



ADAPTATION FUND

AFB/B.18/6
16 August 2012

ADAPTATION FUND BOARD
Eighteenth Meeting
Bonn, Germany, 26-29 June, 2012

REPORT OF THE EIGHTEENTH MEETING OF THE ADAPTATION FUND BOARD

Introduction

1. The 18th meeting of the Board of the Adaptation Fund of the Kyoto Protocol was held at the 'Langer Eugen' United Nations Campus, in Bonn, Germany, from 26 to 29 June 2012, and included the ninth meetings of the Project and Programme Review Committee (PPRC) and the Ethics and Finance Committee (EFC) of the Adaptation Fund Board ("the Board"). The meeting was briefly opened on 26 June 2012 to appoint the nominated alternate members and thereby allow them to attend the sessions of the EFC and PPRC, which took place on 26-27 June 2012. The meeting of the whole Board reconvened on 28 June 2012.
2. The meeting was broadcast live through the websites of the Adaptation Fund and the United Nations Convention to Combat Desertification (UNCCD). The UNCCD also provided logistical and administrative support for the meetings of the Board and its committees.
3. 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). The full list of the members and alternate members who participated 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://www.adaptation-fund.org/afb-meeting/2986> in document AFB/B.18/Inf.3.

Agenda Item 1: Opening of the meeting

4. The meeting was opened briefly at 9.20 a.m. on Tuesday, 26 June 2012 by the Chair, Mr. Luis Santos (Uruguay, Latin American and Caribbean Countries). The Chair requested the Board to consider the appointment of Mr. Boubacar Sidiki Dembele (Mali, Non-Annex I Parties) and Ms. Su-Lin Garbett-Shiels (United Kingdom of Great Britain and Northern Ireland, Annex I Parties) who had been nominated as alternate members by their respective groups.
5. The Board decided to appoint Mr. Boubacar Sidiki Dembele (Mali, Non-Annex I Parties) and Ms. Su-Lin Garbett-Shiels (United Kingdom of Great Britain and Northern Ireland, Annex I Parties) as alternate members of the Board (Decision B.18/1).

6. The Board meeting resumed at 9:20 a.m. on Thursday, 28 June 2012.

Agenda Item 2: Organizational matters

(a) Adoption of the agenda

7. The Board considered the provisional agenda contained in document AFB/B.18/1, as well as the provisional annotated agenda and provisional timetable contained in document AFB/B.18/2. There were no issues raised under agenda item 18, "Other Matters."

8. The Board adopted the agenda, which is contained in **Annex II** to the present report.

(b) Organization of work

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

(c) Declarations of conflicts of interest

10. The following members and alternates declared conflicts of interest:

- (a) Mr. Ezzat L.H. Agaiby (Egypt, Africa);
- (b) Ms. Sally Biney (Ghana, Non-Annex I Parties);
- (c) Mr. Boubacar Sidiki Dembele (Mali, Non-Annex I Parties);
- (d) Ms. Laura Dzelzyte (Lithuania, Eastern Europe);
- (e) Mr. Ricardo Lozano Picon (Colombia, Non-Annex I Parties);
- (f) Mr. Santiago Reyna (Argentina, Latin American and Caribbean Countries);
- (g) Mr. Jeffery Spooner (Jamaica, Latin American and Caribbean Countries); and
- (h) Mr. Peceli Vocea (Fiji, Small-Island Developing States).

11. The manager of the secretariat, Ms. Marcia Levaggi, said that as she was an Argentine government officer on leave, she would have a conflict of interest when the Board considered matters related to Argentina.

(d) Oath of service

12. The oath of service was signed by the appointed alternate members:

- (a) Mr. Boubacar Sidiki Dembele (Mali, Non-Annex I Parties); and
- (b) Ms. Su-Lin Garbett-Shiels (United Kingdom of Great Britain and Northern Ireland, Annex I Parties).

Agenda Item 3: Report of the intersessional activities of the Chair

13. The Chair said that he had signed the agreement for the fully developed project for Papua New Guinea which had been approved by the Board at its 17th meeting, and that he had responded to the Government of Australia with comments from the Board on its request for information but had not yet received a reply to that communication. He also said that he had attended the 36th session of the Subsidiary Body on Implementation (SBI) and had participated in the contact group on the review of the Adaptation Fund. At the SBI meeting he had also met with donors and held a bilateral meeting with representatives of the Government of Denmark. He also said that he had participated at the Rio+20 meeting and had moderated an event on low-carbon resilient development organized by the Inter-American Development Bank (IADB) and made a presentation on the experiences of the Adaptation Fund with disaster risk reduction at the Mountain Pavilion. He said that it had unfortunately not been possible at Rio+20 to launch the partnership with the United Nations Foundation (UNF) for the collection of private donations to the Fund as the framework and grant agreements were still being negotiated with the UNF.

14. The Board took note of the report by the Chair.

Agenda Item 3: Secretariat activities

15. The Manager of the secretariat reported on the activities of the secretariat during the intersessional period. Those activities are more fully described in document AFB/B.18/3 (Report on the Activities of the Secretariat). She said the secretariat had implemented the decisions taken by the Board at its 17th meeting. As reported by the Chair, the agreement for the project in Papua New Guinea had been signed with UNDP. The letters of agreement for the earlier approved projects in the Cook Islands, Georgia, Madagascar and Tanzania had been signed as well. The secretariat had also collaborated in the preparation of the two remaining accreditation workshops organized by the UNFCCC secretariat in the Philippines and Samoa.

16. The secretariat, together with the trustee, was in the process of negotiating a framework and grant agreements with the UNF for the collection of private donations. The secretariat informed the Board that the agreements with the UNF were complex, and that the money collected would be treated as a donation from the UNF to the Adaptation Fund. While on the margins of the 10th meeting of the Accreditation Panel, she participated with Ambassador Jan Cedergen, former Chair of the Board, and Ms. Anna Lindstedt, climate change ambassador, and the Chair of the Accreditation Panel in a media briefing on the role of the Government of Sweden in supporting the Fund. She expressed her gratitude to the Government of Sweden for supporting the work of the secretariat and for facilitating a productive dialogue with stakeholders in Sweden. The Manager said that she had also met with donors in Bonn, Germany, on the margins of the 36th session of the SBI.

17. The Manager of the secretariat also mentioned that during the UNFCCC regional accreditation workshop in Samoa for the Pacific region, a representative from an accredited multilateral implementing entity (MIE) made some remarks alluding to the difficulties and challenges of the accreditation process for national implementing entities (NIEs). Contrary to the objective of the workshop the remarks in effect encouraged participants to submit projects through MIEs rather than NIEs.

18. The secretariat had also supported the Chair during the SBI meeting in Bonn, had organized a dialogue with representatives of the donor countries, and had participated in a panel discussion, entitled "Adaptation Fund: ensuring transparency and accountability," hosted by the German Development Institute. The Manager reported that a representative of an

organization participating in the panel discussion, International Aid Transparency Initiative (IATI), will be invited to make a presentation to the Board at its next meeting.

19. The Board took note of the report by the Manager of the secretariat.

Agenda Item 5: Report of the 10th meeting of the Accreditation Panel

20. The Chair of the Panel, Ms. Angela Churie-Kallhauge (Sweden, Western European and Others Group) introduced the report of the Panel's tenth meeting, which is more fully described in document AFB/B.18/4.

21. The Panel had held its tenth meeting in Stockholm at the premises of the Swedish Energy Agency and had considered four new applications for accreditation (NIE037, NIE039, RIE004, and RIE005). It had continued reviewing seven ongoing NIE applications (NIE018, NIE023, NIE028, NIE032, NIE034, NIE035, and NIE037), a Regional Implementing Entity application (RIE002) and one application to become a Multilateral Implementing Entity (MIE011). By the 18th Board meeting the Panel had concluded the review of the National Bank for Agriculture and Rural Development (NABARD) from India. The Panel also noted that the reviews of NIE023 and NIE037 showed potential for prompt conclusion once all the required information was available. The Panel sought the Board's authorization to submit an intersessional recommendation for these implementing entities should the Panel conclude any of the reviews with a positive recommendation.

22. The Chair of the Panel also reported on those applications still under review (NIE018, NIE028, NIE032, NIE034, NIE035, NIE039, RIE002, RIE004, RIE005, and MIE001). A field visit to NIE028 led the Panel to observe that the entity was in line with the aims and mission of the Fund, however, the applicant needed to put in place systems to address certain gaps before a final decision could be made. In the cases of the remaining applicants: NIE018, NIE032, NIE034, NIE035, NIE039, RIE004, RIE005 and MIE011, the Panel was either awaiting further information and clarifications from the applicants, or had not yet been able to fully consider the information that had been provided. In the case of RIE002, two members of the Panel had met with the applicant's officials during one of the regional accreditation workshops to clarify outstanding gaps, and the Panel agreed to wait and see if the organization was able to demonstrate implementation of a fully effective mechanism to address the issues identified.

23. The Panel had held preliminary discussions on the possibility of further streamlining the process related to conditionalities that had been assigned to certain accreditation cases. In the case of some recently established organizations, the Panel had agreed to request a work plan with a concrete schedule to address the issues identified during the accreditation process, which in some cases might extend the review process beyond the two Panel meetings indicated in Decision B.12/2. The Panel noted that a work plan, together with the issues raised in the review process, might serve as inputs to eventual capacity-building support to be provided by interested multilateral and bilateral entities. The Panel considered a number of additional issues that could form the basis for further lessons learned and agreed to revisit them at its next meeting.

24. The Panel and the secretariat had been able to coordinate with the secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) in holding the third regional accreditation workshop in Manila, the Philippines from 19 to 21 March 2012, which was attended by two expert members of the Panel. The fourth regional accreditation workshop had been organized in Apia, Samoa from 23 to 25 April 2012 with the participation of two expert

members of the Panel. The Panel had also discussed the possibility of organizing a training for trainers workshop with multilateral and bilateral agencies that are currently supporting the process of accrediting NIEs, but acknowledged that such a workshop could not be supported using the Fund's resources. The Chair of the Panel said that the Panel would provide a recommendation to the Board at its 19th meeting.

25. In closing she said that the 11th meeting of the Panel would take place in Washington, DC from 24 to 25 September 2012 and that the deadline for submission of applications for accreditation remained 24 July 2012. She said that the Panel had taken note of the ongoing development of the online workflow, welcomed the implementation of the online application form, and looked forward to the next version of the online workflow which was expected to be operational before the Panel's next meeting.

26. The Chair of the Board then closed the meeting in order for the Chair of the Panel to provide additional details on the applications that were still being considered by the Panel. Those members and alternates with a conflict of interest also left the room. Following the closed session the Chair of the Accreditation Panel presented the recommendations of the Panel for adoption by the Board.

Accreditation of the National Bank for Agricultural and Rural Development (NABARD) of India

27. Having considered the recommendations of the Accreditation Panel, the Adaptation Fund Board decided to accredit the National Bank for Agricultural and Rural Development (NABARD) as the National Implementing Entity for India.

(Decision B.18/2)

Applications under review for which an intersessional decision may be appropriate

28. Having considered the recommendations of the Accreditation Panel, the Adaptation Fund Board decided to authorize the Accreditation Panel to make a recommendation for an intersessional decision, if deemed appropriate by the Panel, on the applications of NIE023 and NIE037, as well as other applications under review if the situation should arise.

(Decision B.18/3)

Field visits

29. Having considered the recommendations of the Accreditation Panel, the Adaptation Fund Board decided to approve budgetary provisions for up to six field visits during fiscal year 2012-2013, and to authorize the Panel to decide on additional field visits should sufficient resources be available within these budget limits, if considered necessary by the Panel.

(Decision B.18/4)

Lessons learned

30. Having considered the recommendations of the Accreditation Panel, the Adaptation Fund Board decided to authorize the Panel to decide on extending the review timelines, beyond the two Panel meetings limit indicated by Decision B.12/2, in the review of applications for

accreditation should the Panel deem it appropriate and on the basis of a concrete work-plan to be submitted by the applicant upon request by the Panel.

