



## ADAPTATION FUND

AFB/B.14/5

August 10, 2011

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### ADAPTATION FUND BOARD

Fourteenth Meeting  
Bonn, June 20 to 22, 2011

### REPORT OF THE FOURTEENTH MEETING OF THE ADAPTATION FUND BOARD

#### INTRODUCTION

1. The fourteenth meeting of the Board of the Adaptation Fund of the Kyoto Protocol was held at the 'Langer Eugen' United Nations Campus, in Bonn, from June 20 to 22, 2011, back-to-back with the fifth meetings of the Project and Programme Review Committee (PPRC) and the Ethics and Finance Committee (EFC) of the Adaptation Fund Board. The meeting was convened pursuant to decision 1/CMP.3 adopted at the third meeting of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP).
2. The full list of the members and alternate members, nominated by their respective groups and elected pursuant to decisions 1/CMP.3, and 1/CMP.4, and participating at the meeting, is attached as Annex I to the present report. A list of all accredited observers present at the meeting can be found on the Adaptation Fund website at <http://adaptation-fund.org/afb-meeting/1349>.
3. The meeting was broadcast live through a link on the websites of the Adaptation Fund and the United Nations Convention to Combat Desertification (UNCCD). The UNCCD secretariat also provided logistical and administrative support for the hosting of the meeting.

#### **Agenda item 1: Opening of the Meeting**

4. The meeting was opened at 9.15 a.m. on Monday, June 20, 2011, by the Chair, Ms. Ana Fornells de Frutos (Spain, Annex I Parties), who greeted the members and alternates, and welcomed all the participants, to the fourteenth meeting of the Adaptation Fund Board.
5. The Chair also welcomed the new Board member, Mr. Marc-Antoine Martin (France, Annex I Parties), as well as member Ms. Barbara Letachowicz (Poland, Eastern Europe), who had previously been appointed to the Board but was attending a Board meeting for the first time.

## **Agenda item 2: Organizational matters**

### *(a) Adoption of the agenda*

6. The Board considered the provisional agenda contained in document AFB/B.14/1/Rev.1, as well as the provisional annotated agenda contained in document AFB/B.14/2, and the provisional timetable attached to it. The Board also agreed to consider the following issue under agenda item 13, "Other matters": a report by the United Nations Framework Convention on Climate Change (UNFCCC) secretariat on regional workshops to support the accreditation of National Implementing Entities (NIEs).

7. The Board adopted the agenda, as orally amended, which is contained in Annex II to the present report, and the provisional timetable, as proposed by the Chair.

### *(b) Organization of work*

8. The Board adopted the organization of work proposed by the Chair.

### *(c) Declarations of conflict of interest*

9. The Chair said that Ms. Barbara Letachowicz (Poland, Eastern Europe), and Mr. Marc-Antoine Martin (France, Annex I Parties) would need to sign the oath of service.

10. The oath of service was distributed to the new members; and all the members and alternates were asked to declare any conflicts of interest with the items on the agenda for the meeting. The following members and alternates declared conflicts of interest:

- (a) Mr. Amjad Abdulla (Maldives, Small Island Developing States);
- (b) Mr. Damdin Dagvadorj (Mongolia, Asia);
- (c) Mr. Mirza Shawkat Ali (Bangladesh, Least Developed Countries);
- (d) Mr. Richard Muyungi (United Republic of Tanzania, Least Developed Countries);
- (e) Mr. Santiago Reyna (Argentina, Latin American and Caribbean Countries);
- (f) Mr. Jeffery Spooner (Jamaica, Latin American and Caribbean Countries); and
- (g) Mr. Peceli Vocea (Fiji, Small Island Developing States).

11. The Manager of the Adaptation Fund Board secretariat, Ms. Marcia Levaggi, also said that as she was an Argentine Government officer on leave, she would have a conflict of interest when the project for Argentina was being discussed.

## **Agenda item 3: Report on intersessional activities of the Chair**

12. The Chair, reporting on her activities during the intersessional period, said that she and the Vice-Chair, Mr. Luis Santos (Uruguay, Latin American and Caribbean Countries), had contacted donor countries in an effort to obtain larger donations to the Adaptation Fund and that

they would continue those contacts. She also reported that the Board had met with representatives of civil society before the present meeting to continue the Board's ongoing dialogue with civil society. She suggested that it would also be important to meet with the representatives of civil society and the Annex I Parties in Durban, South Africa, before the 16th meeting of the Board. The Chair said that she had worked with the members of the Accreditation Panel intersessionally and had participated in a side-event at the UNFCCC Subsidiary Bodies that took place in Bonn, Germany, on June 15, 2011, with the former Chair of the Board, Mr. Richard Muyungi; the former chair of the PPRC, Mr. Amjad Abdulla; and the Chair of the EFC, Mr. Mirza Shawkat Ali; and the Manager of the secretariat on the key lessons learned of the Adaptation Fund.

13. The Chair also spoke on the follow-up to decision B.13/21. A letter had been sent to Ms. Patricia Espinosa Cantellano, President of COP16/CMP6 and Ms. Christiana Figueres, Executive Secretary of the UNFCCC requesting that the Adaptation Fund Board, and its secretariat, be invited to participate in the work of the Transitional Committee of the Green Climate Fund. The letters, as well as corresponding responses were circulated amongst the Board. Further, the Technical Support Unit of the Transitional Committee sent a questionnaire requesting information on various aspects related to the operations of the Adaptation Fund. She and the Vice-Chair assisted by the secretariat had completed the questionnaire and submitted it to the Transitional Committee. She also said, with respect to the accreditation workshops, that the Vice-Chair and she had organized and participated in informal presentations to regional groups [Asian Group, African Group (in French and English), SIDS, LDCs (English), GRULAC, and SICA (Spanish)] that were made by the secretariat on the margins of the recent meeting of the subsidiary bodies of the UNFCCC, held in Bonn from June 6 to 16, 2011.

14. Following the presentation of the Chair, the Board decided to:

- (a) Invite members of civil society to enter into a dialogue with the members and alternates of the Adaptation Fund Board in Durban, the day prior to the seventh meetings of the Project and Programme Review Committee (PPRC) and Ethics and Finance Committee (EFC);
- (b) Further invite representatives of those bilateral and multilateral institutions that are supporting the accreditation process of National Implementing Entities to present the results of their capacity-building activities and to also enter into a dialogue with the members and alternates of the Adaptation Fund Board the day prior to the seventh meetings of the PPRC and EFC;
- (c) To request the secretariat of the United Nations Framework Convention on Climate Change to provide the Adaptation Fund Board with a booth at the seventh meeting of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (d) To send letters to Annex I Parties informing them of the dialogue referred to in item (b) above and the need to further support the accreditation process through their bilateral agencies; and
- (e) Invite Annex I Parties to:
  - (i) Make contributions to the Adaptation Fund; and

- (ii) Specify the pledges that they had already made.

**(Decision B.14/1).**

#### **Agenda item 4: Report on the activities of the secretariat**

15. The Manager of the Adaptation Fund Board secretariat reported on the activities of the secretariat during the intersessional period, as more fully described in document AFB/B.14/3. She said that the secretariat had continued to screen applications for accreditation and that it had received three new requests for accreditation as NIEs as well as one request from a multilateral organization. Since the inception of the accreditation process the secretariat had screened 18 applications from non-Annex I Parties, two from regional organizations and development banks, and 11 from multilateral organizations and development banks. Of those, the Panel had so far reviewed all the applications with the exception of four applications from non-annex I Parties.. The secretariat had worked closely with the Panel Chair and Vice-Chair and had assisted the Panel with its discussions, and pursuant to decision B.13/4, an Adaptation Officer of the secretariat had participated in the field visit to an applicant NIE, from June 6 to 10, 2011, in order to assist an Accreditation Panel member.

16. The secretariat had also finalized the legal agreements and transfer forms on the approved projects for Ecuador, Eritrea and the Solomon Islands, which had already been signed by the Chair of the Adaptation Fund Board and the representatives of the Multilateral Implementing Entities (MIEs); the secretariat had also prepared the legal agreement and transfer form on the approved project formulation grant for Uruguay, although that NIE had not yet returned the document. The Manager of the Adaptation Fund Board secretariat also shared a report prepared by the United Nations Development Programme (UNDP) on the projects approved for funding and being implemented by the MIE. The report of UNDP is attached as Annex IV to the present report.

17. During the intersessional period the secretariat had assisted the working group on regional workshops to promote NIE accreditation, set up under decision B.13/8, in the preparation of several documents: a draft invitation letter, information sheets, and a draft programme for the workshops. That material had been sent to the UNFCCC secretariat, and the Adaptation Fund Board secretariat had continued to work closely with UNFCCC on that subject. The Manager of the Adaptation Fund Board secretariat had also, pursuant to decision B.13/1, participated in the GEF Extended Constituency Workshop (ECW) in Cartagena, Colombia, from April 27 to 29, 2011. She said that an Adaption Officer would also participate in the ECW that would be held in Dakar, Senegal, from July 6 to 8, 2011.

18. She also reported that the secretariat was revamping its website to integrate the messages developed in the communications strategy, and that the recruitment process of the candidate selected for the position of Operations Officer (Accreditation) was under way. The Board was also informed that Ms. Aya Mimura, a national of Japan, had joined the secretariat as the programme assistant on April 11, 2011.

19. Following the report by the Manager of the Adaptation Fund Board secretariat, the Board decided to:

- (a) Request members and alternates to submit views on how to improve the webpage of the Adaptation Fund;

- (b) To further request input from civil society on the improvement of the webpage of the Adaptation Fund; and
- (c) To request those submitting that information to do so by July 15, 2011; and
- (d) To request the secretariat to provide instructions on the website on converting the accreditation toolkit content to PDF format.

**(Decision B.14/2)**

#### **Agenda item 5: Report of the sixth meeting of the Accreditation Panel**

20. Mr. Santiago Reyna, Chair of the Accreditation Panel, introduced the report of the sixth meeting of the Accreditation Panel, which was more fully described in document AFB/B.14/4. In his presentation Mr. Reyna said that the Panel had continued its work of reviewing both new and existing applications. It had considered five new applications: two as NIEs, two as regional implementing entities (RIEs) and one as a MIE. It had also reviewed the results of field visits to two applicant institutions and had considered four NIE applications that had been previously reviewed but required additional information in order for the Panel to make its recommendations. At the time of the finalization of its present report, the Panel had concluded the review of three applications, one of which was subsequently withdrawn by the entity; the country concerned had identified another organization to act as implementing entity and had indicated its intention to apply for its consideration at the seventh meeting of the Panel. Two field visits had also taken place: one to the National Environment Fund of Benin (NEF), from June 6 to 9, 2011, and one to the Banque Ouest Africaine de Développement (BOAD), on June 10, 2011, which had incurred no additional cost to the Fund as the team had been able to make that visit by motorcar from Benin.

21. The Chair of the Panel said that the field visit had revealed that NEF had a small staff dedicated to identifying, evaluating and monitoring the execution of projects. It could demonstrate its capacity for relatively small projects and operated under a strong legal mandate. However, while NEF meets the fiduciary standards related to financial management, a number of gaps were present so that the Panel could only recommend its accreditation with certain conditions.

22. The field visit to BOAD had also revealed that BOAD had the required systems and procedures in place and that the effectiveness of those systems and procedures could be demonstrated. Nevertheless, insufficient resources were allocated to monitoring its projects, and there were two areas where the alignment with the fiduciary standards of the Board could be stronger. Consequently, BOAD had also been recommended for accreditation with certain conditions.

23. The Chair of the Panel informed the Board that a non-accredited NIE had addressed a letter to the secretariat requesting the Board to further review its application as well as the responses that it had made to its non-accreditation by the Board. The secretariat had forwarded the letter and the responses to the Panel for its consideration and the Panel found that the responses contained new information that had not been previously provided. However, he pointed out that competences had to be demonstrated and not simply identified, and he asked the Board to review the draft letter of response that the Panel had prepared for its consideration.

