



ADAPTATION FUND

AFB/B.22/7
23 December 2013

ADAPTATION FUND BOARD

Twenty-second meeting
Bonn, Germany,
31 October – 1 November 2013

REPORT OF THE TWENTY-SECOND MEETING OF THE ADAPTATION FUND BOARD

Introduction

1. The twenty-second meeting of the Adaptation Fund Board (the Board) was held at the 'Langer Eugen' United Nations Campus, in Bonn, Germany, from 31 October to 1 November 2013, back-to-back with the thirteenth meetings of the Project and Programme Review Committee (PPRC) and the Ethics and Finance Committee (EFC) of the Board.
2. The meeting was broadcast live through the websites of the Adaptation Fund (the 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 full list of the members and alternate members who participated in 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 in document AFB/B.22/Inf.3.

Agenda Item 1: Opening of the meeting

4. The meeting was opened at 9.05 a.m. on Thursday, 31 October 2013 by the Chair of the Board, Mr. Hans Olav Ibrekk (Norway, Western European and Other States), who greeted the members and alternates of the Board, and welcomed all the participants and the members of civil society. He expressed the Board's sympathies to the Vice-Chair, who was unwell and unable to attend the meeting.

Agenda Item 2: Organizational matters

(a) *Adoption of the agenda*

5. The Board considered the provisional agenda contained in document AFB/B.22/1/Rev.1, as well as the provisional annotated agenda and provisional timetable contained in document AFB/B.22/2. The Chair added one issue for discussion under agenda

item 14, “Other Matters”: a presentation on Fund activities at the nineteenth session of the Conference of the Parties of the United Nations Framework Convention on Climate Change and the ninth session of the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (COP19/CMP9) to be held in Warsaw, Poland. He also pointed out that agenda item 13, “Dialogue with civil society organizations”, had already been addressed the previous afternoon.

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

(b) *Organization of work*

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

(c) *Declarations of conflicts of interest*

8. The following alternate members declared conflicts of interest:

(a) Ms. Medea Inashvili (Alternate member, Georgia, Eastern European States);
and

(b) Mr. Aram Ter-Zakaryan (Alternate member, Armenia, Eastern European States).

Agenda Item 3: Report on activities of the Chair

9. The Chair reported that he had continued with his fundraising efforts and had met with the representatives of various donor governments, undertaking bilateral discussions about the possibility of contributing to the Fund. He had also communicated with the President-Designate of COP19/CMP9, Mr. Marcin Korolec, Minister of Environment of Poland, who had kindly accepted to co-host the donor dialogue that would take place in the margins of COP19/CMP9 in Warsaw. The President-Designate had also informed him that he planned to bring up the issue of the sustainability of resources of the Fund during the ministerial segment of that meeting. The Chair had written an article on the Adaptation Fund as an innovative, effective and transparent model of climate financing which had been posted on the website of the United Nations Framework Convention on Climate Change (UNFCCC) and had visited the secretariat’s offices in Washington, D.C. to discuss issues related to the Board’s agenda for the present meeting as well as the preparation of activities for COP19/CMP9.

10. He then requested Mr. Marc-Antoine Martin (France, Western European and Other States) to report on the “Open Knowledge Conference” which had been held from 16 to 18 September 2013 at the Centre International de Conférences, Geneva, Switzerland, and which Mr. Martin had attended at the request of the Chair.

11. Mr. Martin said that the purpose of the conference had been to focus on how to coordinate and strengthen public policy around the world to support a truly global and interconnected ecosystem of open data. The conference had shown the growing importance of new ways to engage society and the importance of transparency and new forms of technology. That process had been driven by youth from around the world who were part of a new “e-democracy”. He said that the involvement of the Adaptation Fund in that process was consistent with its over-arching vision.

12. The Adaptation Fund Board took note of the report on the activities of the Chair.

Agenda Item 4: Report on activities of the secretariat

13. The Manager of the secretariat reported on the activities of the secretariat during the intersessional period, more fully described in document AFB/B.22/3. In particular, she highlighted some secretariat activities that had taken place after that document had been finalized.