(Decision B.18/5)

Agenda Item 6: Report of ninth meeting of the Project and Programme Review Committee

31. The Chair of the Project and Programme Review Committee (PPRC), Mr. Jeffery Spooner (Jamaica, Latin American and Caribbean Countries), introduced the report of the PPRC's ninth meeting. The Chair of the PPRC said that the Committee had heard a report by the secretariat on the initial screening and technical review of the project and programme proposals that had taken place during the intersessional period. He said that accredited implementing entities had submitted 22 proposals, four of which had been withdrawn. The final total budget of the 18 remaining proposals amounted to US\$119,794,381, which included US\$9,285,575 in management fees and US\$9,294,718 in execution costs. All the proposals were in compliance with Decision B.11/16 to cap management fees at 8.5 percent and decision B.13/17 to cap execution fees at 9.5 percent. A list of funding for fully developed projects and programmes approved by the Board at its 18th meeting is contained in **Annex III** to the present report.

32. The PPRC Chair said that if all the projects recommended for approval by the PPRC were approved, the figure for the projects and programmes submitted by MIEs, and approved for funding, would be 49 percent of cumulative project funding decisions and funds available to support funding decisions, which would be very near the 50 percent cap for MIEs. He noted with concern that there appeared to have been a decline in the quality of some of the fully developed project documents being received from MIEs which might be related to a rush to submit proposals before the 50 percent cap on projects and programmes for MIEs was reached.

33. In addition to the report by the secretariat, and the projects and programmes considered by the PPRC, the Committee also considered three other matters: how to address the comments from stakeholders received by the secretariat within the review process; application of the prioritization criteria when establishing the pipeline for projects and programmes implemented by MIEs after reaching the 50 percent cap; and the issue of outreach and the dissemination of information about projects and programmes. He said that members of the PPRC had considered how to address comments from the public on proposals and how to engage the scientific community. In addition the Committee had considered the issue of the pipeline that would be established once the 50 percent cap was reached and had recommended that the secretariat prepare a paper on options on which submission dates to consider in the prioritization process for the pipeline. Finally, the PPRC had considered the problem of media outreach and had recommended that the secretariat revise its instructions for project and programme proponents to include complementary communications activities within the Knowledge Management component of their proposals.

34. One member suggested that it was unnecessary for those members with a conflict to leave the meeting room and that it would be sufficient if they did not participate in the discussions when they had a conflict with the subject being discussed.

35. The Manager of the secretariat reminded the Board that paragraph 5 of the code of conduct of the Board required that those members and alternates with a conflict must be absent from the discussions if ever a conflict should arise.

36. The Board took note of the report by the Chair of the Project and Programme Review Committee.

Concept proposals

Proposals from National Implementing Entities (NIEs)

Argentina: Enhancing the Adaptive Capacity and Increasing Resilience of Small-size Agricultural Producers of the Northeast of Argentina (Project Concept) (UCAR) (ARG/NIE/Agri/2012/1, US\$5,640,000)

37. The Chair of the PPRC introduced the project concept, which was intended to increase the adaptive capacity and to build resilience of small-scale family agricultural producers in the face of the impacts of climate change and climate variability.

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

- (a) Approve the Project Formulation Grant (PFG) request for US\$30,000;
- (b) Endorse the project concept, as supplemented by the clarification response provided by the Unidad para el Cambio Rural (UCAR) to the request made by the technical review;
- (c) Request the secretariat to transmit to UCAR the following observations:
 - i. The fully-developed project document will have to describe for each identified climate threat, the types of activities aiming at addressing it that will be implemented under Component 1;
 - ii. The fully-developed project document should specify the proportion of classes (A, B,C, D) of family-based agricultural production units (EAP) that will be targeted, making sure that the most vulnerable ones will be prioritized;
 - iii. The fully-developed project document should provide more details, under Component 1, of the hybrid technologies adequate for catchment, harvesting and storage of water for small-scale producers;
 - iv. The fully-developed project document should provide more details of the socio-economic benefits expected from the project;
 - v. The fully-developed project document should further explore cost efficiency and outline mechanisms to ensure replication and up-scaling;
 - vi. The fully-developed project document should demonstrate more clearly the adaptation reasoning for each component; and
 - vii. The fully-developed project document should further demonstrate how the long-term sustainability of the benefits being generated by the project will be taken into account during its implementation.

- (d) Request UCAR to transmit the observations in paragraph (c) above to the Government of Argentina; and
- (e) Encourage the Government of Argentina to submit through UCAR a fully-developed project proposal that would address the observations in paragraph (c) above.

(Decision B.18/6)*Proposals from Multilateral Implementing Entities (MIEs)*

Paraguay: Ecosystem-based Approaches for Reducing the Vulnerability of Food Production to the Impacts of Climate Change in the Eastern and Chaco Regions of Paraguay (Project concept) (UNEP) (PRY/MIE/Food/2012/1, US\$7,128,450)

39. The Chair of the PPRC introduced the project concept, which involved reducing the vulnerability of the rural population of family agricultural producers and indigenous communities, of the Eastern and Chaco regions of Paraguay to the impacts of climate change on their food production systems.

40. 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 Environment Programme (UNEP) to the request made by the technical review;
- (b) Request the secretariat to transmit to UNEP the following observations:
 - i. The possible partner non-governmental organizations for the implementation of the sub-projects should be pre-identified in the fully developed project document, and their added value assessed;
 - ii. In order to demonstrate the project's cost effectiveness, the fully developed project document should prioritize among the number of adaptation activities identified under component 2, and revise the proposed outputs and outcomes accordingly to include concrete, measurable results, *inter alia* increased agricultural productivity, rather than non-quantifiable outcomes;
 - iii. The fully-developed project document should provide a budget for the activities identified under component 2 and describe the number of beneficiaries or the targeted area, in hectares, for those activities, when relevant.
- (c) Request UNEP to transmit the observations in paragraph (b) above to the government of Paraguay; and
- (d) Encourage the Government of Paraguay to submit through UNEP a fully-developed project proposal that would address the observations in paragraph (b) above.

(Decision B.18/7)Peru: Adaptation to the Impacts of Climate Change on Peru's Coastal Marine Ecosystems and Fisheries (Project concept) (IDB) (PER/MIE/Coastal/2011/1, US\$6,950,239)

41. The Chair of the PPRC introduced the project concept which planned to help reduce the vulnerability of the coastal communities to the impacts of climate change on the coastal marine ecosystems and fishery resources, including activities that would contribute to the enhancement of adaptive capacity of artisanal fishing communities.

42. 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 Inter-American Development Bank (IDB) to the request made by the technical review;
- (b) Request the secretariat to transmit to IDB the following observations:
 - i. The fully-developed project document should consider whether it would be beneficial to include activities that would actively address the industrial fisheries, and should ensure that the approach taken is comprehensive enough and adequately addresses the need to make the overall fisheries management policies, and institutional and legal framework in Peru more adaptive by including not only the artisanal part of the fisheries but also the industrial part, even if "on-the-ground" concrete adaptation measures would focus, as proposed, on the artisanal fisheries;
 - ii. At the level of individual components, the fully-developed project document should reassess and strengthen, wherever possible, the adaptation reasoning, seeking the possibility of including additional measures that go beyond ecological fisheries management;
 - iii. During project development consultations should be held with the Humboldt Current project, being funded by the Global Environment Facility (GEF), to ensure that the two projects are complementary and do not overlap, and that the activities contributing to development of national policies in the proposed project are aligned with the transboundary framework that is being developed under the GEF project.
- (c) Request the IDB to transmit the observations in paragraph (b) above to the Government of Peru; and
- (d) Encourage the Government of Peru to submit through IDB a fully-developed project proposal that would address the observations in paragraph (b) above.

(Decision B.18/8)***Fully developed proposals***

Proposals from National Implementing Entities (NIEs)

Jamaica: Enhancing the Resilience of the Agriculture Sector and Coastal Areas to Protect Livelihoods and Improve Food Security (Fully developed programme document) (Planning Institute of Jamaica) (JAM/NIE/Multi/2011/1, US \$9,965,000)

43. The objective of the proposed programme was to protect livelihoods and food security in vulnerable communities by improving land and water management for the agricultural sector, strengthening coastal protection, and building institutional and local capacity for climate change adaptation.

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

- (a) Approve the programme document, as supplemented by the clarification response provided by the Planning Institute of Jamaica (PIOJ) to the request made by the technical review;
- (b) Approve the funding of US\$9,965,000 for the implementation of the programme, as requested by PIOJ; and
- (c) Request the secretariat to draft an agreement with PIOJ as the National Implementing Entity for the programme.

(Decision B.18/9)

Proposals from Multilateral Implementing Entities (MIEs)

Argentina: Increasing Climate Resilience and Enhancing Sustainable Land Management in the Southwest of Buenos Aires Province (Fully developed project document) (World Bank) (ARG/MIE/Rural/2011/1, US\$4,296,817)

45. The proposed project planned to contribute to reduce climate and human induced vulnerability of the agro-ecosystems in southwest Buenos Aires province by increasing the adaptive capacity of key local institutions and actors and by piloting climate-resilient and sustainable land management practices.

46. 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 World Bank to the request made by the technical review;
- (b) Suggest that the World Bank reformulates the proposal taking into account the following:
 - i. The revised proposal should clearly quantify the expected outputs, compared to inputs, of each type of specific activity proposed under the project, which should not be grouped together and, whenever possible, be translated to economic, social and environmental benefits to communities;

- ii. The revised proposal should seek to streamline the data-gathering activities of the project and reconsider, when providing a more detailed budget, the funding allocated to workshops and meetings;
 - iii. The revised proposal should seek to ensure that a continued government funding commitment would exist for the climate change observatory, supported by the proposed institutional mainstreaming;
 - iv. The revised proposal should provide a detailed budget with budget notes; and
 - v. The revised proposal should ensure that women have equal opportunities to benefit from project activities, and disaggregate the targets by presenting the percentage of women out of all persons benefiting from those activities.
- (c) Request the World Bank to transmit the observations referred to in paragraph (b) above to the Government of Argentina.

(Decision B.18/10)

Cambodia: Enhancing Climate Resilience of Rural Communities Living in Protected Areas of Cambodia (Fully developed project document) (UNEP) (KHM/MIE/Rural/2011/1, US\$4,954,273)

47. The proposed project planned to use eco-agriculture to build the resilience of rural Cambodian communities living in protected areas (PAs) to climate change and, in particular, increase the food supply and reduce soil erosion in communities surrounding at least three Community Protected Areas (CPAs).

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

- (a) 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) Approve the funding of US\$4,954,273 for the implementation of the project, as requested by UNEP; and
- (c) Request the secretariat to draft an agreement with UNEP as the Multilateral Implementing Entity for the project.

(Decision B.18/11)

Colombia: Reducing Risk and Vulnerability to Climate Change in the Region of La Depression Momposina in Colombia (Fully developed project document) (UNDP) (COL/MIE/DDR/2011/1, US\$8,518,307)

49. The proposal sought to reduce vulnerability to climate change, particularly flooding and drought, in La Depression Momposina region of Colombia by developing climate vulnerability scenarios and early-warning systems, rehabilitating wetlands to reduce flooding, constructing

climate-resilient buildings, and introducing climate change-resilient agroecological practices, among other activities.

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

- (a) 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) Approve the funding of US\$8,518,307 for the implementation of the project, as requested by UNDP; and
- (c) Request the secretariat to draft an agreement with UNDP as the Multilateral Implementing Entity for the project.

(Decision B.18/12)

Djibouti: Developing Agro-Pastoral Shade Gardens as an Adaptation Strategy for Poor Rural Communities (Fully developed project document) (UNDP) (DJI/MIE/Agri/2011/1, US\$4,658,556)

51. The proposal sought to diversify and promote climate resilient agro-pastoral practices in rural Djibouti.

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

- (a) 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) Approve the funding of US\$4,658,556 for the implementation of the project, as requested by UNDP; and
- (c) Request the secretariat to draft an agreement with UNDP as the Multilateral Implementing Entity for the project.

(Decision B.18/13)

Egypt: Building Resilient Food Security Systems to Benefit the Southern Egypt Region (Fully developed project document) (WFP) (EGY/MIE/Food/2011/1, US \$6,904,318)

53. The proposal aimed to achieve an increase in the resilience of agriculture in Southern Egypt to climate change and build institutional capacity within government and communities to enable climate change adaptation replication and sustainability.

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

- (a) Approve the project document, as supplemented by the clarification response provided by the World Food Programme (WFP) to the request made by the technical review;

- (b) Request WFP to report on the feasibility, selection, and prioritization of technologies utilized in the project during its implementation;
- (c) Approve the funding of US\$6,904,318 for the implementation of the project, as requested by WFP; and
- (d) Request the secretariat to draft an agreement with WFP as the Multilateral Implementing Entity for the project.