24. In response to decision B.13/9, which had requested that the Panel prepare a study on conditional accreditation, the Chair said that the Panel was of the view that, as there had only been two cases of conditions being part of a recommendation, there was insufficient experience to serve as the basis for such a study. It had also considered that basing a study on hypothetical cases would be misleading. However the Panel had noted the concerns expressed by the Board and would take those into consideration when formulating any recommendation that contained a condition.

25. The Chair also said that the Panel was continuing to deliberate on the most appropriate workshop content to structure the regional workshops on accreditation and the Panel had explored different formats and sequences for workshop material. A proposed agenda for the workshops was attached as an annex to the report of the Panel (AFB/B.14/4).

26. The Chair of the Panel informed the Board that, given the amount of work it was undertaking, the Panel was now at the limit of its resources and that it might be necessary for the Panel to request additional support.

27. Following the presentation, the Chair closed the meeting in order to discuss the applications for accreditation. Those members and alternates with conflicts of interest also left the meeting room. Following the closed session the Chair said that the Board had approved a number of recommendations of the Panel. She also said, with respect to the draft agenda for the regional accreditation workshops, that the Board had decided to approve the agenda on the understanding that it would be flexibly implemented.

#### *Accreditation of the National Environment Fund of Benin*

28. During the closed meeting the Board decided to accredit the National Environment Fund (NEF) of Benin as a National Implementing Entity, subject to the following conditions:

- (a) That within three months of each year end the external auditor of the NEF informs the Adaptation Fund Board secretariat as to whether:
  - (i) Key staff was available during the year to monitor, execute and account for Adaptation Fund projects;
  - (ii) The accounts of Adaptation Fund projects are up to date, and accurately reflected the transactions during the year; and
  - (iii) All Adaptation Fund project procurements during the year followed national procurement rules;
- (b) That before the first disbursement the Ministry of Environment, Hygiene and Urban Planning (MEHU) and NEF places on their website an anti-fraud policy that includes, inter alia, that:
  - (i) It has a zero fraud tolerance in relation to the projects funded by the Adaptation Fund and the other projects they manage;
  - (ii) All allegations received will be investigated and complainants will be covered under appropriate whistleblower protection; and

- (iii) A demonstration of an appropriate system whereby allegations of fraud, financial mismanagement and other irregularities that come to the NEF or the MEHU will be recorded and properly investigated.

**(Decision B.14/3)**

*Accreditation of the Banque Ouest Africaine de Développement (BOAD)*

29. During the closed meeting the Board decided to accredit the Banque Ouest Africaine de Développement (BOAD), subject to the following conditions:

- (a) That BOAD includes an internal control statement with the financial statements, starting with the statements of 2011; and
- (b) That BOAD have in place an investigative function that reflects its needs, and the practices of other development banks, before the first disbursement is made by the Adaptation Fund and that the effectiveness thereof will be reviewed after two years by the Panel.

**(Decision B.14/4)**

30. The Board also decided to instruct the secretariat to include in the legal documents to be signed with the Banque Ouest Africaine de Développement (BOAD) a requirement to visit each of the open Adaptation Fund projects for a monitoring mission on an annual basis.

**(Decision B.14/5)**

*Accreditation Panel observations: Intersessional decisions*

31. The Board decided to authorize the Accreditation Panel to submit a recommendation on the accreditation of implementing entities intersessionally, should the Panel conclude that the assessment of the additional documentation reviewed leads to a positive recommendation.

**(Decision B.14/6)**

*Response to a request for reconsideration of an Accreditation Panel recommendation*

32. The Board decided to:

- (a) Instruct the secretariat to respond to the applicant's letter and matrix according to the draft letter attached as an annex to the sixth report of the Accreditation Panel (AFB/B.14/4), and the response matrix which addresses the issues raised by the applicant; and
- (b) Instruct the secretariat to inform the applicant that it may resubmit an application after addressing the requirements of the Board, or identify another applicant institution, as the government deems appropriate.

**(Decision B.14/7)**

*Agenda of the regional workshops on accreditation of NIEs mandated by CMP6*

33. The Board decided to approve the draft workshop agenda attached as an annex to the report of the sixth meeting of the Accreditation Panel (AFB/B.14/4) on the understanding that it would be flexibly implemented. The duration of the workshop would be two days, focusing on the accreditation process.

**(Decision B.14/8)**

**Agenda item 6: Report of the fifth meeting of the Project and Programme Review Committee (PPRC)**

34. The Chair of the PPRC, Mr. Hans Olav Ibrek (Norway, Western European and Others Group) introduced document AFB/PPRC.5/L.1, which contained the fifth report of the PPRC. In his presentation he said that the Committee had been tasked with reviewing 13 proposals, which was the most that the Committee could be expected to deal with in one day, and even so it had meant that the Committee had been unable to address several outstanding strategic issues. He hoped that the Committee would be able to have that strategic discussion at its next meeting. However, if the current workload continued, the Committee would need additional time and resources to complete its work.

35. Thanks to the flexibility of its members, the Committee had resolved a number of difficult issues. Of the 13 projects considered, one had been from an NIE, the Planning Institute of Jamaica, while UNDP had submitted four project concepts and four fully-developed project documents. The United Nations Environment Programme (UNEP) had also submitted two fully-developed project documents while the World Bank and the World Food Programme had each submitted a project concept. The Committee had recommended the approval of three new projects for: Maldives, Mongolia and Turkmenistan; and had also recommended that six projects concepts be endorsed.

36. All MIEs were in compliance with the 8.5 per cent cap on management fees and all the projects were in compliance with the 9.5 per cent cap on execution costs. According to the report of the trustee, the cumulative funding decision for projects submitted by the MIEs as of April 30, 2011 amounted to US\$ 34.53 million which was under the funding cap of 50 per cent established by decision B.12/9 and represented 14.5 per cent of the sum of cumulative project funding decisions and funds available to support funding decisions.

37. Following the presentation by the Chair of the PPRC the Chair of the Board closed the meeting for the consideration of the individual projects.

*Proposal from a National Implementing Entity*

Jamaica: Enhancing the resilience of agriculture and coastal resources for food security and livelihoods protection (PIOJ) (JAM/NIE/Multi/2011/1, US\$9,995,000)

38. The Chair introduced the project, which sought to improve water harvesting and management, and implement erosion and flood control, which would improve soil moisture retention. The programme would also support climate resilient coastal management in Negril, Jamaica.



39. Having considered the comments and recommendations of the Projects and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Approve the Project Funding Grant Request in the amount of US \$30,000;
- (b) Endorse the project concept, as supplemented by the clarification response provided by the Planning Institute of Jamaica (PIOJ) to the request made during the technical review of the proposal;
- (c) Request that the secretariat transmit to PIOJ the following observations:
  - (i) The fully-developed proposal should expand on the information provided in the project, particularly on Part III of the proposal;
  - (ii) At the full proposal stage, the proponent should revise Part 2, section I of the document by elaborating on the full cost of adaptation reasoning, to ensure that the project would meet the full cost criterion;
  - (iii) The linkages between the first two components should be made clearer;
  - (iv) The proponent should clarify in the fully developed proposal if the artificial reefs to be installed are in addition to the breakwaters or are the breakwaters themselves. If they are in addition, then this should be added as a Concrete Output for Component 1 in the Programme Components and Financing table. If they are one in the same, then the proponents should justify that the breakwaters proposed will encourage growth of corals. Overall, the full proposal should describe very clearly the integrated approach to tackle the identified issues in the Negril area, and the combined soft and hard engineering structures which will be installed;
  - (v) At Negril, the project must consider the role of upstream agriculture practices and effluent from coastal development, and the extent to which these issues need to be addressed, to make sure that the erosion solutions being proposed are not compromised;
  - (vi) For Component 2, the current climate scenario should be described, in order to better assess the vulnerability of the targeted areas. A vulnerability map of the region should be provided;
  - (vii) Sections A and B of component 3 should be merged, and redundancy in the sought activities avoided;
  - (viii) The water collection and management engineering solutions in Component 2 will have a limited life-span if not protected from the ongoing poor land management which leads to flash flooding, soil erosion and siltation. Measures to address and avoid these problems must have priority in order to protect any proposed dam work. This should not be limited to green gullies but also on-farm soil and crop management techniques being widely adopted by individual farmers;
  - (ix) Stronger and clearer links to the existing and recently completed projects on improved land management and agriculture adaptation to climate change need to be built into the proposal, and the added value in relation to the overall objective of the programme clearly demonstrated. There will be many lessons learned already which

are directly related to the proposed activities; best use should be made of the experience gained. Where clear lessons are already known, these need to be built into the project from the start.

- (d) Request the PIOJ to transmit the observations under item (c) to the Government of Jamaica ; and
- (e) Encourage the Government of Jamaica to submit, through the PIOJ, a fully-developed project proposal that would address the observations under item (c).

**(Decision B.14/9)**

*Proposals from Multilateral Implementing Entities*

Argentina: Increasing climate resilience and enhancing sustainable land management in the southwest of Buenos Aires Province (World Bank) (ARG/MIE/Rural/2011/1, US\$4,456,638)

40. The Chair introduced the project which sought to reduce the climate vulnerability of the agriculture sector in the southwest of Buenos Aires Province, which suffered from man-made and increasingly climate-change induced desertification processes.

41. Having considered the comments and recommendations of the Projects and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Endorse the project concept, as supplemented by the clarification response provided by the World Bank to the request made by the technical review;
- (b) Request the secretariat to transmit to the World Bank the following observations:
  - (i) The fully-developed proposal should expand on the information provided in the project concept, particularly on the Part III of the proposal;
  - (ii) The fully-developed proposal should clarify how the climate change observatory (Component 1) would be elementally supportive to the project goals already during the life of the project, and in relationship to the institutional arrangements for project implementation;
  - (iii) The climate change observatory (Component 1) should include both meteorological and hydrological elements in the network being developed;
  - (iv) It should also be ensured and clarified that knowledge management measures (Component 4) are ones that are genuinely aimed at knowledge management in support of project impact, and do not represent monitoring and evaluation (M&E) which should be covered by execution costs;
  - (v) The continuity strategy (Component 5) should be reduced in budget and its integration in all project activities from the beginning should be illustrated in the fully-developed proposal;
  - (vi) The proponent should clarify the linkages between the components to show how they contribute to the overall goal of the project, arrange all the training elements under a single training component, and strengthen the Early Warning System; and

- (vii) The consultative process during project preparation should encourage upstream participation and ensure adequate coverage and inclusion of vulnerable groups.
- (c) Request the World Bank to transmit the observations under item (b) to the Government of Argentina; and
- (d) Encourage the Government of Argentina to submit through the World Bank a fully-developed project proposal that would address the observations under item (b).

**(Decision B.14/10)**

Djibouti: Developing agro-pastoral shade gardens as an adaptation strategy for poor rural communities (UNDP) (DJI/MIE/Agri/2011/1, US \$4,658,556)

42. The Chair introduced the project which sought to support an adaptation strategy to foster the transition from pastoralism to a new and more resilient multi-functional practice of agro-pastoral shade gardening.

43. Having considered the comments and recommendations of the Projects and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Endorse the project concept, as supplemented by the clarification response provided by the United Nations Development Programme (UNDP) to the request made by the technical review;
- (b) Request the secretariat to transmit to UNDP the following observations:
  - (i) In the fully-development proposal, the proponent should clarify the coordination mechanisms with regards to the micro-credit component, as the revised concept fails to justify the concrete adaptation benefits associated with the micro-credit component; rather than supporting business-as-usual development activities. The methodologies are unclear and the involvement of local organizations in facilitating the system is also ambiguous. As the concept will undeniably rely on other mechanisms to complement and sustain access to finance beyond project completion, those mechanisms should be identified. Further, the micro-credit component (Component 3) should be justified in relation to the other components;
  - (ii) Unless the proponent describes how the project beneficiaries, and rural communities elsewhere, will continue to access microfinance services, the sustainability strategy remains questionable. The distribution of benefits amongst communities should be justified, given the small number of shade gardens;
  - (iii) The scale-up strategy of the project should be clarified as it currently hinges solely on the micro-credit schemes. Given the small number of shade gardens being developed, and the small budget being proposed for the project, a small-scale micro-credit system does not guarantee the scaling up of shade gardens, which requires a high level of investment; and
  - (iv) It is unrealistic that the proponent has not identified any alternatives to the proposed project. The proponent should provide other viable alternatives to the project when addressing cost-effectiveness.

