE and may submit project/programme proposals through an accredited RIE/SRIE that is operating in their region or sub-region. The application for accreditation shall be endorsed by at least two country members of the organization. The RIE/SRIEs will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring and reporting responsibilities.

30. Multilateral Implementing Entities (MIE) are those Multilateral Institutions and Regional Development Banks invited by the Board that meet the fiduciary standards and demonstrate commitment and ability to comply, as a minimum, with the environmental and social policy approved by the Board. The MIEs, chosen by eligible Parties to submit proposals to the Board, will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring and reporting responsibilities"

4. In 2009, in accordance with the Fund's OPG, 15 international bodies, including regional development banks, were invited by the Board to apply for accreditation as Multilateral Implementing Entities (MIEs). Annex I contains the letter sent along with a list of the 15 entities invited by the Board.

Climate Investment Funds (CIFs)

5. The Climate Investment Funds (CIF) are disbursed through Multilateral Development Banks (MDBs). The funds are designed to complement existing bilateral and multilateral financial mechanisms and, as such, their operations are coordinated with the programs of other

financial institutions. To ensure this, an important feature of CIF's programming is MDB engagement, under the leadership of the country, and with the United Nations Agencies and bilateral development and investment agencies, with a view to mobilizing co-financing and harmonizing policy support.

6. The CIF implementing MDBs include the Inter-American Development Bank, African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and World Bank Group.

7. The implementing arrangement is outlined in the Governance Framework of the CIFs:

*“Consistent with the experience of the Clean Energy and Development Investment Framework (CEIF), and recognizing that the Bali Action Plan, adopted by the Conference of Parties to the UNFCCC in its Decision 1/CP.13, decides to launch a comprehensive process by addressing, among other things, ways to strengthen the catalytic role of the United Nations Framework Convention on Climate Change (UNFCCC) regime in encouraging multilateral bodies to support adaptation and mitigation in a coherent and integrated way, **the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, the International Bank for Reconstruction and Development (IBRD)/International Development Association (the World Bank), and the International Finance Corporation (collectively, the MDBs),...**”¹*

Global Environment Facility (GEF)

8. The GEF uses GEF Agencies to implement projects; they are responsible for creating project proposals and for managing GEF projects. The GEF has 10 Agencies, four multilateral development banks and the World Bank Group (AfDB, ADB, EBRD, and IADB) and five UN specialized agencies (FAO, IFAD, UNEP, UNDP, UNIDO).

9. In May 2011, under the provisions of paragraph 28² of the *GEF Instrument*, the GEF Council decided to broaden its partnerships by approving the policies, procedures, and criteria for a pilot on accrediting new institutions to serve as GEF Partners for the implementation of GEF projects. Any agencies accredited under the reform are referred to as **GEF Project Agencies**. According to the GEF website the following types of entities were eligible for accreditation under rules for the GEF-5 pilot -- national institutions, regional organizations, civil

¹ Governance Framework for the Strategic Climate Fund (November 2008).

https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/SCF_Governance_Framework.pdf

² Para 28, *GEF Instrument* (2011).

http://www.thegef.org/gef/sites/thegef.org/files/documents/C.40.09_Broadening_the_GEF_Partnership.04_26_11.pdf

“The Secretariat and the Implementing Agencies under the guidance of the Council shall cooperate with other international organizations to promote achievement of the purposes of the GEF. The Implementing Agencies may make arrangements for GEF project preparation and execution by multilateral development banks, specialized agencies and programs of the United Nations, other international organizations, bilateral development agencies, national institutions, non-governmental organizations, private sector entities and academic institutions, taking into account their comparative advantages in efficient and cost-effective project execution. Such arrangements shall be made in accordance with national priorities. Pursuant to paragraph 20(f), the Council may request the Secretariat to make similar arrangements in accordance with national priorities. In the event of disagreements among the Implementing Agencies or between an Implementing Agency and any entity concerning project preparation or execution, an Implementing Agency or any entity referred to in this paragraph may request the Secretariat to seek to resolve such disagreements.

society organizations/non-governmental organizations, United Nations specialized agencies and programs, and other international organizations.³ Regional organizations are not defined further.