Participation in events/meetings

14. The secretariat had participated in a technical workshop on “Adaptation measures and projects in Latin America” co-organized by the United Nations Environment Programme (UNEP) and CAF (Corporación Andina de Fomento). The workshop, held in Lima, Peru, from 23 to 25 October 2013, had brought together adaptation practitioners from national and local governments in Latin America, with representatives from entities providing adaptation finance. Its objective had been to explore the current status of the region's adaptation needs and the progress of countries in identifying priority measures, as well as opportunities for financing adaptation projects and programmes. The secretariat had presented its project and programme portfolio in the region, informed participants of opportunities to seek finance from the Adaptation Fund, and been informed by delegates of their future plans for implementing adaptation measures in their respective countries.

15. The secretariat had had two of its proposed panel sessions accepted by the American Evaluation Association Conference, held from 16 to 19 October in Washington, D.C. The conference brought together over 3,000 evaluation professionals from all over the world. The first session the secretariat had organized, “challenges to monitoring and evaluating climate change adaptation interventions”, had discussed the challenges faced and approaches taken by different institutions in their efforts to monitor and evaluate climate change adaptation interventions. The second panel, “perspectives from the ground: evaluating adaptation to climate change in the water sector”, had focused on different approaches and tools currently available to monitor and evaluate specific adaptation interventions on the ground. The secretariat had presented information on the Fund's current project level indicators and results framework, providing examples from those projects focused on the water sector. Both sessions had been well received and the secretariat had been able to make contact with different groups working on better defining and measuring resilience.

16. The Manager of the secretariat had participated via webinar in the Climate Finance Integrity Talks organized by Transparency International on 9 September 2013, taking part in a panel on citizen participation and monitoring of climate finance projects.

IATI Index

17. The Manager of the secretariat also noted that the International Aid Transparency Initiative (IATI) Index 2013 had been launched the previous week in Washington, D.C. However, this time none of the climate finance institutions had been assessed. The secretariat had sought clarification from IATI, which had indicated that feedback on the 2012 Index had highlighted the need for a more systematic approach to selecting donors to assess. Selection in 2013 had been based on three criteria, of which organizations had to satisfy two to be included in the IATI Index. The criteria were that the organization was a large donor, providing at least US\$ 1 billion

in aid per year; that it had a significant role and influence as a major aid agency and engagement with the aid effectiveness agenda, and that it was an institution to which government or organization-wide transparency commitments applied. IATI had expressed regret at its inability to include the Adaptation Fund in the current year's index.

18. The Adaptation Fund Board took note of the report by the secretariat.

Agenda Item 5: Report of the Accreditation Panel

19. The Chair of the Accreditation Panel (the Panel), Mr. Philip Weech (Bahamas, Latin America and Caribbean Countries) introduced the report of the Panel's fourteenth meeting, which is more fully described in document AFB/B.22/4.

20. The Panel had continued to review new and existing applications and had held its fourteenth meeting in Freeport, the Bahamas, in conjunction with a one-day workshop that had been organized by the secretariat with the support of the Ministry for the Grand Bahamas entitled "Supporting direct access to climate finance in the Caribbean region". The workshop had highlighted some of the challenges that countries had faced during the accreditation process, and had presented several successful cases as well as the lessons learned to date.

21. At the time of the Panel's meeting one newly completed application had been received. The Panel had continued its review of the applications of seven applicant National Implementing Entities (NIEs), four applicant Regional Implementing Entities (RIEs) and two applicant Multilateral Implementing Entities (MIEs) which had previously been reviewed but required additional information for the Panel to make a recommendation. Thirteen applications, eight for potential NIEs, three for potential RIEs and two for potential MIEs were still under review by the Panel.

22. The Panel was recommending the accreditation of the Secretariat of the Pacific Regional Environmental Programme (SPREP) as a regional implementing entity. It was also continuing its assessment of one applicant NIE whose systems and processes had not been adequately demonstrated. The Panel's experience with that entity, along with others, had started a discussion about the possibility of the Fund opening a small grants window and accordingly the Panel was requesting to be allowed to further review the entity through a field visit to develop a case example for the need of such a small grants window or similar mechanism.