- (c) Request UNDP to transmit the observations under item (b) to the Government of Djibouti; and
- (d) Encourage the Government of Djibouti to submit through UNDP a fully-developed project proposal that would address the observations under item (b).

**(Decision B.14/11)**

Fiji: Enhancing resilience of rural communities to flood and drought-related climate change and disaster risks in the Ba Catchment Area of Fiji (UNDP) (FJI/MIE/DRR/2010/3, US\$5,728,800)

44. The Chair introduced the project which sought to replicate successful interventions in the Ba catchment area of Fiji and fully integrate climate change considerations in flood and drought risk management.

45. Having considered the comments and recommendations of the Projects and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Endorse the project concept, as supplemented by the clarification response provided by the United Nations Development Programme (UNDP) to the request made by the technical review;
- (b) Request the secretariat to transmit to UNDP the following observations:
  - (i) The project remains very general and would need to demonstrate significant development at the fully-developed project document stage;
  - (ii) The activities in Component 2, in which the community-based concrete activities of the project are included, should provide details on how community participation has informed the prioritization of activities. These activities should be distinguished from business-as-usual agricultural practices in the target area;
  - (iii) The response on the Early Warning System is general, and it should be clarified how the system will function: in the context of the project and its long-term viability, with regard to the amounts budgeted for it, the sequencing of the other components and its adequacy and maintenance with respect to the establishment of evaluation and monitoring required for the system, and in light of the other ongoing projects in the area and the need for a vulnerability map;
  - (iv) The design of “soft” components of the project should be supplemented with specific plans for their implementation and mainstreaming; and
  - (v) The inputs from existing and past projects should be clearly identified, cited, and reflected in the project activities.
- (c) Request the UNDP to transmit the observations under item (b) to the Government of Fiji; and
- (d) Encourage the Government of Fiji to submit through the UNDP a fully-developed project proposal that would address the observations under item (b).

**(Decision B.14/12)**

Guatemala: Climate change resilient production landscapes and socio-economic networks advanced in Guatemala (UNDP) (GTM/MIE/Rural/2010/1, US\$5,425,000)

46. The Chair introduced the project which sought to increase climate resilience in production landscapes and socio-economic systems in certain targeted communities.

47. Having considered the comments and recommendations of the Projects and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Not approve the project document, as supplemented by the clarification response provided by the United Nations Development Programme (UNDP) to the request made by the technical review;
- (b) Request that UNDP reformulate the proposal taking into account the following observations:
  - (i) The outputs of the existing projects, that would be used to inform the current project, should be further discussed;
  - (ii) The proponent should clarify coordination mechanisms with other institutions where complementary projects are being implemented;
  - (iii) The basis for “direct” beneficiaries should be clarified in terms of economic, agricultural, or ecosystem-based benefits; and
  - (iv) There is significant uncertainty particularly with regards to the exact on-the-ground interventions that the project will support in communities. Since the project includes interdependent, sequential activities for which specific interventions have not been selected, further clarification is expected on the specific activities supported by the project. The proposal should define these activities, also discussing the consequences of the activities and the required processes to address environmental, social, and technical issues that may arise. The disbursement schedule should also be revised to be bound to outputs in addition to time-bound milestones.
- (c) Request UNDP to transmit the observations referred to in paragraph (b) above to the Government of Guatemala, on the understanding that a revised project document might be submitted at a later date.

**(Decision B.14/13)**

Madagascar: Promoting climate resilience in the rice sector (UNEP) (MDG/MIE/Agri/2010/1, US\$4,504,920)

48. The Chair introduced the project which sought to address the vulnerability of the rice sub-sector to climate variability and projected climate change.

49. Having considered the comments and recommendations of the Projects and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Not approve the project document, as supplemented by the clarification response provided by the United Nations Environment Programme (UNEP) to the request made by the technical review;

- (b) Request that UNEP reformulate the proposal taking into account the following issues:
- (i) With relation to informal agreements with partners, the scale and extent of reforestation activities should be clarified. A more holistic approach is necessary with the management of land upland;
  - (ii) Given that the project has been designed before community consultations took place, the proponent should clarify how communities and farmers will be involved in the sustainability of the project as related to the scale-up strategy;
  - (iii) The proponent should provide a budget at the output level;
  - (iv) The nature of involvement and participatory management should be discussed further, and vague or general activities should be further specified;
  - (v) The argument provided for the reforestation component is weak and simple reforestation cannot guarantee a reduction in siltation, when not complimented by community management practices; other, and arguably more effective, measures such as agro-forestry have not been considered. Further, the proposed intervention does not consider the human-induced drivers of deforestation and degradation of areas in which increased vegetative cover is proposed. The proponent should further clarify and/or restructure this set of activities considering the underlying assumption that was made; and
  - (vi) The proposal should make clearer the link between climate change and siltation, thereby linking this component to vulnerability rather than as a response to anthropogenic stressors; and
- (c) Request UNEP to transmit the observations referred to in item (b) to the Government of Madagascar, on the understanding that a revised project document might be submitted at a later date.

**(Decision B.14/14)**

Maldives: Increasing climate resilience through an integrated water resource management programme in Ha. Ihavandhoo, ADh. Mahibadhoo and GDh. Gadhdhoo Island Implementing Entity (MDV/MIE/Water/2010/6, US\$8,989,225)

50. The Chair introduced the project which sought to ensure reliable and safe freshwater supply for Maldivian communities in a changing climate by implementing an integrated water resource management strategy.

51. Having considered the comments and recommendations of the Projects and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Approve the project document with the budget of US\$8,989,225, as supplemented by the clarification response provided by the United Nations Development Programme (UNDP) to the request made by the technical review; and
- (b) Request the secretariat to:
  - (i) Communicate the approval of the project to the Government of the Maldives; and

- (ii) Draft an agreement with UNDP as the Multilateral Implementing Entity for this project.

**(Decision B.14/15)**

Mongolia: Ecosystem-based adaptation approach to maintaining water security in critical water catchments in Mongolia (UNDP) (MNG/MIE/Water/2010/3)

52. The Chair introduced the project which sought to maintain the water provisioning services supplied by mountain and steppe ecosystems by internalizing climate change risks within land and water resource management regimes.

53. Having considered the comments and recommendations of the Projects and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Approve the project document with the budget of US\$5,500,000, as supplemented by the clarification response provided by the United Nations Development Programme (UNDP) to the request made by the technical review; and
- (b) Request the secretariat to:
  - (i) Communicate the approval of the project to the Government of Mongolia; and
  - (ii) Draft an agreement with UNDP as the Multilateral Implementing Entity for this project.

**(Decision B.14/16)**

Papua New Guinea: Enhancing adaptive capacity of communities to climate change-related floods in the North Coast and Island of Papua New Guinea (UNDP) (PNG/MIE/DRR/2010/5, US\$5,227,530)

54. The Chair introduced the project which sought to strengthen the ability of communities in Papua New Guinea to make informed decisions about, and adapt to, the climate-change driven hazards affecting both coastal and riverine communities.

55. Having considered the comments and recommendations of the Projects and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Endorse the project concept, as supplemented by the clarification response provided by the United Nations Development Programme (UNDP) to the request made by the technical review;
- (b) Request the secretariat to transmit to UNDP the following observations:
  - (i) The fully-developed proposal should expand on the information provided in the project concept, particularly on the Part III of the proposal;
  - (ii) The list of specific activities aimed at ensuring sustainability of mangrove management, and provided by the applicant, would need to be incorporated in the programme design, including:

- a. Integrating the reforestation as well as long-term conservation of mangroves into local development plans and land use plans;
  - b. Prioritizing of mangrove reforestation and conservation activities in areas where local ownership of conservation of mangroves is evident;
  - c. Developing a comprehensive analysis of the root causes of mangrove degradation, as well as realistic viable solutions and a sustainability plan; and
  - d. Developing of a toolkit for community- based mangrove planting and conservation.
- (iii) The financial sustainability of the maintenance of the early warning systems should be detailed;
- (iv) A detailed plan on coordination efforts with other relevant projects and initiatives should be included to ensure maximizing synergies and avoiding duplication;
- (v) Compliance with national technical standards should be detailed at the full proposal stage, including compliance with regulations on environmental assessments;
- (vi) Coverage of community stakeholders and especially, vulnerable groups, in the consultations during fully-developed proposal development should be ensured, and those stakeholders' views and concerns recorded, and reflected in the programme design as presented in the full proposal. It should also be ensured that communities' participation opportunities will be included in the implementation arrangements throughout the programme's lifetime; and
- (vii)With detailing the programme design, the full cost of adaptation should be explained in detail;
- (c) Request UNDP to transmit the observations under item (b) to the Government of Papua New Guinea; and
- (d) Encourage the Government of Papua New Guinea to submit through UNDP a fully-developed project proposal that would address the observations under item (b).

**(Decision B.14/17)**

Seychelles: Ecosystem-based adaptation to climate change in Seychelles (UNDP) (SYC/MIE/EBA/2011/1, US\$6,455,750)

56. The Chair introduced the project which sought to address two major climate-change vulnerabilities in the country: water scarcity and coastal flooding.

57. Having considered the comments and recommendations of the Projects and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Endorse the project concept, as supplemented by the clarification response provided by the United Nations Development Programme (UNDP) to the request made by the technical review;



- (b) Request the secretariat to transmit to UNDP the following observations:
- (i) The proponent should review the budget for the planned activities, to reflect the estimation of the costs associated with an increase in the size of the target areas;
  - (ii) Unless clear evidence of the cost effectiveness of restoration as an adaptation option is demonstrated, the proponent should look into the rehabilitation of the targeted ecosystems, which has been demonstrated to provide tangible results in a more reasonable timescale;
  - (iii) The proponent should describe more clearly, and translate it into relevant outputs, the way the functional connectivity of the targeted ecosystems will be ensured;
  - (iv) Provided the proponent decides to go further with the output related to establishing a payment for ecosystem services (PES) scheme through the project, much more detail is needed on: the basis of such a scheme, the seller-buyer model, the stakeholders and the existing policy framework, and enabling environment in general, to implement it.
- (c) Request UNDP to transmit the observations under item (b) to the Government of the Seychelles; and
- (d) Encourage the Government of the Seychelles to submit through UNDP a fully-developed project proposal that would address the observations under item (b).

**(Decision B.14/18)**

Sri Lanka: Reducing vulnerability of communities and ecosystems to the adverse impacts of climate change in critical river basins of Sri Lanka (WFP) (LKA/MIE/Rural/2011/1, US\$7,982,555)

58. The Chair introduced the project, which sought to reduce the vulnerability of communities to the adverse impacts of climate change in the most susceptible and sensitive river basin in Sri Lanka.

59. Having considered the comments and recommendations of the Projects and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Not endorse the project concept, as supplemented by the clarification response provided by the World Food Programme (WFP) to the request made by the technical review;
- (b) Request that WFP reformulate the proposal taking into account the following observations:
  - (i) The project does not address the underlying encroachment threat adequately, and many of the same issues addressed by the project have been attributed to loss of forest cover due to encroachment. The degree to which underlying anthropogenic drivers of degradation will be addressed, particularly in relation to the fuel stove component, should be justified adequately;
  - (ii) Numbers of beneficiaries are very high and the benefits, once divided, are very low per individual or household, and are intangible in many cases, or not an economic

- benefit. The proponent should clarify how benefits are shared, distributed, and have been quantified;
- (iii) The elements of the proposal that were directly linked to climate change, such as vulnerability mapping, were minimal in the project and the proposed interventions could not be distinguished from business-as-usual forestry rather than climate resilient interventions. The adaptation rationale of the project as responding to vulnerability should be strengthened;
  - (iv) The project makes many assumptions in regards to cost effectiveness. The proponent should consider that the scale of agricultural investment is low and thinly distributed, without much consideration of farming techniques, or a scale-up strategy. Further, other water conservation methodologies have not been considered. The proponent is requested to consider alternative interventions to those proposed;
  - (v) As awareness raising is particularly important to compliment the proposed activities, awareness raising should be included within each output and specifically delineated; and
  - (vi) The proponent should clarify both the institutional arrangements and that there would not be any cost implications from partnering with another Multilateral Implementing Entity.
- (c) Request the WFP to transmit the observations under item (b) to the Government of Sri Lanka, on the understanding that a revised concept might be submitted at a later date.