(Decision B.18/14)

El Salvador: Promoting Climate Change Resilient Infrastructure Development in San Salvador Metropolitan Area (Fully developed project document) (UNDP) (SLV/MIE/Infra/2011/1; US\$5,425,000)

55. The proposal sought to increase climate resilience in El Salvador through the implementation of concrete adaptation measures in the most vulnerable urban areas by supporting appropriate policy and regulatory development and disseminating best practices for eventual replication throughout El Salvador.

56. 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) Suggest that UNDP reformulates the proposal taking into account the following:
 - i. The project should explain how it would involve necessary watershed management issues, including land use and forest cover, upstream of the direct urban project sites, as well as address the issue of halting the spread of unplanned settlements in the San Salvador Metropolitan Area (MASS);
 - ii. The involvement of stakeholders beyond the MASS administrative limits but within the project should be elaborated;
 - iii. The proposal should elaborate on how slope, soil, and other geomorphologic characteristics, which may increase or decrease landslide risk, would be taken into consideration in site choice, data collection, risk zoning, policy support and replication support; and more appropriate and targeted landslide risk-related indicators should be added in the results framework;
 - iv. The proposal should explain how the investments being considered for both locations would specifically target and reduce erosion and how that would be monitored; and the indicators and targets in the results framework should be clear;
 - v. The proposal should elaborate on whether potential replication would be limited to a few types of investments mentioned in the proposal such as housing projects, overall road and drainage improvement, as well as

maintenance works, or whether it would also involve the types of investments with the highest water-retention capacity; and the proposal should explain how it would accomplish that; and

- vi. The proposal should clarify whether it was relying solely on communication campaigns to induce behavioral changes regarding practices that could put the infrastructure at risk, such as littering and diverting water streams, and the adequacy of such campaigns as well as consider additional measures; and in that context the proposal should elaborate the state and possible challenges of waste management in general in the proposed locations.
- (c) Request UNDP to transmit the observations referred to in paragraph (b) above to the Government of El Salvador.

(Decision B.18/15)

Fiji: Enhancing Resilience of Rural Communities to Flood and Drought-Related Climate Change and Disaster Risks in the Ba Catchment Area of Fiji (Fully developed project document) (UNDP) (FJI/MIE/DRR/2010/3, US\$5,728,800)

57. The proposed project sought to replicate successful interventions in the Ba catchment area and fully integrate climate change considerations in flood and drought risk management.

58. 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) Suggest that UNDP reformulates the proposal taking into account the following:
 - i. The project must demonstrate how it goes beyond plans and studies to reducing vulnerability at the community and beneficiary level and it is recommended that the implementation, application and mainstreaming of the proposed capacity-building activities be further described and clarified;
 - ii. While it has been demonstrated that communities will be engaged throughout the lifetime of the project, the proposal should provide more details on the scope and outcome of community consultations in regards to the design of the proposal, specifically emphasizing how community participation had informed the prioritization of activities; the number of beneficiaries cannot be determined at the inception phase and should be provided in the proposal, even if only approximately, for the various components, and particularly for the investments at the community level;
 - iii. The proposal should elaborate on measures to preempt potential land-use conflicts such as agreements based on the outcomes of community consultations;

- iv. The proposal should justify the project based on the cost evaluation of alternative options to the proposed interventions; and
 - v. The budget should provide budget notes explaining each budget line.
- (c) Request UNDP to transmit the observations referred to in paragraph (b) above to the Government of Fiji.

(Decision B.18/16)

Ghana: Increase Resilience to Climate Change in Northern Ghana through the Management of Water Resources and Diversification of Livelihoods (Fully developed project document) (UNDP) (GHA/MIE/Water/2012/1; US \$8,850,000)

59. The proposed project sought to enhance the resilience and adaptive capacity of rural livelihoods to climate impacts and risks on water resources in the northern region of Ghana.

60. 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) Suggest that UNDP reformulates the proposal taking into account the following:
 - i. To allow a comprehensive evaluation of the project budget, the proponent should provide a detailed budget at the output level, revise the consultancy fees, and use national expertise where available;
 - ii. The implementation arrangements should not be conditional on funding and national and local executing agencies should be identified in the fully-developed proposal. While a participatory agenda can be employed during the design phase, the proposal should elaborate on the executing partners to be utilized in the project; and
 - iii. Given that the project strongly leverages support from rural extension services and resources at the community level, the proposal should elaborate on how the extension services and district coordinating councils will be involved in the delivery of the project outputs and community investments.
- (c) Request UNDP to transmit the observations referred to in paragraph (b) above to the Government of Ghana.

(Decision B.18/17)

Lebanon: Climate Smart Agriculture: Enhancing Adaptive Capacity of the Rural Communities in Lebanon (AgriCAL) (Fully developed project document) (IFAD) (LBN/MIE/Agri/2012/1; US\$7,860,825)

61. The proposed project planned to support the implementation of climate change adaptation measures in the agriculture sector in three highly vulnerable focus areas, targeting the poor smallholders of various communities living in these areas.

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

- (a) Approve the project document, as supplemented by the clarification response provided by the International Fund for Agricultural Development (IFAD) to the request made by the technical review;
- (b) Request IFAD to ensure that evaluations are budgeted either under the execution costs or the implementing entity fees;
- (c) Approve the funding of US\$7,860,825 for the implementation of the project, as requested by IFAD; and
- (d) Request the secretariat to draft an agreement with IFAD as the Multilateral Implementing Entity for this project.

(Decision B.18/18)

Mali: Programme Support for Climate Change Adaptation in the Vulnerable Regions of Mopti and Timbuktu (Fully developed project document) (UNDP) (MLI/MIE/Food/2011/1; US\$8,533,348)

63. The proposed programme sought to implement concrete measures for water control and retention in vulnerable water buffer zones and promote a range of climate resilient practices in the agro-pastoral, fisheries and forestry sectors and to reduce the vulnerability of these sectors and the communities involved in them to the adverse effects of climate change.

64. 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) Suggest that UNDP reformulates the proposal taking into account the following:
 - i. Considering that the rationale for the use, for each component, of a full-time international consultant for two years was not provided and the total budget requested for the use of the 3 consultants was as high as US \$936,000, the proponent should explore a more cost effective way of providing technical expertise to the project and should promote as much as possible the use of national expertise;
- (c) Request UNDP not to resubmit the proposal unless it can demonstrate that the security level at the project sites and the prevailing situation do not jeopardize the full implementation of the project; and

- (d) Request UNDP to transmit the observations referred to in paragraphs (b) and (c) above to the Government of Mali.

(Decision B.18/19)

Mauritania: Enhancing Resilience of Communities to the Adverse Effects of Climate Change on Food Security in Mauritania (Fully developed project document) (WFP) (MTN/MIE/Food/2011/1; US\$7,803,605)

65. The proposed project sought to increase the resilience and food security of communities in light of the impacts of climate change by providing them with information, organizational capacity, new skills, and other fundamental means by which to improve their livelihoods.

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

- (a) Approve the project document, as supplemented by the clarification response provided by the World Food Programme (WFP) to the request made by the technical review;
- (b) Approve the funding of US\$7,803,605 for the implementation of the project, as requested by WFP; and
- (c) Request the secretariat to draft an agreement with WFP as the Multilateral Implementing Entity for this project.

(Decision B.18/20)

Mauritania: Reducing Mauritanian Fishermen's Risk at Sea – Enhancing the Resilience of Mauritanian Coastal Communities to Adapt to Climate Change (Fully developed project document) (WMO) (MTN/MIE/Coastal/2011/1; US\$2,159,980)

67. The proposed project sought to strengthen the resilience of Mauritania's coastal community by developing institutional capacity and early-warning service delivery to small-scale fishermen and coastal communities in Mauritania.

68. 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 World Meteorological Organization (WMO) to the request made by the technical review;
- (b) Suggest that WMO reformulates the proposal taking into account the following:
 - i. The proposal should elaborate on the extent to which the project is linked to measurable climate change impacts, either observed or projected. These impacts should be linked to the vulnerability of the target communities and selection criteria of beneficiaries;

- ii. The proposal should clearly justify the project relative to alternatives at the community level according to the climate change impact targeted;
 - iii. The proposal should expand on the immediate community needs identified during consultations in the context of the climate change impacts experienced;
 - iv. The proposal should elaborate and enhance the measures to ensure long-term project sustainability, including evidence of commitments made;
 - v. The inclusion of a project kick-off within the project should be revised due to the direct overlap with the inception workshop budgeted under monitoring and evaluation;
 - vi. The proposal should provide an analysis of the fisheries sector, including national strategies or policies, relevant to the proposed project; and
 - vii. An analysis should be provided of the comprehensive inter-sectoral economic impact of the project.
- (c) Request WMO to transmit the observations referred to in paragraph (b) above to the Government of Mauritania.

(Decision B.18/21)

Seychelles: Ecosystem Based Adaptation to Climate Change in Seychelles (Fully developed project document) (UNDP) (SYC/MIE/Multi/2011/1; US\$6,455,750)

69. The proposed project sought to address two major climate change vulnerabilities in the country: water scarcity and coastal flooding. To do so, the project intended to take ecosystem based measures of restoring or maintaining key ecosystem services in the coastal and hinterland of the main granitic islands of Seychelles.

70. 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) Suggest that UNDP reformulates the proposal taking into account the following:
 - i. Field surveys need to be carried out in the target watersheds in order to assess the current level of the targeted ecosystem services, through the measurement of different parameters, *inter alia*, levels of vegetation cover and soil erosion, species diversity, current soil water retention capacity etc. This would help to determine the appropriate interventions that will take effect in each watershed;
 - ii. Once activities are selected, based on the field surveys, the proposal should articulate how these activities allow for achieving the “management of

watersheds to enhance functional connectivity and the resilience of these areas to climate change and reduce water scarcity”;

- iii. In addition to the local watershed management committees, the activities under output 1.2 should also include the establishment of a supra-local coordination group that would monitor and assess that the watersheds functional connectivity was enhanced;
 - iv. To ensure the achievement of its long-term project objective, the project should help put in place a national monitoring system, including a “functional connectivity” monitoring system in order to assess the effectiveness of the project interventions in the long term and to ensure an adaptive management of the watershed systems. Such a monitoring system entails investment and training in monitoring tools, *inter alia* geographic information system (GIS), on-the-ground measurement methods, environmental planning tools, and the monitoring of key indicators and long-term collection of key data that will be identified through the project. That could be complemented by additional rigorous scientific studies and modeling where necessary. The system should be developed by the project implementation team, in conjunction with the Ministry of the Environment and Energy, Public Utilities Corporation, the University of Seychelles, and relevant partner non-governmental organizations, the local watershed committees and the Rivers committee, and should be institutionalized and operational by the end of the project. Its sustainable financing could be assessed along with the options that will be explored under output 3.1.3;
- (c) Request UNDP to transmit the observations referred to in paragraph (b) above to the Government of Seychelles.

(Decision B.18/22)

Sri Lanka: Addressing Climate Change Impacts on Marginalized Agricultural Communities Living in the Mahaweli River Basin of Sri Lanka (Fully developed project document) (WFP) (LKA/MIE/Rural/2011/1; US \$7,961,113)

71. The proposed project sought to reduce the vulnerability of rural communities and ecosystems to the adverse impacts of climate change.

72. 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 World Food Programme (WFP) to the request made by the technical review;
- (b) Suggest that WFP reformulates the proposal taking into account the following:
 - i. The early warning system (EWS) as formulated does not present any added value compared to outputs 2.4 and 2.5 except for the warning sirens. To demonstrate linkages with the other components and to enhance early warning/delivery of information produced by the project, additional details on

the design of the EWS are required, including data management and maintenance, area covered, availability of baseline data, dissemination methods, hazards addressed/monitored, and response measures suggested, for example; and

- ii. The proposal should explore whether costs for meetings and surveys can be reduced to divert funds to more direct adaptation measures, in particular interventions where financial and technical support to vulnerable communities is critical, such as (a) improvement of small village irrigation systems, (b) inputs into more effective and diversified production, and (c) support to smallholders in processing and adding value to agricultural products for diversified livelihoods.

- (c) Request WFP to transmit the observations referred to in paragraph (b) above to the Government of Sri Lanka.

