



ADAPTATION FUND

AFB/B.35-36/3/Rev.1

4 December 2020

Adaptation Fund Board

**PROCEDURAL STEPS FOR RECEIVING CONTRIBUTIONS
FROM SOURCES ALTERNATIVE TO GOVERNMENT
FUNDING**

Background

1. The Adaptation Fund Board (the Board), at its thirty-second meeting, held a discussion on the topic of the importance of documenting the procedural steps for receiving contributions from sources alternative to government funding. Considering the documents AFB/B.32/Inf.6 and AFB/B.32/Inf.7 and decision B.31-32/27, the Resource Mobilization Task Force recommended that the Board provided guidance to the secretariat and the trustee regarding engagement with non-governmental donors and a procedure for receiving funds from such donors. The Board was of the view that it was important to preserve the Fund's reputation and ensure transparency when selecting donors, and that it was necessary to have a procedure in place so that opportunities that did arise could be seized.

Following the discussion related to decision B.31-32/27 and recognizing the need to document the procedural steps to be taken to receive contributions from sources alternative to government funding such as foundations, charitable organizations, non-profit organizations, private individuals and private sector companies, the Adaptation Fund Board (the Board) decided:

(a) To request the secretariat, in consultation with the Resource Mobilization Task Force, to prepare a document on the procedural steps to be taken to receive contributions from sources alternative to government funding and present it to the Board for its consideration at its thirty-third meeting; and

(b) To request the secretariat to engage with the Resource Mobilization Task Force in reviewing potential resource mobilization opportunities involving alternative sources of contributions when opportunities are presented to the secretariat.

(Decision B.32/40)

2. The Board had recognized early in its operation the willingness of private individuals and organizations to contribute to the Adaptation Fund and their potential for complementing the Fund's resources. At its seventeenth meeting, the Board decided to:

(a) Request the secretariat to draft and negotiate a memorandum of understanding /legal agreement with United Nations Foundation (UNF) in order to formalize the partnership to collect private donations online, in consultation with the Board Chair and Vice-Chair, and make the necessary arrangements for its signature; and

(b) Launch the partnership with UNF during "Rio + 20" if the donation agreement is already signed by that date.

(Decision B.17/1)

3. Following discussions between 2011 and 2012, an arrangement with the United Nations Foundation (UNF) to collect private contributions using an online platform was concluded in October 2012, which has been extended three times in 2014, 2016 and 2018 respectively. The UNF arrangement has not, over its nearly six years of operation, indicated any issues that would reflect negatively on the Fund, or that would contradict its overall policy framework. At its thirty-third meeting due to heavy agenda, the Board was not able to discuss progress made of documenting the procedural steps for receiving contributions from sources alternative to government funding.

Procedural steps to be taken for receiving contributions from sources alternative to government funding

4. Contributions from sources alternative to government funding can be categorized into two scenarios as follows: a) contributions channeled through the United Nations Foundation (UNF) online donation link and b) contributions not channeled through the UNF online donation link. In both scenarios, in order to avoid a situation where the Fund could be exposed to real or perceived fiduciary and/or reputational risks, the default role of the AF is to serve as a “passive recipient” of funding. If the contributor has an interest in building a “partnership”, the secretariat would carefully assess and consider a possible level of the Fund’s involvement in the initiative suggested by the potential donor in light of risks and benefits and present the outcome of its preliminary analysis to the Resource Mobilization Task Force for its consideration. The secretariat would provide available information and materials related to the activities of the secretariat and suggest ways/measures to safeguard the Fund’s reputation against perceived risks identified during the secretariat’s assessment.

Scenario a): contribution channelled through the UNF online donation link

5. Private contributions are channeled through the online donation link available on the AF website. The donate link platform is managed by the UNF¹, in accordance with the Framework Agreement between the UNF and the Adaptation Fund Board and a Donation Agreement between UNF and the Trustee. The Framework Agreement with UNF was signed in October 2012, and has been extended three times in 2014, 2016 and 2018 respectively.

Scenario b): contribution not channeled through the UNF online donation link.

6. This section will describe the procedural steps to be followed when the Fund receives a proposal to contribute to the Fund from sources alternative to government funding that are not directly channelled through the UNF online donation link. The suggested steps are to ensure that the Fund responds quickly to the proposals received and the proposed contributions serve the interests of the Adaptation Fund.

- *Step 1 Preliminary Review by the secretariat.*

The secretariat will undertake screening and a preliminary review process for potential contributors before reviewing the proposals for contributions. Through this process the secretariat aims at identifying possible financial and reputational risk for the Fund prior to engaging with the potential contributor. The secretariat will also assess whether the institutional goal of the potential contributor is aligned with the overall strategy of the Fund. The outcome of this initial assessment may determine whether additional information is required from the contributor.