**(Decision B.14/19)**

Tanzania: Implementation of concrete measures to reduce the vulnerability of livelihood and economy of coastal communities in Tanzania (UNEP) (TZA/MIE/Coastal/2010/3, US\$9,814,517)

60. The Chair introduced the project which sought to respond to the impacts of sea level rise and changes in precipitation patterns caused by climate change and their direct and indirect effects.

61. He informed that during the PPRC meeting a member reported to the Committee about having been lobbied by an official with a relation to the project. Therefore the member remained in the meeting room but did not take part in the discussion of the proposal.

62. Having considered the comments and recommendations of the Projects and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Not approve the fully-developed project document, as supplemented by the clarification response provided by the United Nations Environment Programme (UNEP) to the request made by the technical review;
- (b) Request the secretariat to transmit the concerns and observations identified during the deliberations on the project to the Designated Authority and to encourage the Designated Authority to contact the secretariat to get further clarifications;
- (c) Request that UNEP reformulate the proposal taking into account the following:

- (i) As noted in previous reviews, the proposal should follow a strong design, in which the different activities (components) and their outputs would be strongly linked to each other and contribute to the overall objective of the project, thus increasing the impact of the individual activities, and the cost-effectiveness of the whole project. The activities would need to be linked in this way both at the level at which they are experienced by the beneficiaries (communities) within the project, and at the level at which they would contribute to broader national objectives of coastal area management through policies and scaled-up implementation;
  - (ii) The proposal should provide more specific numerical information on the baselines and targets of activities under Components 2 and 3, to enable assessing their cost-effectiveness;
  - (iii) The proposal should explain what types of current uses the ecosystems to be rehabilitated are subject to, how the proposed project might negatively impact those uses, and what kind of measures would be taken to alleviate costs to communities or their parts;
  - (iv) The proposal should also explain, whether the willingness of the targeted communities to restrict their use of natural resources has been secured; and
  - (v) The proposal should clearly explain complementarity with the parallel projects implemented, albeit mostly in different parts of the country, in the same sector and by the same organizations, both at the level of project activities, and at the level at which they contribute to the overall development of integrated coastal management in the country.
- (d) Request UNEP to transmit the observations in item (c) to the Government of Tanzania, on the understanding that a revised project document might be submitted at a later date; and
- (e) Consider the Committee's concerns and deliberations while revising the Board's Operational Policies and Guidelines.

**(Decision B.14/20)**

Turkmenistan: Addressing climate change risks to farming systems in Turkmenistan at national and community levels (UNDP) (TKM/MIE/Water/2010/2, US\$2,929,500)

63. The Chair introduced the project which sought to strengthen water management practices at national and local levels in the context of climate-change risks induced water-scarcity to farming systems.

64. Having considered the comments and recommendations of the Projects and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Approve the project document with the budget of US\$2,929,500, as supplemented by the clarification response provided by the United Nations Development Programme (UNDP) to the request made by the technical review; and
- (b) Request the secretariat to:

- (i) Communicate the approval of the project to the Government of Turkmenistan; and
- (ii) Draft an agreement with UNDP as the Multilateral Implementing Entity for this project.

**(Decision B.14/21)**

65. A list of the Board approved funding for fully-developed projects and programmes at its present meeting, as well as approved budget for the fiscal year 2012, is contained in Annex III to the present report.

### **Agenda item 7: Report of the fifth meeting of the Ethics and Finance Committee (EFC)**

66. The Chair of the EFC, Mr. Mirza Shawkat Ali, introduced document AFB/EFC.5/L.1, which contained its fifth report. He thanked the members of the committee for their hard work and said that the main topics addressed had been: Knowledge Management (KM) framework, evaluation issues, how funding for regional projects/programmes could be considered within the cap per country, review of the operational policies and guidelines and related templates, performance study on the secretariat and trustee, and financial issues. He submitted the report of the EFC to the Board for its consideration.

#### *Knowledge management (KM) framework*

67. The Board took up consideration of the knowledge management strategy and work plan contained in document AFB.EFC.5/3. The document presented a definition of knowledge management, a discussion of why knowledge management was important, its targets, goals and objectives, and a work plan for 2011 to 2013, including a projected budget of US\$ 140,000 for two years. The document also contained guiding principles for the Fund's knowledge management implementation, including transparency, accountability, committed management, capitalizing on project and institutional experience, participation and collaboration, being demand-driven, flexibility and cost-effectiveness. It was important for the Fund to set goals and objectives and develop partnerships and tools that would allow for the storage of knowledge as it became available.

68. Having considered the recommendation of the Ethics and Finance Committee, the Adaptation Fund Board decided to:

- a) Request the secretariat to provide further information on the work plan contained in the document AFB/EFC.5/3, specifying in greater detail the activities, expected outcomes and indicators, and the breakdown of the budget, including the role of recipient countries as well as providing an overview of other existing knowledge management frameworks and initiatives among multilateral agencies and intergovernmental organizations;
- b) Request the secretariat to invite civil society organizations and other relevant international bodies to submit, by July 20, 2011, their views and comments on the knowledge management strategy and work plan contained in document AFB/EFC.5/3, as well as how partnerships might be developed; and

- c) Defer approval of the knowledge management strategy and work plan until the 15th meeting of the Adaptation Fund Board.

**(Decision B.14/22)**

*Evaluation issues*

*Evaluation framework*

69. The Board considered the options for implementing the evaluation framework as contained in Annex 1 to document AFB/EFC.5/4, namely, (i) appointment of a senior evaluation officer within the Adaptation Fund Board secretariat; (ii) establishment of a Technical Evaluation Reference Group (TERG); or (iii) requesting the GEF Evaluation Office to provide technical support on matters related to evaluation. The Board also considered the Adaptation Fund draft evaluation framework contained in Annex 2 of the same document, which presented, among other things, the three levels of evaluation that should be present in the Adaptation Fund: (i) project level, (ii) implementing entity level; and (iii) Adaptation Fund level.

70. Having considered the recommendation of the Ethics and Finance Committee, the Adaptation Fund Board decided to:

- (a) Request the secretariat and the GEF Evaluation Office to:
- (i) Prepare a revised version of the Evaluation Framework to be presented to the Board at its 15th meeting. The revised version should incorporate comments provided at the 5th meeting of the Ethics and Finance Committee, in particular further explanation in two areas:
    - a. What would trigger an implementing entity level evaluation (paragraph 19);
    - b. The type of civil society organizations that will be requested to participate in evaluations (paragraph 36).
  - (ii) Present further information, including costs, regarding options for the implementation of the evaluation frameworks 2 and 3 (option 1 should not be considered further); in particular:
    - a. For option 2: elements for terms of reference for the members of the Technical Evaluation Reference Group and suggestions of possible rosters of experts;
    - b. For option 3: elements of a memorandum of understanding with the GEF Evaluation Office and Council.
- (b) Request the GEF Evaluation Office to continue to provide support to the secretariat regarding evaluation matters.

**(Decision B.14/23)**

*Guidelines for project/programme final evaluations*

71. The Board considered the draft guidelines for Adaptation Fund project/programme final evaluations, as contained in the document AFB/EFC.5/5. Among other things, the guidelines provided that the cost of the final evaluation should be covered by the project; that all final evaluations should be fully disclosed to relevant policy makers, operational staff, beneficiaries and the public in general; and that implementing entities had specific responsibilities. The document describe how final evaluations must be conducted, as a minimum, to ensure sufficient accountability and learning for the purposes of the Adaptation Fund.

72. Having considered the recommendation of the Ethics and Finance Committee, the Board decided to:

- (a) Approve the draft guidelines for Adaptation Fund project/programme final evaluations, as contained in the document AFB/EFC.5/5;
- (b) Decide that the guidelines will remain in effect until and unless the Board decides otherwise; and
- (c) Request the Adaptation Fund Board secretariat to post the final document on the website of the Adaptation Fund.

**(Decision B.14/24)**

*Study on how funding for regional projects/programmes could be considered within the cap per country*

73. Some members of the Board requested clarification on the meaning of the term “region” in the context of funding for regional projects/programmes. Other members noted that a decision on country caps should not be taken in haste, as many countries could benefit from collaboration with regional and subregional implementing entities.

74. Following discussions, and having considered the recommendation of the Ethics and Finance Committee, as orally revised, the Board decided to:

- (a) Establish an ad hoc working group, composed of the Chair and Vice-Chair, four members from the Ethics and Finance Committee and four members from the Project and Programme Review Committee, to consider the issues of regional criteria, country caps and the definition of regional projects/programmes;
- (b) Name the following members and alternate members to the ad hoc committee: Ms. Ana Fornells de Frutos (Spain) and Mr. Luis Santos (Uruguay), respectively Chair and Vice-Chair of the Board, Ms. Kate Binns (United Kingdom), Mr. Yutaka Matsuzawa (Japan), Mr. Santiago Reyna (Argentina) and Mr. Peceli Vocea (Fiji) from the Ethics and Finance Committee; and Mr. Cheikh Ndiaye Sylla (Senegal), Mr. Jeffery Spooner (Jamaica), Ms. Angela Churie-Kallhaug (Sweden) and Mr. Amjad Abdulla (Maldives) from the Project and Programme Review Committee;
- (c) Request the secretariat to send a letter to any accredited regional implementing entities informing them that they could present a country project/programme but not a regional project/programme until a decision had been taken by the Board, and that they would be provided with further information pursuant to that decision;

- (d) Defer consideration of the proposal contained in document AFB/EFC.5/6 until the 15th meeting of the Board, noting the importance of a decision at the 16th meeting so that regional programmes can be approved;
- (e) Request the secretariat to revise the document, elaborating on the following issues:
  - (i) The interim nature of the country cap, and relationship to the cap on Multilateral Implementing Entities;
  - (ii) Added value of regional approaches; and
  - (iii) Quality considerations in regional projects and programmes, and related project/programme review criteria.

**(Decision B.14/25)**

*Review of the operational policies and guidelines and related templates*

75. The Board considered a recommendation for amendments to the operational policies and guidelines and related templates. In response to a question from a member on whether the Board would be able to consider a revised version of the operational policies and guidelines, the Chair explained that the ad hoc committee established by decision B.13/21 would further consider the issue and present a revised version to the Board for its consideration.

76. The Chair subsequently submitted a revised version of the operational policies and guidelines and related templates at the third session of the meeting. Members expressed general support for the text presented by the Chair. Issues were raised, however, with regard to the definition of concrete adaptation projects, the level of the officer representing a country as its Designated Authority, the inclusion of regional and sub-regional implementing entities, the procedures to be followed in cases where a fully developed project/programme document was rejected, and terminal evaluations. There was support for keeping the section on small-size proposals in the text.

77. The Chair said that was important for implementing entities to remember that no regional or sub-regional projects or programmes should be submitted until a decision had been taken on how to define regions and sub-regions and the country cap in that context; the secretariat would send a letter to the accredited implementing entities to remind them of that.

78. Following discussions, the Board decided to:

- (a) Approve amendments to the operational policies and guidelines. The amendments as approved by the Board are contained in Annex V to the present report;
- (b) Refer paragraph 10 of the operational policies and guidelines to the Project and Programme Review Committee (PPRC) for further consideration;
- (c) Refer paragraphs 34, 48, 57, 58, and 59 of the operational policies and guidelines to the ad-hoc committee formed pursuant to Decision B.13/21; and
- (d) Request the PPRC and the ad-hoc committee to report on their deliberations at the 15th meeting of the Board.

