



ADAPTATION FUND

AFB/B.42/6
9 April 2024

Adaptation Fund Board
Forty-second meeting
Bonn, Germany, 18 -19 April 2024

Agenda item 10

**ANALYSIS OF THE PROVISIONS OF THE OPERATIONAL
POLICIES AND GUIDELINES FOR PARTIES TO ACCESS
RESOURCES FROM THE ADAPTATION FUND RELATED
TO THE DESIGNATED AUTHORITIES OF THE FUND**

Background and mandate

1. At the thirty-ninth meeting of the Adaptation Fund Board (the Board) held in October 2022, the Board adopted the second Medium-Term Strategy for the period 2023 to 2027 (MTS 2023 – 2027)¹ in Decision B.39/61. In that decision, the Board had also requested the secretariat to prepare, under the guidance of the medium-term strategy task force, a draft Implementation Plan for the Medium-Term Strategy for the Board to consider at its fortieth meeting.

2. In March 2023, the Board adopted the Implementation Plan for the second MTS 2023 – 2027, as contained in Document AFB/B.40/.5/Rev.1 (Decision B.40/72).²

3. The MTS Implementation Plan (IP) includes proposed activities under the three strategic pillars and six crosscutting strategic themes. One crosscutting theme is to “Enhance access to climate finance and long-term institutional capacity-building.” This crosscutting theme of enhancing access to climate finance is also captured in the MTS 2023 – 2027 mission statement:

“The Adaptation Fund serves the Paris Agreement by accelerating effective adaptation action and efficient access to finance, including through direct access, to respond to the urgent needs and priorities of developing countries. The Fund does so by supporting country-driven adaptation projects and programmes, innovation, and learning with concrete results at the local level that can be scaled up. All of the Fund’s activities are designed to promote locally based or locally led action, enhance access to climate finance and long-term institutional and technical capacities, empower the most vulnerable people and communities as agents of change, advance gender equality, encourage and enable the scaling and replication of results, and strengthen complementarity, coherence and synergies with other adaptation funders and actors.”

4. The MTS IP 2023 – 2027 proposes that:

“In addition to expanding the existing readiness grants, dedicated support to the Fund’s Designated Authorities (DAs) and focal points would have great potential to enhance countries’ access to climate finance and their long-term institutional capacities. Since AF grants can only be accessed by accredited IEs, the Board aims to consider options for supporting DAs through other modalities, such as through procurement and/or other support delivered through regional assistance providers.”³

5. In order to harness the potential of dedicated support to DAs for enhancing developing countries’ access to climate finance, the MTS IP identifies the following barrier and proposed action:

*“Since DAs and focal points are appointed as individuals, their high turnover is a barrier towards building long-term institutional capacities. **The Board might wish to consider changing the relevant provisions in the Fund’s OPG for institutions rather than***

¹ Available at: <https://www.adaptation-fund.org/document/medium-term-strategy-2023-2027/>

² Available at : <https://www.adaptation-fund.org/document/implementation-plan-for-medium-term-strategy-of-the-fund-for-the-period-2023-2027/>

³ See MTS Implementation Plan for 2023 to 2027, p. 36.

individuals to serve as DAs and focal points, which is a model followed by some other funds. Strengthening DA capacities will be critical to maximizing the Fund's relevance to country needs as articulated in national adaptation planning processes, including NAPs, NDCs, and Adaptation Communications" [emphasis added].

6. Having considered this proposed action in the draft MTS IP, as contained in annex I to document AFB/B.40/5/Rev.1, the Board decided to request the secretariat:

(a) To prepare an analysis of the provisions of the Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund related to the designated authorities of the Fund, with a view to providing options for Fund support to enhance the capacity of designated authorities; and

(b) To present the analysis to the Board for consideration at its forty-first meeting.

(Decision B.40/73)

7. In accordance with Decision B.40/73, this document contains an analysis of the provisions of the Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund related to the DAs of the Fund, with a view to providing options for the Fund to enhance the capacity of designated authorities for consideration of the Board.

Analysis of relevant provisions from the Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund related to the Designated Authorities of the Fund

8. The Operational Policies and Guidelines (OPG) outlines among the functions of the Board to develop and decide on specific operational policies and guidelines, including programming guidance and administrative and financial management guidelines, as well as operational policies and guidelines for eligible developing country Parties to access resources from the Fund. They are expected to evolve further based on experience acquired through the operationalization of the Fund, subsequent decisions of the Board, and future guidance from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA). They were last amended in 2022 in response to a request from the CMP in Decision 3/CMP.16, paragraphs 6 and 7.