AF Resource Implications Classification Changes

10. The regional development banks that have been accredited as MIEs by the Board to date include: ADB, AfDB, IADB, and EBRD. None of these four entities has accessed funding from the Fund, with only one of the four submitting a project (IADB submitted a project concept on behalf of Peru in June 2012).

11. As of early October 2014, given that MIEs have reached the ceiling of 50 per cent of the Fund's cumulative resources, any projects approved by the four regional development banks above would be placed in a pipeline.

12. If these four entities were to be re-classified as RIEs for the Fund, then they could access the Funds currently available for projects and programmes to be implemented through NIEs and RIEs.

13. It is difficult to estimate how long it would take for the four banks to submit full proposals, the number of proposals they might submit, and the amount of funding they would request per project. It is also difficult to predict the likelihood of project approval.

14. To give an example of the implication on the Fund's resources, if the four entities were each able to submit one quality full-sized project for approximately US\$10M over the course of the next 12 months, then the total amount utilized would be US\$40M, a little less than 30% of the total amount currently available for projects.⁴

Conclusion

15. From the different funds that were investigated there is no clear definition for how to classify the four major regional development banks. It is clear from the Fund's OPG and the initial invitation from the Board to MIEs, that the Board was of the opinion that ADB, AfDB, IADB, and EBRD, were closer to MIEs than RIEs.

³ GEF Website. Accessed last 9/25/14. http://www.thegef.org/gef/gef_agencies

⁴ As of June 30, 2014, approximately US\$140 M was available for NIE/RIE projects

Annex I: Invitation Letter to MIEs from Board

MIE Invitation

Sub: Starting up the Adaptation Fund – Application to serve the Adaptation Fund Board as a Multilateral Implementing Entity.

The Adaptation Fund Board (AFB) is hereby inviting applications from interested organizations for possible accreditation as Multilateral Implementing Entities (MIE) in order to undertake concrete adaptation projects and programmes, funded by the Adaptation Fund (AF) in the developing countries that are Parties to the Kyoto Protocol.

As already approved by the AFB at its seventh meeting, the AF resources can be accessed by the Parties either directly through their designated National Implementing Entity (NIE) that meet the accreditation criterion of the AFB or through their chosen MIEs which possess full accreditation status under the AFB. The Operational Policies and Guidelines, which details the pre-requisites and fiduciary standards for NIEs and MIEs to access resources from the Adaptation Fund, are attached. These can also be accessed through the AFB website (<http://www.adaptation-fund.org>).

The AFB wishes to underline that applications for accreditation with the AFB should first and foremost identify comparative advantage and experience in undertaking and executing concrete adaptation projects in the developing countries. They must also demonstrate their ability to meet the administrative and financial management standards approved by the AFB.

Eligible Parties can choose a particular MIE to submit proposals to the Board. These MIEs will bear full responsibility for the overall management of the proposed projects and/or programmes financed by the AF, as well as all financial, monitoring and reporting responsibilities.

Please address all questions and applications to the AFB Secretariat, to secretariat@adaptation-fund.org.

Sincerely,

Jan Cedergren
Chair, Adaptation Fund Board

Farrukh I. Khan
Vice-Chair, Adaptation Fund Board

Annex: Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund

Agencies Invited to Serve as Multilateral Implementing Entities (MIEs)

1. The United Nations Food and Agriculture Organization
2. The United Nations International Fund for Agriculture Development
3. The United Nations Educational, Scientific and Cultural Organization
4. The United Nations Industrial Development Organization
5. The World Bank
6. The World Health Organization
7. The World Meteorological Organization
8. The United Nations Development Programme
9. The United Nations Environment Programme
10. The United Nations Human Settlement Programme
11. The United Nations World Food Programme
12. The Inter-American Development Bank
13. The African Development Bank
14. The Asian Development Bank
15. The European Bank for Reconstruction and Development