**(Decision B.14/26)***Implementation of the code of conduct*

79. The Board discussed whether a conflict of interest would exist if a Board member or alternate is invited by a country seeking to submit an accreditation application as an NIE, at the expense of the country, to explain or present information on the Fund and its procedures.. It was pointed out that it was important that all members and alternates collaborate for furthering the process of accreditation. It was also pointed out that the Board was always represented by the Chair and the Vice-Chair, although another representative of the Board could be designated with the agreement of the Chair, provided that there were no additional financial implications in doing so.

*Performance study on the secretariat and trustee: consideration of expressions of interest to undertake the performance study*

80. The Board considered the issue of the performance study on the secretariat and trustee: consideration of expressions of interest to undertake the performance study under agenda item 8: “*Performance of the secretariat and trustee*”.

*Financial issues**a) Status of resources of the Adaptation Fund Trust Fund*

81. The Committee heard a report by the trustee on the financial status of the Adaptation Fund Trust Fund, the contents of which were more fully described in document AFB/EFC.5/8.

82. Following the discussion, the Committee took note of the presentation by the trustee.

83. The representative of France also announced that France was now in a position to confirm its contribution of US\$ 53,340 to the Adaptation Fund Trust Fund. The Board was also informed that the trustee would prepare a donation agreement for signature by France.

*b) Administrative budgets of the Board and secretariat, and the trustee for the fiscal year 2012*

84. The EFC considered the proposals of administrative budgets of the Board and secretariat, and trustee for the fiscal year July 1, 2011 – June 30, 2012, as contained in document AFB/EFC.5/9. At the request of the EFC, the secretariat and the trustee had provided a more detailed break-down of the costs associated with their budgets for the fiscal year 2012. One member asked whether the budget estimate of the trustee also contained a proposed 10 per cent central unit overhead fee or whether that had been assessed separately. The representative of the trustee confirmed that the new 10 per cent fee would be additional.

85. Following the discussion, and having considered the recommendation of the Ethics and Finance Committee, the Board decided to:

*(a) Approve:*

- (i) The proposed budget US\$ 3,422,101 to cover the costs of the operations of the Board and secretariat over the period July 1, 2011 to June 30, 2011; and



- (ii) The estimated budget of US\$ 1,088,000 for trustee services to be provided to the Adaptation Fund over the period July 1, 2011 to June 30, 2012, comprising US\$ 678,000 for CER Monetization services, and US\$ 410, 000 for all other trustee services;

The summary of the Board and secretariat, and the trustee budgets for the fiscal year 2011 is included in Annex VI to the present report;

- (b) Note the presentations by the secretariat and the trustee giving a break-down of the costs associated with their budgets;
- (c) Further note that effective July 1, 2011 the policies and procedures of the World Bank will require the trustee to charge an additional 10 per cent on the estimated trustee costs to cover central unit over-head costs;
- (d) Request the secretariat and the trustee to provide a similar break-down of the costs associated with their budgets when presenting their budgets for the fiscal year 2013; and
- (e) Make provision to initiate the recruitment process to engage an additional technical expert to support the work of the Accreditation Panel intersessionally, if necessary, and amend the budget as appropriate.

**(Decision B.14/27)**

*c) Work plan for the fiscal year 2012*

86. Following the discussions, and having considered the recommendation of the Ethics and Finance Committee, as orally revised, the Board decided to approve the work plan for the fiscal year 2012 and the tentative work schedule, as contained in Annex VII to the present report.

**(Decision B.14/28)**

**Agenda item 8: Issues remaining from the 13th meeting of the Adaptation Fund Board**

*Execution costs*

87. The representative of the secretariat reminded the Board that pursuant to paragraph (c) of decision B.13/7 the secretariat had circulated the standardized template table developed for project execution costs, as contained in the Annex to document AFB/EFC.4/7, to implementing entities for their inputs before its final approval at the 14th meeting of the Board and subsequent inclusion in the project template. He said that the secretariat had only received comments from UNDP and the Inter-American Development Bank (IDB), both of which had provided examples of their own templates. UNDP used their ATLAS system while IDB used a template which broke down costs items and therefore providing a more detailed description of those costs.

88. Several members observed that the IDB template provided more information than that of UNDP and thus more transparency, which was the goal of the process. However, it was also asked whether it would be possible for all the implementing entities to provide the standardized information being requested.

89. The Chair explained that it was not obligatory to use the template and that it could be used as a reference by the implementing entities.

90. Following the discussion on the inputs received from UNDP and IDB the Board decided to approve the template as orally modified, taking into consideration some of the elements of models that had been received. The template as modified is attached as Annex VIII to the present report.

**(Decision B.14/29)**

*Performance of the secretariat and trustee*

91. The Chair closed the meeting to discuss the report of the ad hoc group established by decision B.13/24. The ad hoc committee comprised of Ms. Ana Fornells de Frutos (Spain, Annex I Parties), Chair of the Adaptation Fund Board, Mr. Yutaka Matsuzawa (Japan, Annex I Parties); Mr. Zaheer Fakir (South Africa, Africa); and Mr. Luis Santos (Uruguay, Latin American and Caribbean Countries). The committee had short-listed five candidates taking into account the TORs, and had interviewed two of the candidates. Following an exchange of views and the recommendation of the ad hoc committee, the Board decided to approach one of the short-listed candidates intersessionally to offer him/her the consultancy on the understanding that if he/she declined the proposed work plan, the other short-listed candidate would be approached in his/her place.

**(Decision B.14/30)**

*Participation of the Adaptation Fund Board and secretariat in the Transitional Committee of the Green Climate Fund*

92. The report by the Chair took place under agenda item 3: "Report on intersessional activities of the Chair".

**Agenda item 9: Financial Issues**

*CER monetization*

93. The Board heard an update by the trustee on the CER monetization programme as well as recent events in the carbon markets. CERs prices rose over 10% in March in reaction to the earthquake in Japan and the subsequent closing of nuclear power plants in both Japan and Germany. Since May, however, prices had retreated to pre-earthquake levels as oil prices had fallen, due in part to global debt concerns. The trustee confirmed that Adaptation Fund CERs remained unaffected by the recent thefts of CERs from various national registries. The trustee also reported that it had complemented its regular CER monetization programme with a first, ground-breaking auction of Adaptation Fund CERs. The auction was successfully held in May, and had received interest from buyers for an amount of 6.8 times the 200,000 tons sold at a clearing price of €12.52. The trustee reported that despite the enthusiastic response, the auction confirmed that buyers were not willing to pay a significant premium over the prevailing market price for CERs. Additional auctions might be undertaken by the trustee in the future.

94. The Board took note of the report by the trustee on CER monetization.

*Financial status of the Adaptation Fund Trust Fund*

95. The trustee presented the financial status of the Adaptation Fund Trust Fund and on the CER monetization programme. The financial status of the Adaptation Fund was further described in the report of the trustee (AFB/EFC.5/8), which also contained information on Board approvals to date broken down by MIEs (80%) and NIEs (20%). The trustee reported that funds available to support new Board funding decisions amounted to US\$ 183.20 million.

96. The Board took note of the presentation by the trustee.

**Agenda item 10: Board meetings for the remainder of 2011**

97. The Manager of the Adaptation Fund Board secretariat said that the 15th meeting of the Board, and its related committees, would take place in Bonn from Wednesday, September 14 to Friday, September 16, 2011. The 16th meeting of the Board would be held in Durban, South Africa, from Monday, December 12 to Wednesday, 14, 2011, back-to-back with the seventh meeting of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.

98. The Board took note of the dates of its 15th and 16th meetings.

**Agenda item 11: Other matters**

99. The Chair invited the Board to discuss any other matters raised during the adoption of the agenda.

*Report by the UNFCCC secretariat on regional workshops to support the accreditation of NIEs*

100. The Chair called upon the UNFCCC secretariat to report on the workshops being planned to support the accreditation of NIEs.

101. A representative of the UNFCCC secretariat said that, despite generous contributions from Japan and Switzerland and an in-kind support offered by UNEP in Nairobi, there was a shortfall of US\$ 85,000 for the planned Africa workshop. There was also expected to be a shortfall of US\$ 160,000 for the planned Latin American and Caribbean workshop, although donations had been made by Spain and another donor, as well as UNDP which was offering in-kind support in Panama City. The Board was also informed that Senegal had offered to host the African workshop, although the representative of UNFCCC said that in that case the in-kind contribution of UNEP might not be available. After a discussion, the representative of the UNFCCC secretariat was asked to calculate the savings that could be achieved by reducing the number of days for the Africa workshop from three to two. He subsequently reported that US\$ 35,000 in savings could be achieved by reducing the number of days from three to two; however, a shortfall of US\$ 50,000 would still remain for that workshop. Board members suggested that further savings could be made by scaling down the number of participants or seeking other efficiencies.

102. The Board took note of the presentation by the UNFCCC secretariat.

**Agenda item 12: Adoption of the report**

103. The Board adopted document AFB/B.14/L.2 which contained the decisions taken by the Board at its 14th meeting and which were also incorporated, under the relevant agenda items, in the draft report of that meeting (AFB/B.14/L.1). The present report was prepared based on AFB/B.14/L.1 for intersessional adoption by the Board.

**Agenda item 13: Closure of the Meeting**

104. Following the customary exchange of courtesies, the Chair declared the 14th meeting of the Board closed on Friday, June 22, 2011 at 6.30 p.m.

**ANNEX I: MEMBERS AND ALTERNATES PARTICIPATING AT THE FOURTEENTH  
MEETING OF THE ADAPTATION FUND BOARD**

<b>MEMBERS</b>		
<b>Name</b>	<b>Country</b>	<b>Constituency</b>
Mr. Cheikh Ndiaye Sylla	Senegal	Africa
Mr. Zaheer Fakir	South Africa	Africa
Ms. Medea Inashvili	Georgia	Eastern Europe
Ms. Barbara Letachowicz	Poland	Eastern Europe
Mr. Jeffery Spooner	Jamaica	Latin America and the Caribbean
Mr. Luis Santos	Uruguay	Latin America and the Caribbean
Mr. Hans Olav Ibrekk	Norway	Western European and Others Group
Ms. Angela Churie-Kallhauge	Sweden	Western European and Others Group
Mr. Peceli Vocea	Fiji	Small Island Developing States
Mr. Richard Muyungi	Tanzania	Least-Developed Countries
Ms. Ana Fornells de Frutos	Spain	Annex I Parties
Mr. Marc-Antoine Martin	France	Annex I Parties
Mr. Ricardo Lozano Picón	Colombia	Non-Annex I Parties

<b>ALTERNATES</b>		
<b>Name</b>	<b>Country</b>	<b>Constituency</b>
Mr. Richard Mwendandu	Kenya	Africa
Mr. Ezzat Lewis Hannalla Agaiby	Egypt	Africa
Mr. Damdin Dagvadorj	Mongolia	Asia
Mr. Valeriu Cazac	Moldova	Eastern Europe;
Ms. Iryna Trofimova	Ukraine	Eastern Europe
Mr. Luis Paz Castro	Cuba	Latin America and the Caribbean
Mr. Santiago Reyna	Argentina	Latin America and the Caribbean
Mr. Anton Hilber	Switzerland	Western European and Others Group
Mr. Markku Kanninen	Finland	Western European and Others Group
Mr. Amjad Abdulla	Maldives	Small Island Developing States
Mr. Mirza Shawkat Ali	Bangladesh	Least-Developed Countries
Ms. Kate Binns	United Kingdom of Great Britain and Northern Ireland	Annex I Parties
Mr. Yutaka Matsuzawa	Japan	Annex I Parties
Ms. Sally Biney	Ghana	Non-Annex I Parties
Mr. Bruno Sekoli	Lesotho	Non-Annex I Parties