¹ UNF is a not-for-profit corporation with offices located in Washington, D.C., established under United States law, and is separate and distinct from the United Nations (UN), and has no legal status connected with or dependent upon the UN except as otherwise set forth in the Relationship Agreement between the UN and UNF and other applicable rules, regulations and agreements governing the UN and UNF.

- *Step 2 Due Diligence Review Process by the Trustee.*

The Trustee will undertake an internal due diligence process in accordance with the Trustee's policies and procedures for trust fund contribution management. According to the Guidelines for Accepting Unsolicited Donations approved by the Board (Annex VII to Document AFB/B.8/13/Rev.1)², as part of 'screening of non-government entity contributor,' the Trustee will undertake due diligence on a case by case basis with a view to protecting both the Adaptation Fund and the Trustee against reputational risk by assessing whether the activities of the donor or its affiliates could result in any actual or perceived harm to the Adaptation Fund, its Board, Secretariat, or Trustee. At the discretion of the Trustee, the Trustee can carry out the due diligence process directly or coordinate such process through due diligence specialized firms that carry out background checks. The cost of such due diligence exercises will be added to the Trustee budget and billed to the AF Trust Fund on a full cost recovery basis. In undertaking the due diligence process, the Trustee may apply criteria used by other public international organizations. The Trustee will consult with the Adaptation Fund Board, through the secretariat, as feasible on the results of the due diligence process. The outcome of the process may determine whether additional information is required, which could be sought by the secretariat from the contributor and whether and under what terms the Trustee may be able to receive funds into the Adaptation Fund Trust Fund. As a threshold matter, the Trustee does not receive direct contributions from private individuals.

- *Step 3 Preparation and submission of a detailed note on the resource mobilization proposal to the Resource Mobilization Task Force for guidance and input*

Once the above step 1 and step 2 are cleared, the secretariat will liaise with the potential contributor to determine objectives, roles and responsibilities, costs and timeline with a view to preparing a detailed note on the resource mobilization proposal to submit to the Board through the Resource Mobilization Task Force. The proposal would include, inter alia: a) objective of the initiative; b) role and responsibilities of each party engaged in the initiative; c) estimated direct financial cost and in-kind costs associated with the implementation of the initiative; and d) timeline and overall strategy of the initiative. Through exchange with the potential contributor, the secretariat would attempt to ensure that adequate information on the initiative would be available, and in that process, seek additional information, as necessary, from the potential contributor.

- *Step 4 Submission of the final proposal to the Resource Mobilization Task Force*

After incorporating guidance and input from the Task Force into the final proposal, the secretariat submits the final proposal and the assessment to the Resource Mobilization Task Force in accordance with Decision B.32/40 (b), for reviewing the potential resource mobilization opportunity involving alternative sources of contributions.

² The Adaptation Fund Board approved the Guidelines for Accepting Unsolicited Donations prepared by the World Bank as Trustee for the Adaptation Fund (Decision B.8/6). The guidelines are developed to provide guidance to parties interested in donating funds to the Adaptation Fund Trust Fund; to minimize the transaction costs associated with accepting resources in addition to the proceeds from CER monetization; and to ensure that donations are accepted only from appropriate donors to prevent reputational or other damage to the Adaptation Fund, its Board, Secretariat and Trustee. The Guidelines are available at https://www.adaptation-fund.org/wp-content/uploads/2015/01/AFB.B.8.11.Rev1_Guidelines_for_Accepting_Donations.pdf.

- *Step 5 Board decision on the proposal*

The Board will take a decision on whether to accept or reject the proposal submitted through the *Resource Mobilization Task Force*.

- *Step 6 Agreement with contributor*

In case the Board accepts the proposal, a specific contribution agreement to be signed between the Board and the donor may need to be prepared to define each party's roles and responsibilities. The preparation of the agreement can be done in collaboration between the secretariat and the contributor, and in consultation with the trustee, and the agreement will be submitted to the Board for its consideration and approval. When the Board approves the agreement, it will be signed by the Board and communicated to the contributor for its countersignature. An agreement between a contributor and the Trustee would also be required in accordance with the Trustee's policies and procedures for trust fund contribution management, to receive funds into the Adaptation Fund Trust Fund.

Recommendation

7. Having considered the procedural steps to be taken to receive contributions from sources alternative to government funding, the Board decides to approve the procedural steps to be taken to receive contributions from sources alternative to government funding as described in document AFB/B.35-36/3.