(Decision B.18/23)

Other Matters

Comments received from civil society

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

- (a) Issue a call for inputs from the public for comments on project/programme proposals for consideration in the technical reviews to be submitted no later than six weeks before each Board meeting using the comment function on the Adaptation Fund webpage;
- (b) Make all substantive comments publicly available on the Adaptation Fund website and annexed to each relevant project/programme document; and
- (c) Prepare a paper for consideration at the PPRC's 10th meeting on a strategy to engage the scientific community in providing inputs on proposals.

(Decision B.18/24)

The 50 percent cap on the funding of projects from MIEs

74. It was observed that the PPRC had noticed a decline in the quality of some proposals and that some of those projects might have been submitted prematurely simply to secure a place for the project in the pipeline of activities that would be funded once sufficient financing was available. The question was raised as to whether rejection of some of those applications might be useful and whether the criteria for selection in the pipeline should also be applied to project concepts in order to protect their place in the pipeline once they were approved as fully-developed project documents. It was also suggested that the Board should reconsider the issue once the PPRC had considered the paper being prepared by the secretariat on the subject.

75. Having considered the comments and recommendations of the Projects and Programme Review Committee, the Adaptation Fund Board decided to request the secretariat

to prepare a paper for consideration at the 10th meeting of the PPRC on options for which submission dates to consider in the prioritization of proposals in the pipeline, as established in decision B.17/19.

(Decision B.18/25)

Outreach and dissemination

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

- (a) Request the secretariat to revise the instructions for project/programme proponents to include complementary communications activities such as media outreach and dissemination within the Knowledge Management component; and
- (b) Consider revising the review criteria during the next revision of the Operational Policies and Guidelines to require communications activities in addition to knowledge management in project/programmes.

(Decision B.18/26)

Agenda Item 7: Report of ninth meeting of the Ethics and Finance Committee

77. The Chair of the Ethics and Finance Committee (EFC), Mr. Yutaka Matsuzawa (Japan, Annex I Parties), introduced the report of the EFC's ninth meeting, which is more fully described in document AFB/EFC.9/11.

78. The Chair of the EFC said it had been observed that the Board might operate more efficiently if the members and alternate members of the Board could avoid reopening issues after they had been considered in the committees. He also introduced the individual agenda items of the EFC including three items considered under Other Matters. With respect to the investigative procedure, he said the EFC had discussed the procedure for triggering an investigation, the consequences for any Implementing Entity found guilty of misconduct, as well as the roles of proposed investigative consultants and their salaries. He also said, with respect to the implementation of the 50 percent cap on MIE project approvals, that some members had favored a firm numerical threshold while others had called for a more flexible political approach involving periodic reevaluation.

79. The EFC had considered the project performance report review process, as well as Implementing Entity fees. Committee members had proposed requesting, in those cases where Implementing Entities also acted as Executing Entities, that the Implementing Entity and the Designated Authority should each provide a rationale, as well as supporting documentation, to explain that overlap. The implementation of the code of conduct had also been discussed, but the EFC had not reached an agreement on whether the definition of lobbying should be broad or whether the language regarding lobbying should be added to the code of conduct.

80. The EFC had heard reports on a number of financial issues: a fundraising campaign and strategy; the financial status of the Adaptation Fund Trust Fund; the administrative budgets of the Board, secretariat, and trustee for fiscal year 2013; a work plan for fiscal year 2013; the fiscal year 2013 work programme and budget for the evaluative function; and CER monetization, including proposed amendments to the monetization process. The EFC had

discussed the appropriate role of the secretariat in fundraising activities and the feasibility of various funding mechanisms, including the mobilization of private donations. It had also discussed the necessity of a separate budget for the evaluation function and had suggested treating the evaluation function in the same manner as the cross-support received from the GEF. The merits and drawbacks of requiring a price premium for sales of industrial gas-derived CERs to governments had also been considered, since the Trustee had noted that some governments might be restricted from purchasing CERs above the market price.

81. The other matters discussed by the EFC were: the delays in project start-up for the project in Eritrea; the disbursement of second tranches for approved projects in Honduras, Nicaragua, the Solomon Islands and Pakistan; and, in a closed session, the proposed upgrade of the secretariat Manager's position. The EFC Chair said that some members had expressed concern, in the case of Eritrea, that delays in project start-up could require fundamental changes to the project documents. In the case of the disbursement of second tranches of funding, the Chair of the EFC said that the secretariat had reported that the annual performance reports for the projects in question were not yet available. As the requirement for linking disbursement to annual implementation reports was the result of decision B.16/21, and as the projects in question had been approved prior to that decision, the EFC had recommended that the second tranches for the projects be disbursed. However, the EFC also recommended that the secretariat present the Implementing Entity with a revised version of the agreement, in which disbursement would be aligned to the annual performance reports.

82. Board members asked that the rule of "non-objection" referred to in paragraphs 4 and 5 of document EFC.9/4/Rev/1 (Project Performance Report Review Process) be applied flexibly so that intersessional action on project performance reports would not be delayed and discussion deferred to the next Board meeting. It was also observed that the proposal appeared to be that the "non-objection" rule only applied to Board members. It was also pointed out that the Board reserved the right to reopen issues that had been discussed in the Committees, although it was also observed that the purpose of the Committees was to allow for extensive discussion of issues in an efficient way and that it would undermine the purpose of the Committees if the Board was to repeat a similar examination of the issues during the adoption of the reports of the Committees.

Investigative procedure

83. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to:

- (a) Request Board members and alternates to send comments on the proposed investigative procedures contained in document AFB/EFC. 9/3 to the secretariat by 31 August 2012; and
- (b) Request the secretariat to:
 - i. Revise the investigative procedure addressing comments made by EFC members during the current meeting and through the above submissions and present a revised version of the investigative procedure to the EFC at its 10th meeting for consideration; and
 - ii. Develop terms of reference for the investigative consultants and present a draft to the EFC for consideration at its tenth meeting.

(Decision B.18/27)*Implementation of the 50 percent cap on MIE projects approvals*

84. A suggestion was made for a consolidated report by the secretariat and trustee that would provide information on the funding allocations for both MIEs and NIEs, and include a table aggregating all the allocations that had been made to both MIEs and NIEs since the inception of the Fund. The secretariat noted that the PPRC receives such a report at every meeting. Board members also suggested merging reports to the PPRC and EFC on the 50 percent cap as both committees were discussing and had come to some conclusions on the issue. The Chair suggested that the Board at its nineteenth meeting consolidate the requests made by the PPRC and the EFC to the secretariat for reports on the 50 percent cap. The Board was reminded that the consolidated report would be posted on the website for access by both Committees and the public per usual practice.

85. Questions were raised regarding the EFC's recommendation that the Board a) reconfirm its previous decision to enforce the 50 percent cap on projects/programmes implemented by MIEs and b) recognize that the cap is a dynamic and evolving concept as the two recommendations could be difficult to reconcile.

86. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to:

- (a) Request the secretariat and trustee to provide a consolidated report on the status of the pipeline at every EFC meeting, including overall allocated and unallocated AF resources, relative funding allocations made for MIEs and NIEs, projections on projects/programmes entering the pipeline, projections of overall funds available, the status of NIE applications and project preparations, and the status of the submission of project/programme concepts; and the secretariat to propose options to implement the 50 percent cap; and
- (b) On the basis of this report and the recommendation of the EFC, consider appropriate measures to implement the cap, including through the suspension of MIE project/programme submissions as appropriate.

(Decision B.18/28)*Project performance report (PPR) review process*

87. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to approve:

- (a) The process for the secretariat's review of project performance reports (PPRs) as outlined in the amendment to document AFB/EFC.9/4/Rev.1; and
- (b) The guidance document to complete PPRs and the revised PPR template as contained in **Annex IV** of the present report.

(Decision B.18/29)*Implementing Entities fees*

88. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to:

- (a) Confirm, as a principle, the separation between implementing and execution services. Execution services will only be provided by Implementing Entities on an exceptional basis and at the written request by the recipient country, involving designated authorities in the process, and providing rationale for such a request. The responsibility for these services shall be stipulated, their budget estimated in the fully developed project/programme document, and covered by the execution costs budget of the project/programme;
- (b) Request the secretariat to communicate the above to designated authorities and multilateral implementing entities;
- (c) Request any Multilateral Implementing Entity currently providing such services to review its portfolio of projects/programmes and report to the Board on how the decision under (a) is being implemented; and
- (d) Request the secretariat to update the document “Instructions for Preparing a Request for Project Funding” accordingly.

(Decision B.18/30)

Implementation of the code of conduct

89. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to:

- (a) Reconfirm that the issue of lobbying is addressed under the current code of conduct;
- (b) Request Board members to submit their views on how to address cases of lobbying through the implementation of the code of conduct, including an internal procedure to deal with such cases, by 31 August, 2012; and
- (c) Request the secretariat to submit to the 10th meeting of the EFC a proposal on how to strengthen the implementation of the code of conduct with respect to lobbying, taking into account the comments made by EFC and Board members during the discussion of this agenda item and their views submitted intersessionally.

(Decision B.18/31)

Financial issues

Fundraising campaign and strategy

90. The Board agreed upon the importance of recognizing the ideas submitted by the public regarding the new fundraising campaign and strategy.

91. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board took note of inputs received and decided to:

- (a) Request the secretariat to:
 - i. Proceed with all necessary arrangements and efforts to reach out to foundations and philanthropic organizations, including through informal contacts and consultations with relevant organizations, providing presentations about the Adaptation Fund and other activities in order to raise funds;
 - ii. Report back to the Board on the outcome of the activities above no later than at the 20th Board meeting; and
 - iii. Monitor the further development of the options submitted to the Board and inform the Board should any opportunity arise;
- (b) Organize a follow-up meeting on the dialogue with donors in the margins of CMP 8, in consultation with the Chair; and
- (c) Note that the cost of the activities outlined in sub-paragraphs (b) (i) and (c) will be covered with the Travel Component (Awareness Raising) in the budget for FY13.

(Decision B.18/32)

Financial status of the Adaptation Fund Trust Fund

92. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to:

- (a) Take note of the report by the trustee; and
- (b) Request the trustee to provide information on planned quarterly CER sales to the Board on a confidential basis.

(Decision B.18/33)

Administrative budgets of the Board and secretariat, and the trustee for fiscal year 2013

93. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to approve:

- (a) US\$3,323,470 to cover the costs of the operations of the Board and secretariat over the period 1 July, 2012 to 30 June, 2013 reflecting the revisions of table 3 of the document AFB/EFC.9/7 as presented in **Annex V** of the current report; and
- (b) US\$1,044,000 for trustee services to be provided to the Adaptation Fund over the period 1 July, 2012 to 30 June, 2013, comprising US\$520,000 for CER Monetization services, US\$374,000 for all other trustee services, and a one-time

amount of US\$150,000 to cover a new integrated trustee-secretariat information technology system. **(Decision B.18/34)**

Work plan for the fiscal year 2013

94. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to approve the work programme and the tentative work schedule contained in document AFB/EFC.9/7.

(Decision B.18/35)

Fiscal year 2013 work programme and budget for the evaluation function

95. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to:

- (a) Not approve the request to establish a separate budget for the evaluation function at this early stage; and
- (b) Approve the fiscal year 2013 work programme and budget of US\$ 17,000 to cover the costs for the Evaluation Function of the Adaptation Fund over the period 1 July 2012 to 30 June 2013, reflecting the revisions in the table as contained in **Annex VI** of the present report.

(Decision B.18/36)

CER monetization – proposed amendments to monetization guidelines

96. The Board considered the amendments to the monetization guidelines.

97. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to:

- (a) Endorse the approach outlined in the document AFB/EFC.9/9/Rev.2, with the addition that only CERs derived from industrial gas projects be available for sale to governments and that such sales only be executed at a premium price; and
- (b) Approve the Amended and Restated CER Monetization Guidelines contained in **Annex VII** of the present report;
- (c) Request the trustee to include in its regular reporting to the Board the experience with CER sales to governments;
- (d) Request the trustee to present to the next meeting of the EFC a strategy to optimize the benefits from sales of all types of CERs, using the three different sales channels; and
- (e) Review the outcome of the amendments to the CER Monetization Guidelines at its 21st meeting.