**ANNEX II: ADOPTED AGENDA OF THE FOURTEENTH MEETING**

1. Opening of the Meeting.
2. Organizational Matters:
  - (a) *Adoption of the Agenda;*
  - (b) *Organization of Work;*
  - (c) *Declarations of conflict of interest*
3. Report on intersessional activities of the Chair.
4. Secretariat activities.
5. Report of the sixth meeting of the Accreditation Panel.
6. Report of the fifth meeting of the Project and Programme Review Committee (PPRC):
  - (a) *Project and Programme proposals;*
  - (b) *Issues identified during project and programme review.*
7. Report of the fifth meeting of the Ethics and Finance Committee (EFC):
  - (a) *Knowledge Management framework*
  - (b) *Consideration of country cap in the context of regional project/programmes ;*
  - (c) *Review of the operational policies and guidelines;*
  - (f) *Implementation of the Code of Conduct;*
  - (g) *Financial issues.*
8. Issues Remaining from the 13th Board meeting:
  - (a) *Execution costs;*
  - (b) *Performance study of the secretariat and trustee*
  - (c) *Participation of the Adaptation Fund Board and secretariat in the Transitional Committee of the Green Climate Fund*
9. Financial issues:
  - (a) *CER Monetization;*
  - (b) *Financial status of the Adaptation Fund Trust Fund.*
10. Board meetings for the remainder of 2011
11. Other Matters
  - Report by the UNFCCC secretariat on regional workshops to support the accreditation of NIEs*
12. Adoption of the report
13. Closure of the Meeting

## ANNEX III: FUNDING DECISIONS AND BUDGET APPROVAL

	Country/Title	IE	Document Ref	Project	Fee	NIE	MIE	IE fee %	Total Amount	Decision
<b>1. Projects and Programs:</b>	Maldives	UNDP	PPRC.5/10	8,285,000.00	704,225.00		8,989,225.00	8.5%	8,989,225.00	Approved
	Mongolia	UNDP	PPRC.5/11	5,069,124.00	430,876.00		5,500,000.00	8.5%	5,500,000.00	Approved
	Turkmenistan	UNDP	PPRC.5/16	2,700,000.00	229,500.00		2,929,500.00	8.5%	2,929,500.00	Approved
	<b>Sub-total</b>			<b>16,054,124.00</b>	<b>1,364,601.00</b>		<b>17,418,725.00</b>	8.5%	<b>17,418,725.00</b>	
<b>2. Project Formulation Grant:</b>	Jamaica	PIOJ	PPRC.5/4/Add 1						30,000.00	
	<b>Sub-total</b>								<b>30,000.00</b>	
<b>3. Budget:</b>	FY12 budget - AF secretariat		AFB/EFC/5.9						3,422,101.00	
	FY12 budget - Trustee		AFB/EFC/5.9						1,088,000.00	
	<b>Sub-total</b>								<b>4,510,101.00</b>	
<b>4. Concepts:</b>	Jamaica	PIOJ	PPRC.5/4	9,185,000.00	780,000.00	9,965,000.00		8.5%	9,965,000.00	Endorsed
	Argentina	WB	PPRC.5/5	3,973,920.00	337,783.00		4,311,703.00	8.5%	4,311,703.00	Endorsed
	Djibouti	UNDP	PPRC.5/6	4,293,600.00	364,956.00		4,658,556.00	8.5%	4,658,556.00	Endorsed
	Fiji	UNDP	PPRC.5/7	5,280,000.00	448,800.00		5,728,800.00	8.5%	5,728,800.00	Endorsed
	Papua New Guinea	UNDP	PPRC.5/12	4,818,000.00	409,530.00		5,227,530.00	8.5%	5,227,530.00	Endorsed
	Seychelles	UNDP	PPRC.5/13	5,950,000.00	505,750.00		6,455,750.00	8.5%	6,455,750.00	Endorsed
	<b>Sub-total</b>			<b>33,500,520.00</b>	<b>2,846,819.00</b>	<b>9,965,000.00</b>	<b>26,382,339.00</b>		<b>36,347,339.00</b>	
<b>5. Total (5 = 1 + 2 + 3 + 4)</b>									<b>58,306,165.00</b>	



## ANNEX IV: REPORT FROM UNDP ON PROJECT IMPLEMENTATION

Country	Has the Govt signed the project document?	Status of Project Recruitments?	When is the inception meeting planned for?
<b>Honduras</b>	Signed by UNDP and the Government of Honduras on 1 April 2011.	The project coordinator has been identified, and is expected to sign the contract on Wednesday, 15 June 2011. The recruitment of a project assistant is in process.	<p>Scheduled for 27-29 June, 2011</p> <p>Expected participants:</p> <ul style="list-style-type: none"> <li>• Project Coordinator and Project assistant,</li> <li>• Mirzca Castro and Raquel Lopez Project Focal points for SEPLAN (Secretariat for Planification);</li> <li>• UNAH (University of Honduras);</li> <li>• AMDC (Municipality of Tegucigalpa);</li> <li>• SANAA (Autonomous National Service for Water and Sanitation);</li> <li>• SMN (National Meteorological System),</li> <li>• COPECO (the Permanent Contingency Commission of Honduras.</li> <li>• Dr. Rigoberto Cuellar, the Honduras Minister of SERNA,</li> <li>• UNDP Country office staff and Regional Technical Advisor</li> </ul>
<b>Nicaragua</b>	Signed by UNDP and the Government of Nicaragua on 29 March 2011.	The project coordinator, together with the	<p>Scheduled to for 21-24 June, 2011.</p> <p>Expected participants:</p>

		<p>administrative assistant, has been hired June 2011. The recruitment of other members PMU (i.e the technical team will consist of three outreach workers and a civil engineer specialized in rural water works) is in process.</p>	<ul style="list-style-type: none"> <li>• senior representative of MARENA</li> <li>• Director General of Planning for MARENA</li> <li>• representatives from MARENA's territorial delegations in Leon and Chinandega,</li> <li>• General Coordinator of SINIA,</li> <li>• project team</li> <li>• Juanita Argeñal, Minister of Environment and Natural Resources (MARENA, the i);</li> <li>• Pablo Mandeville, UNDP Res Rep in Nicaragua,</li> <li>• and one representative from each of the 24 communities to benefit by the project in all eight micro-watersheds</li> <li>• UNDP Country office staff and Regional Technical Advisor</li> </ul>
<b>Pakistan</b>	<p>UNDP has been following up with the Government of Pakistan (Economic Affairs Division) regarding the Government endorsement of the AF approved project. Weekly follow up with Government counterparts has taken place between the UNDP Country Office and Government, starting on 26 April 2011. At present, in line with Government processes, the Project Document is under review</p>		

	by Economic Affairs Division. UNDP estimates that the project document will be signed by 18 June 2011		
<b>Eritrea</b>	UNDP has sent the project document to the Ministry of Finance to review and counter sign in order that activities can commence. UNDP is awaiting a response from Government.		
<b>Solomon Islands</b>	Govt signed the project document on 4 May 2011, UNDP RR signed on 5 May 2011.	Posts of Project Manager and Assistant were advertised and shortlisted. Interview will be conducted Friday, 17 June 2011.	<p>June 28-30</p> <p>Expected participants:</p> <ul style="list-style-type: none"> <li>• Line ministries,</li> <li>• academia,</li> <li>• NGOs,</li> <li>• private sector and</li> <li>• UNDP staff, Regional Technical Advisor and Global Lead (Adaptation Programming)</li> </ul>

**ANNEX V: AMENDED OPERATIONAL POLICIES AND GUIDELINES**



**ADAPTATION FUND**

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Adaptation Fund Board

**OPERATIONAL POLICIES AND GUIDELINES FOR PARTIES TO ACCESS RESOURCES  
FROM THE ADAPTATION FUND**

## INTRODUCTION

1. The Kyoto Protocol (KP), in its Article 12.8, states that “The Conference of the Parties serving as the meeting of the Parties to this Protocol shall ensure that a 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.”<sup>1</sup> This is the legal basis for the establishment of the Adaptation Fund.
2. At the seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), held in Marrakech, Morocco, from October 29 to November 10, 2001 (COP7), the Parties agreed to the establishment of the Adaptation Fund (the Fund).<sup>2</sup>
3. In Montreal, Canada in November 2005<sup>3</sup> and in Nairobi, Kenya in December 2006,<sup>4</sup> the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), decided on specific approaches, principles and modalities to be applied for the operationalization of the Fund.
4. In Bali, Indonesia, in December 2007, the CMP decided that the operating entity of the Fund would be the Adaptation Fund Board (the Board), serviced by a Secretariat and a Trustee.<sup>5</sup> Parties invited the Global Environment Facility to provide secretariat services to the Board (the Secretariat), and the World Bank to serve as the trustee (the Trustee) of the Fund, both on an interim basis.
5. In particular, Decision 1/CMP.3, paragraph 5(b), lists 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, in accordance with decision 5/CMP.2, and to report to the CMP.
6. In Poznan, Poland, in December 2008, through Decision 1/CMP.4, the Parties adopted:
  - (a) the *Rules of Procedures of the Adaptation Fund Board*;
  - (b) the *Memorandum of Understanding between the Conference of the Parties serving as the meeting of the Parties of the Kyoto Protocol and Council of the Global Environmental Facility regarding secretariat services to the Adaptation Fund Board, on an interim basis*;

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<sup>1</sup> See FCCC/KP/Kyoto Protocol.

<sup>2</sup> See Decision 10/CP.7, “Funding under the Kyoto Protocol”.

<sup>3</sup> See Decision 28/CMP.1, “Initial guidance to an entity entrusted with the operation of the financial system of the Convention, for the operation of the Adaptation Fund” in Annex I to this document.

<sup>4</sup> See Decision 5/CMP.2, “Adaptation Fund”, in Annex I to this document.

<sup>5</sup> See Decision 1/CMP.3, “Adaptation Fund”, in Annex I to this document.

- (c) the *Terms and Conditions of Services to be Provided by the International Bank for Reconstruction and Development (the World Bank) as Trustee for the Adaptation Fund*, on an interim basis; and
  - (d) the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* (see Annex 1).
7. In Decision 1/CMP.4, paragraph 11, the CMP decided that the Adaptation Fund Board be conferred such legal capacity as necessary for the execution of its functions with regard to direct access by eligible developing country Parties. Further, in decision 4/CMP.4, paragraph 1, the Parties endorsed the Board decision to accept the offer of Germany to confer legal capacity on the Board. The German Act of Parliament which conferred legal capacity to the Board entered into force of February 8, 2011.
  8. This document (hereafter “the operational policies and guidelines”), in response to the above CMP decisions, outlines operational policies and guidelines for eligible developing country Parties to access resources from the Fund. The operational policies and guidelines 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 CMP.

## DEFINITIONS OF ADAPTATION PROJECTS AND PROGRAMMES

9. The Adaptation Fund established under decision 10/CP.7 shall finance concrete adaptation projects and programmes.
10. 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. Adaptation projects can be implemented at the community, national and transboundary level. Projects concern discrete activities with a collective objective(s) and concrete outcomes and outputs that are more narrowly defined in scope, space and time.
11. 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.

## OPERATIONAL AND FINANCING PRIORITIES

12. The overall goal of all adaptation projects and programmes financed under the Fund will be to support concrete adaptation activities that reduce vulnerability and increase adaptive capacity to respond to the impacts of climate change, including variability at local and national levels.
13. Provision of funding under the Fund will be based on, and in accordance with, the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* adopted by the CMP, attached as **Error! Reference source not found.**
14. Funding will be provided on full adaptation cost basis of projects and programmes to address *the adverse effects of climate change*.<sup>6</sup> *Full cost of adaptation* means the costs associated with implementing concrete adaptation activities that address the adverse

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<sup>6</sup> Decision 5/CMP.2, paragraph 1 (d).

effects of climate change. The Fund will finance projects and programmes whose principal and explicit aim is to adapt and increase climate resilience. The project/programme proponent is to provide justification of the extent to which the project contributes to adaptation and climate resilience. The Board may provide further guidance on financing priorities, including through the integration of information based on further research on the full costs of adaptation and on lessons learned.