23. The Chair of the Panel also said that the accreditation of several of the Fund's implementing entities would expire in 2015 and reminded the Board that at its twentieth meeting it had requested the Panel to develop procedures for re-accreditation. The Panel had concluded that the re-accreditation process should require a new application from every applicant for re-accreditation and that the process of re-accreditation should focus on the implementing entity's continued compliance with the Fund's fiduciary standards, their ability to comply with the Fund's proposed environmental and social policy and the results of the assessment of the implementing entity's performance regarding project or programme implementation.

24. The Chair of the Panel was asked whether the Panel was recommending the establishment of a small grants window similar to that of the Global Environment Facility (GEF). In response he explained that the recommendation was only to approve a field visit to the

applicant. The lessons learned from that field visit would determine what sort of subsequent recommendation would be made by the Panel to the Board.

25. The Chair of the Board then closed the meeting so that the Chair of the Panel could provide additional details on the Panel's deliberations. Members and alternates with conflicts of interest left the room, along with all observers.

Accreditation of the Secretariat of the Pacific Regional Environment Programme (SPREP)

26. After considering the conclusions and recommendation of the Accreditation Panel, the Adaptation Fund Board decided to accredit the Secretariat of the Pacific Regional Environment Programme (SPREP) as a Regional Implementing Entity (RIE).

(Decision B.22/1)

Small Grants Window

27. After considering the conclusions and recommendation of the Accreditation Panel, the Adaptation Fund Board decided to:

- (a) Allow for further review of NIE039 through a field visit to develop a case example for the need of a "small grant window" or similar mechanism; and
- (b) Request the Accreditation Panel to work in conjunction with the secretariat to provide options for how such a mechanism could be operationalized at the twenty-third Board meeting.

(Decision B.22/2)

Re-accreditation process

28. After considering the conclusions and recommendation of the Accreditation Panel, the Adaptation Fund Board decided to adopt the re-accreditation process outlined in Annex III of the report of the fourteenth meeting of the Accreditation Panel (AFB/B.22/4).

(Decision B.22/3)

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

29. The Chair of the PPRC, Ms. Laura Dzelzyte (Lithuania, Eastern European States), introduced the report of the PPRC's thirteenth meeting (AFB/PPRC.13/14). A summary of the PPRC funding recommendations is presented in **Annex III** to the present report.

Report of the secretariat on initial screening/technical review of project and programme proposals

30. The Chair of the PPRC summarized the report of the secretariat on the initial screening/technical review of the submitted project and programme proposals (AFB/PPRC.13/3)

and Add.1) and said that no particular issues had been identified by the secretariat during the review process for consideration by the PPRC.

Review of project and programme proposals

Proposals from National Implementing Entities

Chile – Enhancing resilience to climate change of the small agriculture in the Chilean region of O’Higgins. (Project Concept; Agencia de Cooperación Internacional (AGCI); CHL/NIE/Agri/2013/1; US\$ 9,970,000)

31. The Chair of the PPRC introduced the project concept which sought to increase the resilience of rural farm communities in the coastal and inner dry lands of the O’Higgins region of Chile with respect to current climate variability and future climate changes.

32. After considering the conclusions and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided to:

- a) Not endorse the project concept, as supplemented by the clarification response provided by the Agencia de Cooperación Internacional (AGCI) to the request made by the technical review;
- b) Suggest that AGCI reformulates the proposal taking into account the observations in the review sheet annexed to the notification of the Board’s decision, as well as the following issues:
 - (i) The proposal should clearly articulate the expected climate change effects on rural farm communities in the O’Higgins region of Chile with respect to current climate variability and future climate change, in order that the appropriateness of the proposed adaptation measures can be assessed;
 - (ii) The proposal should describe how the proposed activities will deliver concrete adaptation benefits to smallholder and subsistence farmers to reduce their vulnerability to climate variability and climate change;
 - (iii) The proposal should explain how the project intends to collect, analyse and disseminate climatic information that will be directly relevant to smallholder and subsistence farmers in a timely and appropriate manner;
 - (iv) The proposal should discuss how the maintenance and support of the proposed activities has been considered, with a view to ensuring the long-term sustainability of the outcomes achieved through the project;
 - (v) The proposal should reduce the requested Implementing Entity management fee to be within the cap of 8.5 per cent, as well as ensure the requested total financing is reported consistently throughout.
- c) Not to approve the Project Formulation Grant of US\$ 30,000; and

d) Request AGCI to transmit the observations referred to in sub-paragraph (b) to the Government of Chile.