(Decision B.18/37)

Other Matters

Eritrea, delays in project start-up

98. The Board discussed whether the extension date requested by the government of Eritrea was appropriate. The suggestion arose that the Board as a general practice should secure verification by Designated Authorities and Implementing Entities that a project is truly ready to begin. A member of the EFC said that this would be the third extension granted for the project, bringing the net delay to 18 months. Board members were concerned that a prolonged delay would be detrimental to Eritrea and raised the possibility of cancelling the project should implementation not have begun by the new deadline.

99. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to:

- (a) Grant a final extension, in accordance with the request of the Government of Eritrea, of six months to 17 October 2012 to UNDP for the startup of the proposal "Climate change adaptation programme in water and agriculture in Anseba region in Eritrea," as contained in **Annex VIII** to the present report;
- (b) Request UNDP and the Designated Authority (DA) of Eritrea to present a detailed report to the 10th meeting of the EFC including an explanation on the need to modify the project document and progress made by the government of Eritrea in the long-term national development plan in accordance with the Operational Policy and Guidelines for parties to access resources from the Adaptation Fund, paragraph 65. A decision will be made based on the explanation provided;
- (c) Inform UNDP and the DA of Eritrea that if implementation of the project has not commenced by the time of the 19th Adaptation Fund Board meeting in October 2012, the project could be cancelled; and
- (d) Request the secretariat to provide information, when available, regarding the level of implementation of all approved projects, and when necessary, emphasize to the concerned parties the need to adhere to the Adaptation Fund Operational Policies and Guidelines with regards to timelines for project implementation, based on date of approval by the Board.

(Decision B.18/38)

Disbursement of second tranches for approved projects in Honduras, Nicaragua, Solomon Islands and Pakistan

100. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to:

- (a) Request the trustee to transfer the amounts corresponding to the second tranches of the projects implemented by UNDP in Honduras (US\$ 541,055), Nicaragua (US\$ 1,513,440), Solomon Island (US\$ 2,170,550) and Pakistan (US\$ 945,900); and

- (b) Request the secretariat to present a revised version of the standard legal agreement aligning the approval of the annual performance reports with the disbursement of tranches, as per decision B.16/21.

(Decision B.18/39)

Proposed upgrade of secretariat manager's position

101. The Chair of the Board then closed the meeting in order for the Chair of the EFC to provide additional details on the proposed upgrade of the position of the Manager of the secretariat and to discuss the contents of a letter on the matter submitted by the Head of the Adaptation Fund Board secretariat.

102. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to request the Chair of the Board to communicate the following to the Head of the secretariat:

- (a) The Board agrees to upgrade the Manager's position as proposed in the above mentioned letter from the Head of the secretariat;
- (b) The Board is satisfied with the performance of the current Manager of the secretariat; and
- (c) The Board takes note of the process required to upgrade this position, as laid out in the letter, and requests the Head of the secretariat in accordance with past practices to inform the Board Chair on the detailed steps to be initiated in the selection process for the Manager of the secretariat.

(Decision B.18/40)

Agenda Item 8: Issues remaining from the 17th Board meeting

Performance review on the secretariat and trustee:

103. The Chair reminded the Board of the prior establishment of a working group, chaired by Ms. Ana Fornells de Frutos (Spain, Annex I Parties) to consider the performance review of the secretariat and trustee and report back to the Board at its 17th meeting. He said that at its 36th session the Subsidiary Body for Implementation (SBI) had invited the Board to make its report available to CMP8 and, to that end, submit its view to the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) by 13 August 2012.

104. Ms. Fornells de Frutos said that specific questions had been posed to the secretariat and the trustee, that the responses had been distributed to the members for their comments, and that the working group was still awaiting some of those comments.

105. It was pointed out that the Board was encountering some difficulty in monitoring and reviewing the activities of the members of the GEF staff that were performing work on behalf of the Adaptation Fund, but were not part of the dedicated team servicing the Fund. Others said that they had not yet received the comments from the working Group.

106. The Chair said that the report had been circulated before the meeting of the SBI.

107. The Board decided to:
- (a) Consider intersessionally its comments on the performance review of the secretariat and the trustee; and
 - (b) Request the secretariat to transmit the comments referred to in sub-paragraph (a) above to the secretariat of the United Nations Framework Convention on Climate Change together with the Board report to CMP 8.

(Decision B.18/41)

Regional projects/programmes

108. The coordinator of the Working Group on regional project/programmes, established pursuant to Decision B.17/20, Mr. Philip Weech (Bahamas, Latin American and Caribbean Countries), said that the Working Group, had met to consider issues related to regional projects and programmes, including the criteria, listed in paragraph 15 of document AFB/B.18/5, that a NIE would have to meet in order to be considered as an RIE and had found that there was little appetite for regional projects and programmes at the present time. Consequently the Working Group recommended that the Board revisit the matter at its 21st meeting.

109. Having considered the comments and recommendations of the Working Group on regional project/programmes, the Adaptation Fund Board decided to revisit the issues related to regional projects and programmes at its 21st meeting.

(Decision B.18/42)

Report on the dialogue with bilateral and multilateral entities to support accreditation of NIEs

110. The Board heard a presentation by Mr. Christoph Feldkötter and Ms. Xing Fu-Bertaux, of the Competence Center for Climate Change of the Gesellschaft für International Zusammenarbeit (GIZ) on the experience of the GIZ in the support of direct access.

111. Mr. Feldkötter noted the positive reasons for potential NIEs to seek accreditation from the Adaptation Fund, including access to funds; improved institutional development and financial management; preparation for other accreditation processes; improving the positioning of the country with respect to the Green Climate Fund; increasing the visibility of the country and, potentially, opening opportunities to access additional funds from other donors. GIZ also noted the challenges associated with the process of accreditation, including: the perceived complexity of the accreditation process; the limited funds available to each country, and the possible loss of status should an application for accreditation be rejected.

112. In support of direct access the GIZ had helped an applicant identify the best institutions within the country for submitting an application for accreditation as an NIE and had helped the applicant to prepare an application, as well as helping to provide evidence that the applicant met the fiduciary standards and could support successful project implementation. GIZ said that there was an ongoing need for building capacity to make direct access a success, and that NIEs should continue exchanging practical experiences following accreditation. The presenters also suggested clarification of the direct access options for countries with gaps in their governance structures, a stronger link between the National Adaptation Programmes of

Action, National Adaptation Plans, and national climate strategies, as well as active incorporation of the accreditation experience into the Green Climate Fund process.

113. In response to questions about the activities of the GIZ and the issue of administrative linkages between the applicant for accreditation and its national government, Ms. Fu-Bertaux explained that the applicants for accreditation should administer a budget that was independent of that of their national government. She also said that GIZ had acted in collaboration with UNDP on capacity development. That support was usually technical, but could also involve a small grant element.

114. In their interventions, Board members underlined the fact that the direct access modality was not just about accessing funds, but also embodied the principles of country-drivenness and ownership, and reflected the increasing capacities of countries to assume leadership roles for climate change action at the domestic level. As such, it was important that the process be country-driven and increase the capacities of countries to implement projects and deliver development. It was pointed out that the process of identifying an NIE should also be country-driven and that GIZ should strive to engage with the national focal points when responding to the request to support the direct access modality. Furthermore it was noted that accreditation was an iterative process involving intensive engagement between the applicant, the secretariat and the Panel and, as such, information on the requirements and the process was readily available and always provided as needed to support the applicants in identifying the right institutions for accreditation. It was also noted that the mention of loss of status being a real concern in regards to the application process was unfounded given that no entity had been rejected to date. In cases where the applicant entity had not been found suitable, the country in question had either withdrawn the application or requested time to enact the necessary reforms to enable adherence to the requirements.

115. The Board took note of the presentation by the representatives of the Gesellschaft für International Zusammenarbeit (GIZ).

Strategic discussion on objectives and further steps for the Fund

116. The Chair said that the time had come for the Board to start a strategic discussion of the further steps that could be undertaken to consolidate the Fund, particularly taking into account the review of the secretariat and trustee, and in conjunction with other emerging institutional processes under the UNFCCC including the Standing Committee on Finance and the Green Climate Fund.

117. The present carbon market situation meant that the Fund had to consider its resources as well as the role that it would play once the Green Climate Fund was operational. The Chair described various potential scenarios, ranging from business as usual, where the two funds would operate independently of each other, to a scenario where both would cooperate or even integrate, in which case the Adaptation Fund might operate as the adaptation arm or specialized window of the Green Climate Fund.

118. The Board agreed that it was important to have a strategic discussion but it was also pointed out that the Adaptation Fund had been established with the specific mandate to address adaptation. It had done so effectively and was continuing to help developing countries, especially those most vulnerable to the effects of climate change. Several references were made regarding the need to find additional resources for the Fund to continue its work by

soliciting additional funding from developed countries. It was also observed that securing donations from the private sector might be difficult given that profits are its principal concern.

119. It was pointed out that it was important to keep the discussion within the remit of the Fund, which would entail considering the lessons learned so far, as well as strategies for finding additional financing, how to get a better return on its investments and how to make better use of the money it did have. The Green Fund was not yet operational and the Fund would have to be flexible as to how it would interact with it once it was operational.

120. The Chair thanked the Board for its comments and said that it would be important to receive additional feedback so that the secretariat could prepare a paper on the issue for consideration by the Board at its 19th meeting.

121. The Adaptation Fund Board decided to request the secretariat to prepare a paper for a strategic discussion on objectives and further steps of the Fund for consideration of the Adaptation Fund Board at its 19th meeting.

(Decision B.18/43)

Legal support to the Board: current arrangements and conflict of interest

122. The Chair mentioned that this agenda item had been introduced at the request of the former Board Chair, who had already left. It was observed that in the past the Board had required independent legal advice in certain cases and it was asked how the Board would obtain legal advice for matters related to the World Bank as Implementing Entity.

123. At the request of the Chair, the Manager of the secretariat explained that the GEF had no legal personality and, when required, requested the legal advice of the World Bank. Consequently, the secretariat also requested legal advice through the World Bank when it was required. The Board had considered that a potential conflict of interest existed when discussing the text of the legal agreement between the Board and Implementing Entities, given that the World Bank was also one of the Fund's accredited Implementing Entities. In such case the Board had sought independent legal advice from a legal counsel hired for that purpose. Although the Board had legal capacity of its own, independent legal advice would need to be engaged through the staffing rules of the World Bank as the secretariat is bound by them.

124. The Chair said the item would be included on the agenda of the 19th Board meeting.

Agenda Item 9: Communications and outreach

125. The secretariat updated the Board on ongoing efforts to improve communications and outreach. The work included making the website more user-friendly to the broader public by improving navigability, stripping the site of jargon, incorporating social media, and posting updates on a regular and frequent basis. The secretariat also presented the finalized fundraising brochure, described academic discussions in Washington, DC, in which the secretariat had participated, and briefed the Board on the status of the photo contest and knowledge management strategy.

126. The Board took note of the update by the secretariat.

Agenda Item 10: Financial issues

(a) *Presentation by Trustee on State and Trends in the Carbon Markets*

127. The Board heard a presentation by Mr. Alexandre Kossoy from the World Bank who presented the World Bank's report "State and Trends of the Carbon Market 2012" which had been released at the Carbon Expo in Cologne, Germany, on 30 May 2012. The full report is at www.carbonfinance.org.

128. In his presentation Mr. Kossoy said the carbon markets are presently dominated by a long-term oversupply in the Emissions Trading Scheme (ETS) of the European Union (EU), which was the backbone of the EU's climate policy and was the engine of the global carbon market in which it had a 97 percent share. The oversupply in the EU ETS had led to historic low prices in the carbon market in February 2012 and, as compliance demand and prices deteriorated, it was expected that the EU would take measures to address the issue and attempt to support the price. In addition, five new cap-and-trade schemes had been established in Australia, California, the Republic of Korea, Mexico and Quebec, Canada.

129. He also said that although China remained the largest source of contracted CERs, African countries, which had largely been bypassed in the pre-2013 market, had emerged stronger in 2011 and had accounted for 21 percent of post-2012 CERs contracted during that year. However, despite the increase in post-2012 volumes, purchase agreements had become less binding due to lingering uncertainties regarding residual compliance demand and the eligibility of international credits in existing frameworks and schemes under development. He said the pre-2013 market was closing and that a new post-2012 market was emerging that would be dominated by renewable energy instead of industrial gases.