15. In developing projects and programmes to be funded under the Fund, eligible developing country Parties may wish to consider the guidance provided in 5/CP.7. Parties may also consult information included in reports from the Intergovernmental Panel on Climate Change (IPCC) and information generated under the Nairobi Work Programme (NWP) on Impacts, Vulnerability and Adaptation to Climate Change.<sup>7</sup>
16. Decisions on the allocation of resources of the Fund shall take into account the criteria outlined in the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund*, adopted by the CMP, specifically:
  - (a) Level of vulnerability;
  - (b) Level of urgency and risks arising from delay;
  - (c) Ensuring access to the fund in a balanced and equitable manner;
  - (d) Lessons learned in project and programme design and implementation to be captured;
  - (e) Securing regional co-benefits to the extent possible, where applicable;
  - (f) Maximizing multi-sectoral or cross-sectoral benefits;
  - (g) Adaptive capacity to the adverse effects of climate change.
17. Resource allocation decisions will be guided by paragraphs 9 and 10 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund*.
18. The Board will review its procedures for allocating resources of the Fund among eligible Parties at least every three years, and/or as instructed by the CMP.

#### **PROJECT/ PROGRAMME PROPOSAL REQUIREMENTS**

19. To access Fund resources, a project /programme will have to be in compliance with the eligibility criteria contained in paragraph 15 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* and using the relevant templates (templates attached as **Error! Reference source not found.**).

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<sup>7</sup> IPCC Assessment Report 4, see <http://www.ipcc.ch/ipccreports/assessments-reports.htm> and NWP see [http://unfccc.int/adaptation/sbsta\\_agenda\\_item\\_adaptation/items/3633.php](http://unfccc.int/adaptation/sbsta_agenda_item_adaptation/items/3633.php).

## DESIGNATED AUTHORITY

20. 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.
21. 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, sub-regional, or multilateral.
22. 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

## FINANCING WINDOWS

23. Parties may undertake adaptation activities under the following categories:
  - (a) Small-size projects and programmes (proposals requesting up to \$1 million); and
  - (b) Regular projects and programmes (proposals requesting over \$1million).

## ELIGIBILITY CRITERIA

### Country Eligibility

24. The Fund shall finance concrete adaptation projects and programmes in developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change.
25. Paragraph 10 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* provides the country eligibility criteria.
26. A cap in resource allocation per eligible host country, project and programme will be agreed by the Board based on a periodic assessment of the overall status of resources in the Adaptation Fund Trust Fund and with a view to ensuring equitable distribution.

### Implementing and Executing Entities

27. Eligible Parties who seek financial resources from the Adaptation Fund shall submit proposals directly through their nominated National Implementing Entity (NIE).<sup>8</sup> They

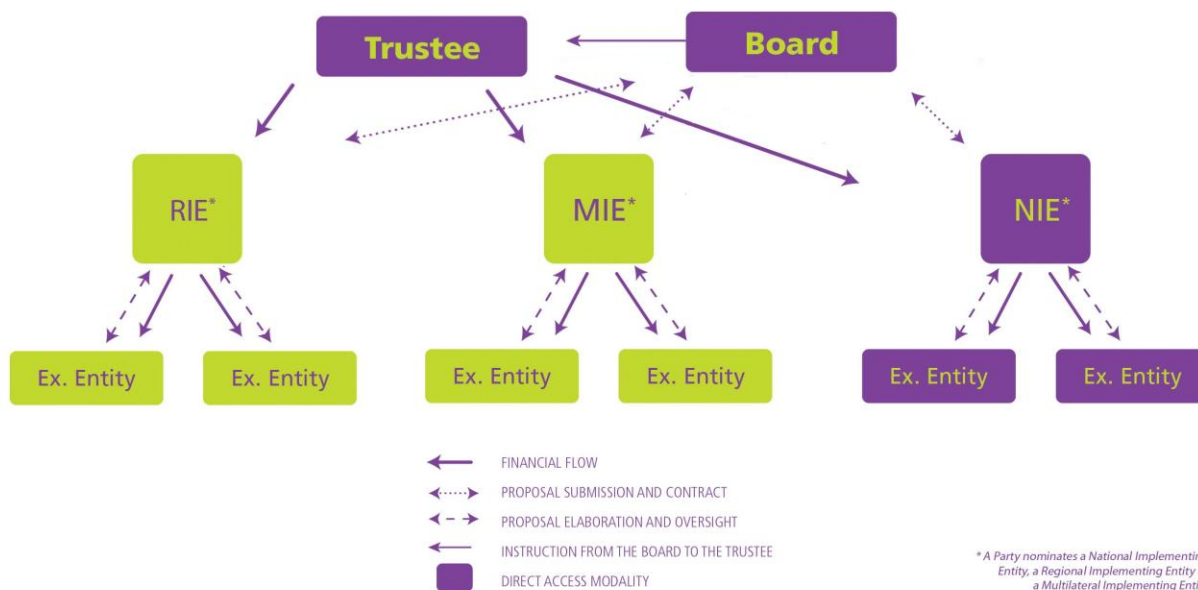
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<sup>8</sup> They may include *inter alia*, ministries, inter-ministerial commissions, government cooperation agencies.



may, if they so wish, use the services of Multilateral Implementing Entities (MIE). The implementing entities shall obtain an endorsement from the government through the Designated Authority referred to in paragraph 20 above.<sup>9</sup> The options of submitting different projects/programmes through an NIE and through an MIE are not mutually exclusive. The modalities for accessing resources of the Adaptation Fund are outlined in Figure 1.

FIGURE 1: MODALITIES FOR ACCESSING RESOURCES OF THE ADAPTATION FUND



28. National Implementing Entities (NIE) are those national legal entities nominated by Parties that are recognized by the Board as meeting the fiduciary standards approved by the Board. The NIEs 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.
29. A group of Parties may also nominate regional and sub-regional entities as implementing entities (RIE/SRIE), and thereby provisions of paragraph 28 will apply. In addition to the nomination of an NIE an eligible Party may also nominate a RIE/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 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.

31. In the case of regional (i.e., multi-country) projects and programmes, the proposal submitted to the Board should be endorsed by the Designated Authority of each participating Party.
32. Executing Entities are organizations that execute adaptation projects and programmes supported by the Fund under the oversight of Implementing Entities.

## ACCREDITATION OF IMPLEMENTING ENTITIES

### Fiduciary Standards

33. Among principles established for the Fund (Decision 5/CMP.2) is “sound financial management, including the use of international fiduciary standards.” At its 7<sup>th</sup> meeting the Board adopted fiduciary standards governing the use, disbursement and reporting on funds issued by the Adaptation Fund covering the following broad areas (refer to Annex 2 for details):
  - (a) Financial Integrity and Management:
    - (i) 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;
    - (ii) Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;
    - (iii) Produce forward-looking financial plans and budgets;
    - (iv) Legal status to contract with the Fund and third parties
  - (b) Institutional Capacity:
    - (i) Procurement procedures which provide for transparent practices, including in competition;
    - (ii) Capacity to undertake monitoring and evaluation;
    - (iii) Ability to identify, develop and appraise project/programme;
    - (iv) Competency to manage or oversee the execution of the project/programme including ability to manage sub-recipients and to support project /programme delivery and implementation.
  - (c) Transparency and Self-investigative Powers: Competence to deal with financial mismanagement and other forms of malpractice.

### Accreditation Process

34. Accreditation for the implementing entities would follow a transparent and systematic process through an Adaptation Fund Accreditation Panel (the Panel) supported by the Secretariat. The Panel will consist of two Board Members and three experts. The different steps for accreditation are as follows:
- (a) The Board will invite Parties<sup>10</sup> to each nominate a National Implementing Entity (NIE); the Board will issue a call to potential Multilateral Implementing Entities (MIE) to express interest in serving as an MIE;
  - (b) Potential implementing entities will submit their accreditation applications to the Secretariat together with the required supporting documentation to verify how they meet the fiduciary standards;
  - (c) The Secretariat will review the documentation to ensure that all the necessary information is provided, and will follow-up with the potential implementing entities to ensure that the application package is complete. The Secretariat will forward the complete package to the Panel within 15 (fifteen) working days following receipt of a candidate implementing entity's submission;
  - (d) The Panel will undertake a desk-review of the application and forward its recommendation to the Board; should the Panel require additional information prior to making its recommendation, a mission and/or a teleconference may be undertaken with regard to the country concerned.<sup>11</sup>The Board will provide further guidance on the required information in the future on the basis of lessons learned; and
  - (e) The Board will make a decision and in writing will notify the entity of the outcome, which could fall into one of the following categories:
    - (i) Applicant meets requirements and accreditation is approved; or
    - (ii) Applicant needs to address certain requirements prior to full accreditation.
35. In case the nominated NIE does not meet the criteria, an eligible Party may resubmit its application after addressing the requirements of the Board or submit an application nominating a new NIE. In the meantime, eligible Parties are encouraged to use the services of an accredited RIE/SRIE or MIE, if they so wish, to submit project/programme proposals for funding. An applicant MIE that does not meet the criteria for accreditation may also resubmit its application after addressing the requirements of the Board.
36. Accreditation will be valid for a period of 5 years with the possibility of renewal. The Board will develop guidelines for renewal of an implementing entity's accreditation based on simplified procedures that will be established at a later date.

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<sup>10</sup> The Designated Authority referred to in paragraph 21 above shall endorse the application for accreditation on behalf of the Party.

<sup>11</sup> The Panel will specify areas requiring further work to meet the requirements and may provide technical advice to address such areas. In exceptional circumstances, an external assessor may be used to help resolve especially difficult/contentious issues.

37. The Board reserves the right to review or evaluate the performance of implementing entities at any time during an implementing entity's accreditation period. It also reserves the right to investigate the use of the Fund resources, if there is any indication of misappropriate allocations. An investigation could include an independent audit of the use of the Fund resources. A minimum notification of 3 months will be given to an implementing entity if they have been identified by the Board as being the object of a review or evaluation.
38. The Board may also consider suspending or cancelling the accreditation of an implementing entity if it made false statements or provided intentionally incomplete information to the Board both at the time of accreditation to the Board or in submitting a project or programme proposal.
39. Before the Board makes its final decision on whether to suspend or cancel the accreditation of an implementing entity, the entity concerned will be given a fair chance to present its views to the Board.

## **PROJECT/PROGRAMME CYCLE**

40. The project/programme cycle of the Adaptation Fund for any project or programme size begins with a proposal submission to the Secretariat by the NIE/MIE chosen by the Party/ies. The Designated Authority referred to in paragraph 20 above shall endorse the proposal submission. The submission is followed by an initial screening, project/programme review and approval.<sup>12</sup>

## **Review and Approval of Small-size Projects and Programmes**

41. In order to expedite the process of approving projects/programmes and reduce unnecessary bureaucracy, small-size projects will undergo a one-step approval process by the Board. The proposed project cycle steps are as follows:
  - (a) The project/programme proponent submits a fully developed project/programme document<sup>13</sup> based on a template approved by the Board (Annex 3, Appendix A). A disbursement schedule with time-bound milestones will be submitted together with the fully developed project/programme document. Proposals shall be submitted to the Board through the Secretariat. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board to the extent possible. Project/programme proposals shall be submitted at least nine weeks before each Board meeting in order to be considered by the Board at its next meeting.
  - (b) The Secretariat will screen all proposals for consistency and provide a technical review. It will then forward the proposals with the technical reviews to the Projects and Programmes Review Committee (PPRC) for review, based on the criteria approved by the Board (Annex 3). The secretariat will forward comments on the project/programme proposals and requests for clarification or further information to

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<sup>12</sup> The Designated Authority referred to in paragraph 21 above shall endorse the proposal submission.

<sup>13</sup> A fully developed project/programme is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation.

the implementing entities, as appropriate. The inputs received and the conclusions of the technical review by the secretariat will be incorporated to the review template.

- (c) The Secretariat will send all project/programme proposals received with technical reviews to the PPRC at least seven (7) days prior to the meeting. The PPRC will review the proposals and give its recommendation to the Board for a decision at the Meeting. The PPRC may use services of independent adaptation experts to provide input into the review process if needed. The Board can approve, not approve or reject a proposal with a clear explanation to the implementing entities. Rejected proposals cannot be resubmitted.
- (d) The proposals approved by the Board will be posted on the Adaptation Fund website. Upon the decision, the Secretariat in writing will notify the proponent of the Board decision.