9. The *Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund (OPG) (Amended in October 2022)*⁴ in paragraphs 21 to 23 include the following provisions on the role and responsibilities of the Designated Authority:

⁴ Available at: https://www.adaptation-fund.org/wp-content/uploads/2017/08/Amended-OPG_Oct-2022_2.pdf.

DESIGNATED AUTHORITY

21. *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. [Emphasis added]*
22. *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.*
23. *The Designated Authority shall confirm that the endorsed project/programme proposal is in accordance with the government's national or regional priorities in implementing adaptation activities to reduce adverse impacts of, and risks posed by, climate change in the country or region.*

10. In accordance with the OPG paragraph 21, an individual officer within the government's administrator can be appointed to serve as the DA, and such designation must be communicated to the secretariat in writing by a high-level government official (*"a Minister, an authority at cabinet level, or the Ambassador of the Party"*) to serve as *"the authority that will represent the government of such Party in its relations with the Board and its secretariat."* They act as the main focal points and points of contact for the Adaptation Fund.⁵

11. In line with the OPG paragraphs 22 and 23, the DAs play a critical role in the country's access to AF resources with the main responsibility of ensuring that all accreditation and project-related engagement with the Fund are relevant for supporting the countries' national priorities and needs, as articulated in national adaptation planning processes, including National Adaptation Plans (NAPs), Nationally Determined Contributions (NDCs), and Adaptation Communications. This is why the MTS IP has identified the high potential of strengthening DA capacities for maximizing the Fund's relevance to country needs and strategic access to climate finance.

The rationale for amending the DA relevant provisions in the OPG

12. Since DAs are appointed as individuals, their turnover would be a barrier to building long-term institutional capacities for accessing climate finance. In this regard, having an institution act as the DA could provide stability and continuity in countries' relationship and engagements with the Fund. This would in turn help preserve institutional knowledge and enhance continuous countries' engagement with the Fund. This is because institutions, unlike individuals, have structures and processes that can maintain consistency over time, even when specific people within the institution change roles or leave. This approach could prevent disruptions that might

⁵ All Parties' Designated Authorities and their contact details are listed on the AF website: <https://www.adaptation-fund.org/apply-funding/designated-authorities/>

occur when a single individual who serves as a DA is no longer in that position. For example, some DAs serve as political appointees, leading to their tenure ending with change in government. Allowing an institution, instead of an individual, to act as DA would mitigate the risk of disruption when the individual focal point transitions to new roles or leave the government. .

13. Currently the authority to nominate an entity for accreditation and endorse project and programme proposals lies solely with one individual. Transitioning to an entity-based DA system can also foster consultation and dialogue towards endorsement-related decision-making, and potentially allows for a secondary or alternative person to act in the absence of the DA. In practice, currently the Board and its secretariat are only mandated to engage with the individual appointed as DA, and not their offices or support staff, in day-to-day correspondences and queries related to operational matters such as readiness and accreditation, project proposal submission and project performance reports and this at times, may result in delays of implementation.

14. Additionally, expanding the DA to an entity would also enable the Board to implement other elements of the approved MTS IP 2023 – 2027 related to enhancing support for DAs, such as: *“the Board aims to consider options for supporting DAs through other modalities, such as through procurement and/or other support delivered through regional assistance providers.”* Transitioning to an entity-based DA may help the Fund develop options for providing dedicated support to DAs through the potential modalities mentioned in the MTS-IP 2023 – 2027.

Relevant practices of other climate funds

15. This part of the analysis reviews the relevant practices of other funds such as the Green Climate Fund (GCF) and the Global Environment Facility (GEF), including the GEF-managed Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF).

16. At the Global Environment Facility (GEF), each recipient country manages its GEF portfolio and relationship with the GEF Secretariat through the focal points, including a Political Focal Point (PFP) and an Operational Focal Point (OFP).⁶ Both the PFP and OFP are designated persons, not institutions.

17. In line with the GEF Stakeholder Engagement Guidelines⁷, the main points of contact include the GEF Operational Focal Point (OFP) in the government and the GEF Implementing Agencies (paragraph 23). The GEF promotes as best practice that the GEF’s Operational Focal Points (OFP), within governments hold at least one meeting every year with interested stakeholders (including the members of the CSO Network in the country) (paragraph 13). In practice, relevant endorsement letters are signed by the OFP and no other signature is accepted for this purpose. This practice is similar to the current AF model of DAs.