130. In response to a question about the fall in the carbon prices Mr. Kossoy said the greatest value for pre-2013 CERs had been reached in 2007, that there had been a steady drop in that value since then, and that industrial gasses made up approximately 70 percent of the pre-2013 CERs. He said that there had been a slow increase in the value of post-2012 CERs since 2010. He also explained that most of the value of the market for carbon was in Europe, which grew to US\$176 billion in 2011. He also said that the value of the voluntary carbon market was also very small, being just 0.3 percent of the overall carbon market.

131. The Board took note of the presentation by the the World Bank.

(b) *CER monetization – proposed amendments to monetization guidelines*

132. The Board heard a presentation on CER monetization which is more fully described in AFB/EFC.9/.9/Rev.1 (Direct CER Sales to Governments: Issues for Consideration and Required Amendments to the CER Monetization Guidelines).

133. The Chair of the Board then closed the meeting in order for the trustee to provide additional details on CER monetization.

134. The Board took note of the presentation by the Trustee.

(c) *Financial status of the Adaptation Fund Board*

135. The trustee presented the information contained in AFB/EFC.9/8 (Financial Status of the Adaptation Fund Trust Fund), the format of which had been amended and expanded with additional detail, including estimates of potential resources to 2020, the asset mix of

investments held, and investment returns. The funds held in trust at end-March 2012 amounted to US\$256 million, and funds available to support the Board's funding decisions amounted to US\$158 million. The trustee reported that, in addition to proceeds from CER sales, it had signed donation agreements with other parties amounting to over US\$119 million; a £10 million donation from the United Kingdom was received in March 2012. The estimate of potential resources available for new commitments by the Board up to the end of 2012 was between US\$205 and US\$244 million, representing a 10 percent increase over the previous estimate presented at the 17th Board meeting. The new estimate of resources available to the end of 2020 shows, under optimistic assumptions, total potential cumulative resources of the Adaptation Fund reaching over US\$600 million by that date, not including additional donations. The trustee reported that it had sold 400,000 CERs during the previous quarter (to end-March), generating US\$2.31 million in proceeds, at an average price of €4.37 per ton. The trustee also reported that, between end-March and end-May 2012, it had rapidly increased the pace of sales, selling an additional 1.5 million CERs.

136. In response to a question on the types of CERs that would be eligible for sale within the EU ETS the trustee explained that CERs from industrial gas would no longer be eligible after May 2013.

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

Agenda Item 11: Date and venue of the 19th Board meeting

138. The Manager of the secretariat said that to accommodate the Muslim festivity of Eid, the dates tentatively set for the 19th meeting of the Board would have to be moved. She said the meeting could take place in Bonn from 29 October to 1 November, 2012.

139. It was observed that those dates would conflict with those for another major meeting on climate change and that consequently several of the members of the Board might not be able to attend the 19th meeting of the Board.

140. The Adaptation Fund Board decided to continue its deliberations intersessionally and take an intersessional decision on the date and venue of its 19th meeting.

(Decision B.18/44)

Agenda Item 12: Dialogue with civil society

141. The Chair reported on the Dialogue with Civil Society held on 25 June 2012.

142. It was asked whether it was a new policy of the Board to hold the dialogue with civil society before rather than after Board meetings.

143. The Chair said that the meetings could take place either before or during the Board meeting. In either case, members and alternates would be notified of when the dialogue would take place in time to make arrangements to attend.

144. Mr. Sven Harmeling of GermanWatch thanked the Board for the opportunity to engage in a dialogue and for promoting transparency in its processes.

Agenda Item 13: Other matters

145. The Board considered no other matters.

Agenda Item 14: Adoption of the Report

146. The present report was adopted intersessionally by the Board.

Agenda Item 14: Closure of the meeting

147. The Chair declared the meeting closed at 17:15 on Friday, 29 June 2012.

ANNEX I: ADAPTATION FUND BOARD

MEMBERS		
Name	Country	Constituency
Mr. Cheikh Ndiaye Sylla	Senegal	Africa
Mr. Ezzat Lewis Hannalla Agaiby	Egypt	Africa
Mr. Abdulhadi Al-Marri	Qatar	Asia
Ms. Medea Inashvili	Georgia	Eastern Europe
Ms. Laura Dzelzyte	Lithuania	Eastern Europe
Mr. Philip S. Weech	Bahamas	Latin America and the Caribbean
Mr. Luis Santos	Uruguay	Latin America and the Caribbean
Mr. Anton Hilber	Switzerland	Western European and Others Group
Ms. Angela Churie-Kallhauge	Sweden	Western European and Others Group
Mr. Peceli Vocea	Fiji	Small Island Developing States
Mr. Mamadou Honadia	Burkina Faso	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
Mr. Bruno Sekoli	Lesotho	Non-Annex I Parties

ALTERNATES		
Name	Country	Constituency
Mr. Richard Mwendandu	Kenya	Africa
Mr. Zaheer Fakir	South Africa	Africa
Mr. Damdiny Dagvadorj	Mongolia	Asia
Mr. Valeriu Cazac	Moldova	Eastern Europe
Mr. Aram Ter-Zakaryan	Armenia	Eastern Europe
Mr. Jeffery Spooner	Jamaica	Latin America and the Caribbean
Mr. Santiago Reyna	Argentina	Latin America and the Caribbean
Mr. Mohmed Shareef	Maldives	Small Island Developing States
Mr. Adao Soares Barbosa	Timor-Leste	Least-Developed Countries
Mr. Yutaka Matsuzawa	Japan	Annex I Parties
Ms. Su-Lin Garbett-Shiels	United Kingdom of Great Britain and Northern Ireland	Annex I Parties
Ms. Sally Biney	Ghana	Non-Annex I Parties
Mr. Dembele Boubacar Sidiki	Mali	Non-Annex I Parties

ANNEX II: ADOPTED AGENDA OF THE EIGHTEENTH BOARD MEETING

1. Opening of the meeting
2. Organizational matters:
 - a) Adoption of the agenda
 - b) Organization of work
3. Report on activities of the Chair
4. Secretariat activities
5. Report of the Accreditation Panel
6. Report of the ninth meeting of the Project and Programme Review Committee (PPRC):
 - a) Issues identified during project and programme review
 - b) Project and programme proposals
7. Report of the ninth meeting of the Ethics and Finance Committee (EFC):
 - a) Investigative procedure
 - b) Implementation of the 50% cap on MIE projects approvals
 - c) Project performance report (PPR) review process
 - d) Implementing entities fees
 - e) Implementation of the code of conduct
 - f) Financial issues
8. Issues remaining from the 17th Board meeting:
 - a) Performance review on the secretariat and trustee: report of the working group established by decision B.16/30
 - b) Regional projects/programmes
 - c) Report on the dialogue with bilateral and multilateral entities to support accreditation of NIEs
 - d) Strategic discussion on objectives and further steps of the Fund
 - e) Legal support to the Board: current arrangements and conflict of interest.
9. Communications and outreach
10. Financial issues:
 - a) Presentation by Trustee on State and Trends in the Carbon Markets
 - b) CER monetization – proposed amendments to monetization guidelines
 - c) Financial status of the Adaptation Fund Trust Fund
11. Date and venue of 19th Board meeting
12. Dialogue with civil society organizations
13. Other matters
14. Adoption of the report
15. Closure of the meeting

ANNEX III: PPRC FUNDING RECOMMENDATIONS

PPRC Funding Recommendations (June 27, 2012)

	Country/Title	IE	Document Ref	Project	Fee	NIE	MIE	IE fee %	Total Amount	Decision
1. Projects and Programs:										
	Jamaica	PIOJ	AFB/PPRC.9/7	9,185,000.00	780,000.00	9,965,000.00		8.5%	9,965,000.00	Approved
	Cambodia	UNEP	AFB/PPRC.9/9	4,566,150.00	388,123.00		4,954,273.00	8.5%	4,954,273.00	Approved
	Colombia	UNDP	AFB/PPRC.9/10	7,850,974.00	667,333.00		8,518,307.00	8.5%	8,518,307.00	Approved
	Djibouti	UNDP	AFB/PPRC.9/11	4,293,600.00	364,956.00		4,658,556.00	8.5%	4,658,556.00	Approved
	Egypt	WFP	AFB/PPRC.9/12	6,392,887.00	511,431.00		6,904,318.00	8.0%	6,904,318.00	Approved
	Lebanon	IFAD	AFB/PPRC.9/16	7,245,000.00	615,825.00		7,860,825.00	8.5%	7,860,825.00	Approved
	Mauritania	WFP	AFB/PPRC.9/18	7,225,561.00	578,044.00		7,803,605.00	8.0%	7,803,605.00	Approved
	Argentina	WB	AFB/PPRC.9/8	3,960,200.00	336,617.00		4,296,817.00	8.5%		Not approved
	El Salvador	UNDP	AFB/PPRC.9/13	5,000,000.00	425,000.00		5,425,000.00	8.5%		Not approved
	Fiji	UNDP	AFB/PPRC.9/14	5,280,000.00	448,800.00		5,728,800.00	8.5%		Not approved
	Ghana	UNDP	AFB/PPRC.9/15	8,156,682.00	693,318.00		8,850,000.00	8.5%		Not approved
	Mali	UNDP	AFB/PPRC.9/17	7,864,837.00	668,511.00		8,533,348.00	8.5%		Not approved
	Mauritania	WMO	AFB/PPRC.9/19	1,990,764.00	169,216.00		2,159,980.00	8.5%		Not approved
	Seychelles	UNDP	AFB/PPRC.9/20	5,950,000.00	505,750.00		6,455,750.00	8.5%		Not approved
	Sri Lanka	WFP	AFB/PPRC.9/21	7,371,401.00	589,712.00		7,961,113.00	8.0%		Not approved
	Sub-total			92,333,056.00	7,742,636.00	9,965,000.00	90,110,692.00	8.4%	50,664,884.00	
2. Project Formulation Grant:										
	Argentina	UCAR	AFB/PPRC.9/4/Add.1						30,000.00	Approved
	Sub-total								30,000.00	
3. Concepts:										
	Argentina	UCAR	AFB/PPRC.9/4	5,200,000.00	440,000.00	5,640,000.00		8.5%	5,640,000.00	Endorsed
	Paraguay	UNEP	AFB/PPRC.9/5	6,570,000.00	558,450.00		7,128,450.00	8.5%	7,128,450.00	Endorsed
	Peru	IDB	AFB/PPRC.9/6	6,405,750.00	544,489.00		6,950,239.00	8.5%	6,950,239.00	Endorsed
	Sub-total			18,175,750.00	1,542,939.00	5,640,000.00	14,078,689.00	8.5%	19,718,689.00	
4. Total (4 = 1 + 2 + 3)				110,508,806.00	9,285,575.00	15,605,000.00	104,189,381.00	8.4%	70,413,573.00	

ANNEX IV: REVISED PROJECT & PROGRAMME REVIEW TEMPLATE

PROCUREMENT DATA					
Please provide information for all contracts over \$2,500 USD					
Please provide the number of contracts under \$2,500, signed during this reporting period: <input style="width: 100px;" type="text"/>					
LIST OF CONTRACTS					
List all contracts related to the project/program with signature dates					
Contract Type	Agency / Contracted party	Contract Value/Amount (USD)	Signature Date	Payment to Date	Remaining Balance
BIDS					
List all bids for each contract signed with date of open call and winning bid					
CONTRACT & Procurement Method	Submitted Bids	Bid Amount (USD)	Winning Bid Amount (USD)	Selection Justification for the Winner	
Name of Contract, Procurement Method, Date of Call					
Name of Contract, Procurement Method, if applicable Date of Call					
Name of Contract, Procurement Method, if applicable Date of Call					
Name of Contract, Procurement Method, if applicable Date of Call					
Name of Contract, Procurement Method, if applicable Date of Call					