### **Review and Approval of Regular Projects and Programmes**

- 42. Regular adaptation projects/programmes are those that request funding exceeding \$1 million. These proposals may undergo either a one-step or a two-step<sup>14</sup> approval process. In the one-step approval process the proponent shall submit a fully-developed project/programme document. In the two-step approval process a brief project/programme concept shall be submitted as first step followed by a fully-developed project/document<sup>15</sup>. Funding will only be reserved for a project/programme after the approval of a fully-developed project document in the second step.
- 43. The project/programme cycle steps for both concept and fully-developed project document are as follows:
  - (a) The project/programme proponent submits a concept/fully-developed project document based on a template approved by the Board ((Annex 3, Appendix A). A disbursement schedule with time-bound milestones will be submitted together with the fully developed project/programme document. Proposals shall be submitted to the Board through the Secretariat. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board as much as possible. Project/programme proposals shall be submitted at least nine weeks before each Board meeting in order to be considered by the Board at its next meeting.
  - (b) The Secretariat will screen all proposals for consistency and provide a technical review based on the criteria approved by the Board (Annex 3). It will then forward the proposals and the technical reviews to the PPRC for review. The Secretariat will forward comments on the project/programme proposals and requests for clarification or further information to the implementing entities, as appropriate. The inputs received and the conclusions of the technical review by the secretariat will be incorporated in the review template.

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<sup>14</sup> A two-step process, while time consuming minimizes the risk that a proponent does not invest time and energy in fully developing a project or program document that fails to meet the criteria of the Fund.

<sup>15</sup> A fully developed project/programme is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation.

- (c) The Secretariat will send all project/programme proposals with technical reviews to the PPRC at least seven (7) days before the meeting. The PPRC will review the proposals and give its recommendation to the Board for a decision at the meeting. The PPRC may use services of independent adaptation experts to provide input into the review process if needed. In the case of concepts, the Board can endorse, not endorse, or reject a proposal with a clear explanation to the implementing entities. In the case of fully-developed proposals, the Board can approve, not approve, or reject a proposal with a clear explanation to the implementing entities. Rejected proposals cannot be resubmitted.
44. Proponents with endorsed concepts are expected to submit a fully developed proposal at subsequent Board meetings for approval and funding, following the steps described on paragraph 43 above.
45. All proposals approved for funding by the Board will be posted on the Adaptation Fund website. Upon the decision, the Secretariat will notify the proponent of the Board decision in writing.

### **Project/Programme Formulation Grants**

46. NIE project/programme proponents are eligible to submit a request for a Project/Programme Formulation Grant (PFG) together with a project/programme concept, using the PFG form approved by the Board. The secretariat will review the request and forward it to the PPRC for a final recommendation to the Board. A PFG can only be awarded when a project/programme concept is presented and endorsed.
47. Only activities related to country costs are eligible for funding through a PFG.
48. The project/programme proponent shall return any unused funds to the Trust Fund.
49. The project/programme proponent shall submit a fully developed project/programme document within twelve (12) months of the disbursement of the PFG. No PFG for other projects/programmes can be awarded until the fully developed project/programme document has been submitted.

### **Transfer of funds**

50. The Secretariat will draft a standard legal agreement between the Board and implementing entities using the template approved by the Board, and any other documents deemed necessary. The secretariat will provide these documents for signature by the Chair or any other Member designated to sign. The Board may, at its discretion, review any of the proposed agreements.
51. The Trustee will transfer funds on the written instruction of the Board, signed by the Chair, or any other Board Member designated by the Chair, and report to the Board on the transfer of funds.
52. The Board will ensure a separation of functions between the review and verification of transfer requests, and the issuance of instructions to the Trustee to transfer funds.

53. The Board will instruct the Trustee to transfer funds in tranches, based on the disbursement schedule with time bound milestones submitted with the fully developed project/programme document. The Board may require a progress review from the Implementing Entity prior to each tranche transfer. The Board may also suspend the transfer of funds if there is evidence that funds have been misappropriated.
54. If an implementing entity does not sign the standard legal agreement within four (4) months from the date of notification of the approval of the project/programme proposal, the funds committed for that project/programme will be cancelled and retained in the Trust Fund for new commitments.

### **Monitoring, Evaluation and Review**

55. The Board is responsible for strategic oversight of projects and programmes implemented with resources from the Fund, in accordance with its overarching strategic results framework, a *Strategic Results Framework for the Adaptation Fund* and the *Adaptation Fund Level Effectiveness and Efficiency Results Framework*, to support the *Strategic Priorities, Policies, and Guidelines of the Adaptation Fund*. The Ethics and Finance Committee (EFC), with support of the Secretariat, will monitor the Fund portfolio of projects and programmes.
56. The Board will oversee results at the fund-level. Implementing entities shall ensure that capacity exists to measure and monitor results of the executing entities at the country-level. The Board requires that projects and programmes under implementation submit annual status reports to the EFC. The EFC with the support of the Secretariat shall provide an annual report to the Board on the overall status of the portfolio and progress towards results.
57. All regular projects and programmes that complete implementation will be subject to terminal evaluation by an independent evaluator selected by the implementing entity. The Board reserves the right to submit small projects and programmes to terminal evaluation when deemed appropriate. Terminal evaluation reports will be submitted to the Board after a reasonable time after project termination, as stipulated in the project agreement. .
58. The Board requires that all projects' and programmes' objectives and indicators align with the Fund's Strategic Results Framework. Each project/programme will embed relevant indicators from the strategic framework into its own results framework. Not all indicators will be applicable to all projects/programmes but at least one of the core outcome indicators should be embedded.
59. The Board reserves the right to carry out independent reviews or evaluations of the projects and programmes as and when deemed necessary. The costs for such activities will be covered by the Adaptation Fund.
60. The Board has approved *Guidelines for project/programme final evaluations*. These guidelines describe how final evaluations should be conducted for all projects/programmes funded by the Adaptation Fund, as a minimum, to ensure sufficient accountability and learning in the Fund. They should be complementary to the implementing entities' own guidelines on final evaluation.

61. This project cycle will be kept under review by the Board.

### **Procurement**

62. Procurements by the implementing entities or any of their attached organizations shall be performed in accordance with internationally accepted procurement principles, good procurement practices and the procurement regulations as applicable to a given Party. Implementing entities shall observe the highest ethical standards during the procurement and execution of the concrete adaptation projects/programmes.
63. The project/programme proposal submitted to the Board shall contain adequate and effective means to punish and prevent malpractices. The implementing entities should promptly inform the Board of any instances of such malpractices. The Board reserves the right to investigate any anomalies that may occur with respect to procurement.

### **Project Suspensions and Cancellations**

64. At any stage of the project/programme cycle, either at its discretion or following an independent review-evaluation or investigation, the EFC may recommend to the Board to suspend or cancel a project/programme for several reasons, notably:
- (a) financial irregularities in the implementation of the project/programme; and/or
  - (b) material breach, and poor implementation performance leading to a conclusion that the project/programme can no longer meet its objectives.
65. Before the Board makes its final decision whether to suspend or cancel a project/programme, the concerned implementing entity will be given a fair chance to present its views to the Board.
66. In accordance with their respective obligations, implementing entities suspending or cancelling projects/programmes must send detailed justification to the Board for the Board's information.
67. The Secretariat will report to the Board on an annual basis on all approved projects and programmes that were suspended or cancelled during the preceding year.

### **Reservations**

68. The Board reserves the right to reclaim all or parts of the financial resources allocated for the implementation of a project/programme, or cancel projects/programmes later found not to be satisfactorily accounted for. The implementing entity shall be given a fair chance to consult and present its point of view before the Board.

### **Dispute Settlement**

69. In case of a dispute as to the interpretation, application or implementation of the project/programme, the implementing entity shall first approach the Secretariat with a written request seeking clarification. In case the issue is not resolved to the satisfaction of the implementing entity, the case may be put before the Board at its next meeting, to which a representative of the implementing entity could also be invited.



70. The provisions of the standard legal agreement between the Board and implementing entity on settlement of disputes shall apply to any disputes that may arise with regard to approved projects/programmes under implementation.

#### **Administrative costs**

71. Every project/programme proposal submitted to the Board shall state the management fee requested by the Implementing Entity if any. Fully developed proposals shall include a budget on fee use. The reasonability of the fee will be reviewed on a case by case basis. The requested fee shall not exceed the cap established by the Board.
72. Fully developed project/programme proposals shall include an explanation and a breakdown of all administrative costs associated with the project/programme, including the execution costs.

#### **Where to send a Request for Funding**

73. All requests shall be sent to:

Adaptation Fund Board Secretariat  
Tel: +1 202 473 0508  
Fax: +1 202 522 3240/5  
Email: [secretariat@adaptation-fund.org](mailto:secretariat@adaptation-fund.org)

74. Acknowledgment of the receipt shall be sent to the proposing implementing entities within a week of the receipt of the request for support. All project proposals submitted will be posted on the website of the Adaptation Fund Board. The Secretariat will provide facilities that will enable interested stakeholders to publicly submit comments about proposals.

#### **Review of the Operational Policies and Guidelines**

75. The Board shall keep these operational policies and guidelines under review and will amend them as deemed necessary.

**ANNEX VI: APPROVED FY11 AND PROPOSED FY12 BUDGET OF THE BOARD AND SECRETARIAT, AND OF THE TRUSTEE**

All amounts in US\$		<b>Approved</b>	<b>Actual</b>	<b>Proposed</b>
		<b><u>FY11</u></b>	<b><u>Estimated</u></b>	<b><u>FY12</u></b>
			<b><u>FY11</u></b>	
<b>BOARD AND SECRETARIAT</b>				
01	Personnel	1,334,445	1,391,775	1,552,027
02	Travel	1,127,900	947,900	1,057,810
03	General operations	166,686	196,227	297,265
04	Meetings	500,000	500,000	515,000
<b>Sub-total Board and secretariat</b>		<b>3,129,031</b>	<b>3,035,902</b>	<b>3,422,101</b>
<b>TRUSTEE</b>				
01	CER Monetization	678,000	678,000	678,000
02	Financial and Program Management	160,000	140,000	140,000
03	Investment Management	70,000	70,000	70,000
04	Accounting and Reporting	55,000	55,000	55,000
05	Legal Services	55,000	55,000	55,000
06	External Audit	42,479	42,479	90,000
<b>Sub-total trustee</b>		<b>1,060,479</b>	<b>1,040,479</b>	<b>1,088,000</b>
<b>GRAND TOTAL ALL COMPONENTS</b>		<b>4,189,510</b>	<b>4,076,381</b>	<b>4,510,101</b>

## **ANNEX VII: WORK PLAN FY11**

### **15<sup>th</sup> meeting: September 2011**

- Consideration of a report by the secretariat/Accreditation Panel on the outcome of the first regional workshop on NIE accreditation;
- Consideration and approval of the revised OPG and related templates;
- Consideration and approval of the final drafts of Evaluation Framework and Guidelines for project/programme final evaluations;
- Consideration of the performance review on the secretariat and trustee;
- Consideration of the draft report of the Board to the CMP 7;

### **16<sup>th</sup> meeting: December 2011**

- Consideration of a report by secretariat/Accreditation Panel on the outcome of the second regional workshop on NIE accreditation;
- Consideration of the first Annual Performance Report of the Fund, including the initial project/programme performance reports available.

### **17<sup>th</sup> meeting: March 2012**

- Assessment of the accreditation process, including the review of the TORs of the Accreditation Panel;

### **18<sup>th</sup> meeting: June 2012**

- Consideration of a report by the secretariat/Accreditation Panel on the outcome of the third regional workshop on NIE accreditation;
- Proposal of budget FY13
- Proposal of work plan FY13

**ANNEX VIII: AMENDED PROJECT EXECUTION COSTS TEMPLATE**

<b>Cost items</b>	Project staff	Consultants (including consultants for Final Evaluation)	Equipment and office facilities	Stakeholder consultations, workshops and communications	Travel	Other costs	<b>Total</b>
<b>AF funding (\$)</b>							