⁶ The list of GEF Focal Points is available on the GEF website: <https://www.thegef.org/who-we-are/focal-points>

⁷ Available here : https://www.thegef.org/sites/default/files/documents/Stakeholder_Engagement_Guidelines.pdf

18. In line with the GEF-8 Country Engagement Strategy⁸, the GEF provides the following support to GEF Focal Points: “This is demand-driven and includes support and training on portfolio management, data and information support, and onboarding. Enhanced national coordination will also be encouraged, to include Convention Focal Points, through the promotion of National Steering Committees.” As part of this strategy, “GEF Focal Points will be at the center of knowledge exchange and learning.”

19. At the Green Climate Fund (GCF), National Designated Authorities (NDAs) are government institutions that serve as the interface between each country and the Fund. They provide broad strategic oversight of the GCF’s activities in the country and communicate the country’s priorities for financing low-emission and climate-resilient development. Currently 148 countries have designated an NDA/focal point.⁹ The NDA is listed as an institution, commonly a ministry, with a primary and an optional secondary point of contact. In some cases, the primary contact is a high-level official such as a minister, with the second appointed contact at a more operational level.

20. The role of the GCF’s NDAs is stipulated in the GCF Governing Instrument, paragraph 46, and is similar to the AF’s DAs:

“Recipient countries may designate a national authority. This national designated authority will recommend to the Board funding proposals in the context of national climate strategies and plans, including through consultation processes. The national designated authorities will be consulted on other funding proposals for consideration prior to submission to the Fund, to ensure consistency with national climate strategies and plans.”

The GCF Governing Instrument does not prescribe whether the National Designated Authority is an individual or an institution.

21. Countries can use a GCF template to inform GCF of the intention to nominate an entity as NDA or Focal Point. The template includes the name of the organization with the head of the organization, a primary contact, and an optional secondary contact. It leaves it to the discretion of the relevant country to appoint one or more contact points in the NDA entity.¹⁰

Options for enhancing the capacity of Designated Authorities

22. Based on the analysis of the DA-related provisions of the OPG and the practices of other climate funds, the Board may wish to consider the following options for enhancing the capacity of the DAs:

- i. Option 1: No change to the DA-related provisions in the OPG. The DA should remain one individual within the government; OR

⁸ Available here : https://www.thegef.org/sites/default/files/documents/2022-11/EN_GEF.C.63.05_Country%20Engagement%20Strategy%20Implementation%20Arrangements-CG_0.pdf

⁹ The GCF’s NDA directory is available on the GCF website: <https://www.greenclimate.fund/about/partners/nda>.

¹⁰ The template is available on the GCF website: <https://www.greenclimate.fund/document/nomination-national-designated-authority-nda-or-focal-point>

- ii. Option 2 (recommended option): Amend the relevant provision in the OPG from “an officer” to “an entity” and allow the nomination of primary or secondary contact points/focal points in that entity (GCF model).

23. It is recommended that for both options, enhanced support is provided to DAs through the AF’s Readiness Programme.

24. Option 1 presents the above-mentioned limitations due to personnel changes including possible delays and disruptions in the execution of roles vis-à-vis the Fund and difficulties in receiving support and preserving institutional knowledge and capacity building in the context of readiness support. On the other hand, potential benefits of this options may be that the appointment of an individual allows for increased clarity on that individual’s role and responsibility as the sole focal point to ensure accountability and consistency with national climate strategies and plans.

25. Option 2 is recommended to enable an entity (rather than an individual) to provide broad strategic engagement in the AF’s activities and enhance their continuity, consistency and alignment with national climate strategies and plans. In addition, an entity-based approach would allow the possibility of providing dedicated support to the Fund’s Designated Authorities (DAs) and focal points, which ultimately will have great potential to enhance countries’ access to climate finance and their long-term institutional capacities. To further consider this option, and its potential implementation, further analysis will be needed on the operational implications related to:

- (1) Revision of the for DA nomination process, including guidance on the nomination letter;
- (2) Guidance on which individuals (for example primary and/or secondary focal points) would have the authority to sign letters of endorsement related to nominating entities for accreditation and funding proposals to be submitted to the Fund; and
- (3) How the Fund would manage the transition period from the previous model to the new model.

Recommendation

26. Having considered the information contained in document AFB/B.42/6, the Adaptation Fund Board (the Board) may want to consider and decide:

- (a) To request the secretariat to propose options for amending the provisions related to the Designated Authorities (DA) of the Fund contained in the Fund’s Operational Policies and Guidelines with a view to enhancing DAs’ capacities, in line with option 2 of Document AFB/B.42/6, for the Board’s consideration at its forty-third meeting; and
- (b) To request the secretariat to also present, as part of the options in sub-paragraph (a), an analysis of their operational implications, taking into consideration relevant practices of other climate funds and consultations with relevant stakeholders, for consideration by the Board at its forty-third meeting.