ANNEX V: REVISION OF PROPOSED SECRETARIAT BUDGET

All amounts in US\$		Approved FY12	Estimate actual as of 31 May	Proposed FY13
PERSONNEL COMPONENT				
Full-time staff (including benefits):				
01	Manager (GG) (GH)	209,873	158,909	219,599
02	Program Manager (GF)	146,151	114,440	153,569
03	Program Manager (GF)	142,146	112,071	145,696
04	Program Manager (GF)	158,672	100,570	153,569
05	Program Assistant (GC)	67,125	74,197	74,807
06	Short-term Temporary (STT)	28,428	26,899	0
07	Junior Professional Associate (JPA)	70,248	59,030	81,284
	sub-total AFB staff	822,643	646,115	828,524
GEF staff cross-support (including benefits):				
01	Head of the AFB Secretariat (GJ) - 15%			
02	Accounting support (GF) - 14%			
03	AF database, KM strategy (GF) - 10% ---> 5%			
04	AF database (GF) - 3%			
05	Communications and outreach (GG) - 5%			
06	HR support (GD) - 7%			
07	IT support (GF) - 5%			
08	RMB (GF) - 12% ---> 8%			
09	Review of projects (3@GF) - 8% ---> (2@GF)			
10	Review of projects (3@GG) - 8%			
11	Review of projects (JPA) - 8%			
12	Head of Operations and Business Strategy (GH) - 2%			
	sub-total GEF staff	395,868	343,082	223,023
GEF Evaluation Office cross-support:				
01	Evaluation report			3,000
02	EO staff costs			8,000
03	Travel to AFB meetings			6,000
	sub-total GEF EO cross-support			17,000
Consultants				
01	AFB Secretariat Support	25,197	16,288	25,000
02	Support for Website and IT systems	51,500	5,957	51,500
03	Communications Strategy & Knowledge Management	70,000	9,717	89,700
04	Result Based Management (RBM) support	82,400	39,035	25,000
05	Accreditation Panel	222,660	186,797	240,000
06	Performance Study	57,500	57,136	0
07	Investigative consultants	0	0	255,000
	sub-total Consultants	509,257	314,931	686,200
SUB-TOTAL PERSONNEL COMPONENT		1,727,768	1,304,128	1,754,747
TRAVEL COMPONENT				
01	AF Secretariat staff	200,000	196,950	234,000
02	Awareness Raising	43,400	40,528	43,400
03	Board - 24 eligible members	593,280	229,561	300,000
04	2 Experts to attend 3 committee meetings	45,000	0	0
05	Accreditation Panel/Staff (travel)	176,130	124,688	140,000
SUB-TOTAL TRAVEL COMPONENT		1,057,810	591,727	717,400
GENERAL OPERATIONS COMPONENT				
01	Office Space, Equipment and Supplies	221,894	165,147	275,953
02	Support to Chair (communications)	23,870	5,583	23,870
03	Publications and Outreach	51,500	24,884	51,500
SUB-TOTAL GENERAL OPERATIONS COMPONENT		297,264	195,614	351,323
MEETINGS COMPONENT				
01	Logistics, interpretation, etc.	465,000	354,721	350,000
02	Translation	50,000	134,456	150,000
SUB-TOTAL MEETINGS COMPONENT		515,000	489,176	500,000
GRAND TOTAL ALL COMPONENTS		3,597,842	2,580,645	3,323,470

Note: The budgetary allocation contained in this table for two investigative consultants will continue to be discussed at the next Board meeting. It will not be transferred by the trustee until the Board notifies the trustee it has completed its assessment on the budget for the investigative function.

ANNEX VI: REVISION OF DOCUMENT AFB/EFC.9/10 (FY2013 WORK PROGRAMME FOR AND BUDGET FOR THE EVALUATION FUNCTION)

Summary of Evaluation Function Activities and Budget for FY2013¹

Evaluation Activity	Cost	Estimated by end of FY2012	FY2013 budget request
Evaluation Framework	Consultant	\$9,000	0
Final Evaluation Guidelines	Consultant	\$1,000	0
Adaptation Fund Evaluation Report ²	Consultant	0	\$3,000
EO Staff Costs ²		\$12,000	\$8,000
Travel to AFB meetings ²		\$6,200	\$6,000
Total		\$28,200	\$17,000

1: The preliminary figures above relate to potential Evaluation Function activities. They are included in the budget for the Board and secretariat for FY 2013 under the section on GEF Evaluation Office Cross-Support.

2: Budget for these activities shall only be disbursed according to concrete needs for evaluation of the ongoing project in Senegal.

**ANNEX VII: AMENDED AND RESTATED CER MONETIZATION PROGRAM GUIDELINES,
JUNE 2012**

**AMENDED AND RESTATED
CER MONETIZATION PROGRAM GUIDELINES
JUNE 2012**

I. SCOPE

1. These amended and restated Guidelines apply to monetization of certified emission reductions (CERs) by the International Bank for Reconstruction and Development (the World Bank) as trustee for the Adaptation Fund (the Trustee) for the Adaptation Fund (the AF) (the CER Monetization Program) pursuant to the terms and conditions (the Terms and Conditions) of services to be provided by the Trustee.

II. OBJECTIVES OF THE CER MONETIZATION PROGRAM

2. Through the CER Monetization Program, the Trustee will convert the AF's CERs into cash to support funding decisions by the AF Board. According to Decision 1/CMP.3, paragraph 28, the three objectives of the CER Monetization Program are to:

- Ensure predictable revenue flow for the AF;
- Optimize revenue for the AF while limiting financial risks; and
- Enhance transparency and monetize the share of the proceeds in the most cost-effective and inclusive manner, utilizing appropriate expertise.

3. The three Program objectives are discussed below.

ENSURE PREDICTABLE REVENUE FLOW

4. CER Monetization is undertaken in advance of formal approvals of AF programs/projects by the AF Board. This will support the AF Board's decisions about calls for proposals and specific project/program commitments, and ensure cash will be available to fund the initial disbursements for AF programs/projects.

- i) The CER Monetization Program will help to ensure that project and program commitments authorized by the AF Board are made on the basis of liquid assets, consistent with best financial management practice.
- ii) The Trustee will provide the AF Board with information on funds in the AF Trust Fund available to be disbursed for program/project commitments. AF Board authorization of specific projects and programs would then be based on cash levels in the AF Trust Fund. This process will help insulate AF commitments from the uncertainties of the CER market.

OPTIMIZE REVENUE AND LIMIT FINANCIAL RISKS

5. An essential objective of the CER Monetization Program is to obtain the market value for the AF's assets.

6. **Sales revenue optimization:** Ideally, the Trustee will carry out CER monetization through an ongoing program of spot sales in highly liquid markets. This will ensure fair and transparent pricing, reduce transaction costs associated with price discovery, and minimize costs and risks coming from insufficient liquidity or settlement processes. It is possible to trade spot on liquid exchanges, which represent the best approximation of an efficient market as long as the volume of sales is consistent with their capacity. The Trustee may supplement spot sales with the use of futures contracts and occasional OTC sales.

7. **Risk mitigation:** Market risk arising from future movements of CER prices will be managed by spreading transactions over time to smooth price fluctuations. Settlement risk from the potential default by buyers of CERs will be mitigated by the use of delivery-versus-payment settlement mechanisms, either when trading on exchanges or OTC through dealers.

ENHANCE TRANSPARENCY, INCLUSIVENESS AND COST-EFFECTIVENESS

8. The CER Monetization Program should be designed so that the sales processes are transparent, inclusive, and cost-effective.

9. **Transparency and disclosure:** The CER Monetization Program guidelines will be made publicly available. The Trustee will record details of all transactions executed under the Program, either conducted on exchanges or OTC. While full transparency may be difficult to implement and potentially detrimental to best execution in some instances, given the public international nature of the AF and its role under the Kyoto Protocol, the highest level of transparency possible will apply to the implementation of the CER Monetization Program.

10. **Inclusiveness:** The guidelines should allow the broadest range of compliance buyers and participants in emissions trading to participate in the transactions executed under the CER Monetization Program, especially major CER buyers (governments and corporations with Kyoto or EU ETS commitments).

11. **Cost effectiveness:** The most cost-effective approach is trading spot on highly liquid and developed markets in which various transaction costs are minimized. Trading on exchanges represents the approach closest to trading on an efficient market. Nevertheless the Trustee will be responsible for minimizing implied costs (membership, margin calls for future trading, etc.). The direct cost of selling through dealers (payment of fees) will also have to be minimized and balanced against the benefits associated with the sponsorship of the dealer community (broad outreach to investors, market information, etc.).

SIX CRITERIA TO IMPLEMENT THE PROGRAM OBJECTIVES

12. These three objectives are divided into six criteria which have been presented and discussed with the AF Board, and which the CER Monetization Program guidelines aim to satisfy. The six criteria are to:

- Optimize revenues;
- Minimize risks;
- Enhance transparency;

- Be inclusive;
- Be cost effective; and
- Make funding rapidly available.

13. These overall objectives and six related criteria establish the framework for how the CER Monetization Program is structured.

III. RULES GUIDING THE EXECUTION: THREE-TIERED APPROACH

14. It may not be possible to achieve all these criteria at the same time, and in certain circumstances tradeoffs may have to be considered. To help address this, the CER Monetization Program guidelines outline an approach consisting of:

- Ongoing mechanistic sales conducted on liquid carbon exchanges (including auctions);
- OTC sales through dealers in the case of high CER inventory;
- Sales directly to governments; and
- Request for guidance from the AF Board under exceptional market circumstances.

15. The Guidelines may be amended or supplemented by decision of the AF Board, with the agreement of the Trustee.

16. See *Table 1* at the end of this Section for an illustration of how the three-tiered approach meets each of the Program's objectives and corresponding criteria.

ONGOING MECHANISTIC SALES CONDUCTED ON LIQUID CARBON-EXCHANGES

17. The Trustee will follow a mechanistic approach for CER sales executed on exchanges and will not try to time the market or make forecasts as to the direction of CER prices. The approach described below will be driven by the volume of incoming CERs, exchange liquidity and desired inventory levels.

- (i) Continuous execution of spot straight sales on liquid exchanges
 - a) The Trustee will primarily conduct straight spot sales (meaning sales executed spot, according to the way trades are normally executed on the exchange, as opposed to a specific form of auction or any form of customized and out-of-the-ordinary transaction), whenever possible on every trading day on the selected exchange(s). The size and the number of transactions executed on a given day will be determined by the Trustee so as to:
 - i) Maximize, to the extent possible, the volume of CER spot sales conducted on exchanges over the period of the CER Monetization Program.
 - ii) Accommodate the liquidity on the exchange and not move or disrupt the market price. To determine the size and number of transactions, the Trustee will rely on indicators made public by exchanges such as the total number of trades per day and the average size of a transaction.

- iii) Spread the sales of CERs over time so as to average CER market prices. At the beginning of each quarter, the Trustee will determine the planned daily sales volume for such quarter based on the amount of CERs issued during the previous quarter and based on the volume of CERs expected to flow into the AF account, with the goal being to spread transactions evenly throughout the upcoming quarter.
 - b) The Trustee will keep records of all transactions executed on the selected exchange(s). In particular, the record of daily number, volume and selling price of transactions will be kept as well as the corresponding data applicable to the exchange.
 - c) The Trustee will monitor over time the effective presence and access to the selected exchange(s) of compliance buyers and investors, either directly or through brokers.
 - d) The Trustee will conduct trades on an anonymous basis.
 - e) The Trustee will mitigate settlement risk by using the delivery-versus-payment settlement facility provided by the exchange. The Trustee will interrupt trading whenever and as long as this facility is discontinued.
- (ii) Limited use of futures contracts
- a) Although the Trustee will sell CERs on selected exchanges primarily through spot contracts, the Trustee may use futures to a limited extent. Specifically, the Trustee will sell CERs on exchanges using futures contracts only to: access through the futures contracts a liquidity which is manifestly lacking on the spot contracts in the selected exchange(s); and maintain a presence in futures CER trading to diversify selling channels and maintain a continuous and seamless access to CER markets.
- (iii) The Trustee will determine the maximum amount of sales through futures contracts based on their characteristics and associated costs and risks:
- a) The Trustee will place a limit on selling CERs through futures contract derived from the costs and risks associated with “margin calls” or collateral requirements. Selling futures could entail the transferring of cash, known as “collateral”, or “margin”, to the exchange or the clearing house performing the settlement functions for the exchange. An initial margin deposit, which would be made in cash in the case of the AF, is required whenever a futures position is opened. With market movements, the margin is recalculated over time, resulting in margin adjustments or “margin calls” and the possible provision of additional collateral until the futures contract is closed. While all margin posted is returned at the expiration of the contract, a sharp increase in the price of CERs could entail suddenly raising large amounts of cash to post as collateral.
 - b) The Trustee will set the limit on future trades of CERs in the following way; determine the cumulative size of futures trades so as to cap to a reasonable

amount the margin call, not to exceed €20 million, which would result from the strongest possible increase in the CER price. Cash used will be put aside in the Trust Fund cash account. The amount of CERs that should be delivered at expiration will be kept aside as well in the CDM registry account of the AF.

- c) The Trustee will furthermore limit the trading on futures based on the AF's objective of rapid availability of funds. Currently CER futures contracts only have liquidity for December expiration. Therefore, cash proceeds from the sales will not become available until the end of a given year. The Trustee will continuously assess the availability and liquidity of futures contracts with intermediate expiry dates (March, June and September for instance). In determining the maximum amount of futures sales in a given year, the Trustee will incorporate the objective of keeping a cash inventory in the AF Trust Fund cash account commensurate with the expected disbursements of the AF throughout the year.

- (iv) Selection of exchanges based on their strength, reputation and liquidity

Several exchanges have been established for emissions trading; the largest are ICE/ECX, and the BlueNext environmental exchange. The Trustee will continue to monitor the evolution of the status and offering of the various exchanges in competition in carbon markets according to the criteria used for the initial selection, and will adapt accordingly its selection of exchanges in the future. A summary presentation of the selected exchanges is given in *Annex II*.

OTC SALES

18. OTC transactions will be considered in the following situations:

- i) Over-accumulation in the AF CER account due to high rates of CER issuance by the CDM, temporary suspension of ongoing mechanistic sales, or other reasons.
- ii) Illiquid markets for certain types of CERs after careful separation of the AF CERs ('green' CERs, CERs generated by large hydros, industrial gas, etc.)
- iii) To attract potential price or volume advantages for 'green' CERs.
- iv) To accelerate the availability of cash in response to the need for new project financing expressed by the AF.
- v) To accelerate the availability of cash for administrative costs associated with the management of the AF Trust Fund.

19. **Execution of an OTC transaction:** The Trustee will determine the size and timing of the OTC trade based on ongoing consultation with dealer banks involved in carbon markets. The Trustee will select the dealers that will participate in the OTC sale based on an objective process, using the same general criteria that the Trustee uses when selecting dealers for its own capital market operations. In respect of a particular transaction, the Trustee will consult with dealers and seek their advice. The quality of the recommendations applicable to the specific transaction under

consideration will be among the criteria the Trustee will use to select the dealers who will participate in the transaction.

20. When executing an OTC sale, the Trustee will verify the distribution of CERs to buyers achieved by the selected carbon dealer. The Trustee will ensure that the distribution meets the requirement of the CER Monetization Program for inclusiveness of all interested CER buyers. This includes making sure that as many as possible compliance buyers and governments will be made aware of, and given the opportunity to participate in, the OTC sale. While the sale price achieved in an OTC sale may not be directly comparable to prices then prevailing on exchanges, notably because of its larger size making it non-tradable on any existing exchange, the Trustee will monitor the pricing based on a number of public price references.

21. The Trustee will ensure that the settlement processes applicable to OTC transactions are 'delivery-versus-payment (DVP) processes to limit counterparty credit risk for the AF.

DIRECT SALES TO GOVERNMENTS

22. While CER sales on exchanges and via OTC transactions will be the principal methods for monetizing Adaptation Fund CERs, direct sales to governments will be considered in the following situations:

- i) Over-accumulation in the AF CER account due to high rates of CER issuance by the CDM, temporary suspension of ongoing mechanistic sales, or other reasons.
- ii) Illiquid markets for certain types of CERs, after careful separation of the AF CERs ('green' CERs, CERs generated by large hydros, industrial gas, etc.)
- iii) To accelerate the availability of cash in response to the need for new project financing or for administrative costs associated with the management of the AF Trust Fund.
- iv) Governments express an interest in purchasing CERs, subject to the criteria below.

23. **Execution of direct sales:** Direct sales to governments would be undertaken only if there is a net benefit to the Adaptation Fund when compared with the alternatives of selling through exchanges or OTC transactions. The benefit would be identified either as: i) a price premium, net of transactions costs, when compared with alternative approaches, and/or ii) a higher volume of sales than would otherwise be possible through exchanges or OTCs.

24. Direct sales to national governments must meet the CMP principle of cost-effectiveness. Under normal circumstances, transaction costs associated with such sales could be high, as sales to national governments would require the negotiation and execution of a legal agreement for the sale, incurring legal and other costs both to the Adaptation Fund (through the trustee administrative budget), as well as to the buyer. Such a sale may also require an analysis of any tax, regulatory and other issues related to CER sales to be settled in the buyer's jurisdiction.

25. Thus, direct sales to national governments would only be undertaken if the buyer agrees to purchase a minimum of 500,000 CERs, subject to review and adjustment by the trustee based on prevailing CER market prices, thereby rendering the costs of the sale comparable to alternative sales methods.

26. The Trustee will ensure that the settlement processes applicable to direct sales transactions are DVP processes to limit counterparty credit risk for the AF.

27. Sales to national governments would be disclosed publicly. The ability to sell Adaptation Fund CERs directly to governments would be communicated in advance of any sales. The results of any sales, including amounts and average prices would be reported by the trustee in the quarterly financial reports to the Board; such reports are publicly available on the Adaptation Fund website.

FURTHER REQUESTS FOR AF BOARD GUIDANCE

28. If extraordinary events occur that make compliance with the guidelines impracticable or impossible, the Trustee will report to the AF Board and request further guidance from the AF Board. An extraordinary event would include any event that results in extreme movements in prices and/or liquidity of CERs or in carbon markets generally. Such an event could be brought on by global macro-economic conditions, events specific to the CER markets, or a significant governance or economic policy change in the Kyoto Protocol, the UNFCCC or the global institutional framework for climate change.

29. In such event, the Trustee will provide the AF Board with relevant information about the event and its impact on the market and will propose alternative courses of action for consideration by the AF Board. The Trustee will act only upon these AF-Board approved Guidelines, AF Board decisions adopted according to AF Board rules and procedures, or written instruction from the AF Board Authorized Designee¹, in accordance with its Terms and Conditions.

30. The Trustee will suspend spot sale transactions under the CER Monetization Program if the CER market infrastructure becomes impaired. If the market infrastructure remains disrupted over an extended period, the Trustee will seek guidance from the AF Board. The Trustee will then present specific short-term funding options based on then-existing market conditions and limitations.

31.

SETTLEMENT

32. **Settlement of a CER transaction:** The Trustee may settle trades directly, or rely on a bank to perform settlement functions (the "Settlement Agent") as follows:

- i) The Trustee will close a selling transaction with an eligible counterparty, either on an exchange or OTC. In the case of a spot transaction, on the settlement date, the trustee (or Settlement Agent) will then ensure that the CERs are delivered to the buyer while the payment in cash is received by the trustee for credit to the AF Trust Fund. The trustee will endeavor to use the DVP framework of an exchange, whereby confirmation of payment is received prior to delivery of the CERs. In case it is not possible on the exchange, the trustee will seek to settle outside the exchange on a DVP basis. Based on instructions from the trustee, the CERs sold will be transferred from the AF account in the CDM registry to the trustee's account in the registry used for settlement, and then to the clearing house. The buyer's cash payment will be transferred from the buyer's

¹ The Chair of the Adaptation Fund Board or authorized designee

account to the clearing house, and then to the AF Trust Fund cash account. The cash proceeds from the monetization will then be held in the AF Trust Fund.

33. **Selection of a Settlement Agent:** If the Trustee uses a Settlement Agent the selection of the Settlement Agent will be in a transparent manner following the procurement guidelines of the World Bank. Only firms that have experience in carbon trading and a strong settlement department will be considered for the role of Settlement Agent.

SUMMARY

TABLE 1

	Optimization of Revenues	Minimization of Risk	Transparency	Inclusiveness	Cost Effectiveness	Funding Availability
Start of Monetization	After Connection	After Connection	After Connection	After Connection	After Connection	Before Connection
Ongoing Straight Sales on exchanges	Price efficiency in developed Market	Spot transactions, averaging of prices, DVP settlement	Liquidity and price transparency in large and developed exchanges	Large fraction of compliance buyers, either directly or through brokers trade on selected exchanges	Trading on exchange avoids dealer's fee. Cost of exchange membership	Spot transactions make funding immediately available
OTC sales through dealers based on criteria	Efficient distribution and price discovery by dealers. Pricing checked by Trustee	DVP settlement applies. Dealers provide information on market price evolution and best timing	The Trustee checks the pricing with public prices (exchanges or brokers). The Trustee has access to the order book of the dealer(s)	The dealer is requested to distribute broadly to all compliance buyers	Dealer's fee controlled by competitive selection process of dealer(s)	Immediate and large funding availability
Direct Sales to Governments	Price would be at minimum of the average bid-ask spread	DVP	All sales would be publicly disclosed in the trustee's financial status reports to the AF Board	Any government would be eligible to purchase CERs	Minimum number of CERs would be required to be purchased to ensure at least comparable cost to other sales methods	Depends on the number of countries likely to avail of this option

IV. REPORTING

34. On a quarterly basis, the Trustee will provide the AF Board with a report on its activities undertaken under the CER Monetization Program.

35. The report will communicate the details of the trading activity in CER markets undertaken by the trustee on behalf of the AF. In such quarterly reports, the following information will be provided:

- Tonnage of CERs held by the AF CER account at the beginning and at the end of the period;
- Volume of new CERs tonnage entering the account of the AF in the CDM registry during the quarter; total volume of CERs having entered the AF CER account with the CDM registry since inception;
- Volume of sales of CERs executed during the quarter, and since the beginning of the calendar year; these volume of sales will be broken down into three categories: 1) spot sales on exchanges, 2) futures sales on exchanges, 3) OTC sales, and 4) sales to governments.
- Revenues in cash associated with the sales of CERs (in euros and in US dollars) during the quarter, and since the beginning of the calendar year; these revenues will be broken down into four categories: 1) spot sales on exchanges, 2) futures sales on exchanges, OTC sales, and 4) sales to governments.
- Average sales price per ton sold (in euros and in US dollars) during the quarter, and since the beginning of the year for CERs sold either spot or futures on exchanges, OTC, or to governments;
- For futures trades, the tonnage of CERs to be delivered at various maturities in the future (for instance the December maturity of the year under review) and the cash amount to be received (in euros or in US dollars) at the expiration of the contracts. The report will indicate the value placed or received as collateral, the average at the beginning and at the end of the period.

36. In a highly volatile market, the Trustee will report on a more ad-hoc basis.

ANNEX VIII: LETTER FROM THE GOVERNMENT OF THE STATE OF ERITREA

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دولة ارتريا
وزارة الأراضي والمياه والبيئة
قسم البيئة

THE STATE OF ERITREA
Ministry of Land, Water & Environment
Department of Environment

ዕለት 16/04/2012
Date

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ቁ. መ. 20E/1109/12
Ref.

المرجع

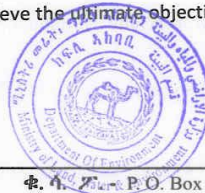
Re: Adaptation Fund Project – Eritrea

Dear Secretariat,

The Government of the State of Eritrea recalls with gratitude the approval of the project “Climate Change Adaptation Programme in Water and Agriculture, in Anseba Region, Eritrea” by the Adaptation Fund Board on 23 March, 2011. However, we regret that the implementation of the project was delayed for more than a year as per the scheduled programme.

The country being among the most vulnerable to the adverse impacts of climate change, climate change adaptation measures have been taken seriously and incorporated into the national development policies, strategies and development plan. This was reflected in the medium to long term sector plan under final review as part of the long-term national development plan. The sector plan encompasses not only land and water related interventions but also all environment projects supported and financed by development partners emanating from Eritrea’s accession to global conventions and international agreement. This approach of government setting of priorities will guide partners in their future engagement with the Ministry in implementing all pipeline and future environment projects with full national commitment and political ownership.

We want to assure the secretariat that the Government of the State of Eritrea is still committed to implement this project and other adaptation projects as well as appropriate mitigation measures to achieve the ultimate objectives of the Climate Change Convention. We



UNDP	
ASMARA - ERITREA	
FILE No. 1604/12	
17 APR 2012	
ACTION	INFO
YAP	4/17
Asmara - Eritrea	

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Asmara - Eritrea

would, therefore, request the AF Secretariat for more patience and further extension, i.e. until the Government approves the sector plan in 6 months period.

We look forward to kindly considering the above rationale and to receiving an approval of extension of the project by the AF Secretariat.

Yours Sincerely,



Mogos Woldeyohannes

Director General and UNFCC/GEF focal point

Department of Environment,

Ministry of Land, Water and Environment