(Decision B.22/4)

Costa Rica – Reducing the vulnerability by focusing on critical sectors (agriculture, water resources and coastlines) in order to reduce the negative impacts of climate change and improve the resilience of these sectors. (Programme Concept; Fundecooperación para el Desarrollo Sostenible; CRI/NIE/Multi/2013/1; US\$ 9,970,000)

33. The Chair of the PPRC introduced the programme concept which sought to reduce climate vulnerability by focusing on three critical sectors (agriculture, water resources and coastal zones) in order to reduce the negative impacts of climate change and improve the resilience of vulnerable populations.

34. After considering the conclusions and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided to:

(a) Endorse the programme concept, as supplemented by the clarification response provided by Fundecooperación para el Desarrollo Sostenible (Fundecooperación) to the request made by the technical review;

(b) Request the secretariat to transmit to Fundecooperación the observations in the review sheet annexed to the notification of the Board's decision, as well as the following issues:

(i) The fully-developed programme document should clearly articulate how the proposed technical options enhance climate resilience in the agricultural sector and access to clean and safe water. Specific reference should be made to how the proposed activities are designed to be commensurate in overcoming the climate impacts in the areas of intervention in the context of climate change in Costa Rica;

(ii) The fully-developed programme document should detail how the proposed insurance schemes are designed to alleviate climate impacts rather than being based on the occurrence of previously established climate events;

(iii) The fully-developed programme document should make specific reference to the goal of the reimbursable funds for the implementation of sustainable management practices for water, and investment in new infrastructure, addressing how these funds would work, who would manage them, what source of funds would be used to finance them, and how the financing of the fund would be sustained in the long term.

(c) Approve the Programme Formulation Grant of US\$ 30,000;

(d) Request Fundecooperación to transmit the observations referred to in sub-paragraph (b) to the Government of Costa Rica; and

- (e) Encourage the Government of Costa Rica to submit through Fundecooperación a fully-developed programme proposal that would address the observations under subparagraph (b).

(Decision B.22/5)

Jordan: Increasing resilience of the poor and vulnerable communities to climate change impacts in Jordan through implementing innovative projects in water and agriculture in support of adaptation to climate change (Programme Concept; Ministry of Planning and International Cooperation (MOPIC); JOR/NIE/Multi/2012/1; US\$ 9,226,000)

35. The Chair of the PPRC introduced the programme concept which sought to adapt the agricultural sector in Jordan to climate change induced water shortages and stresses on food security through piloting innovative technology transfer, policy support linked to community livelihoods and resilience.

36. After considering the conclusions and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Endorse the programme document, as supplemented by the clarification response provided by the Ministry of Planning and International Cooperation (MOPIC) to the request made by the technical review;
- (b) Request the secretariat to transmit to MOPIC the observations in the review sheet annexed to the notification of the Board's decision, as well as the following issues:
 - (i) The fully-developed programme document should clearly explain how the different projects and stakeholders within the programme will be coordinated during its implementation;
 - (ii) More specific information should be provided about the criteria to be applied to determine the vulnerability of the target communities under projects 1.2 to 1.4;
 - (iii) The relevant existing policies and standards for all the activities of the programme will need to be specified in greater detail in the fully-developed programme document;
 - (iv) At the fully-developed programme document stage the synergies to be sought and coordination mechanisms with existing initiatives should be outlined;
 - (v) The fully-developed programme document should demonstrate that each project under the programme has been designed with full participation of relevant stakeholders, including vulnerable groups, and taking into account gender consideration.
- (c) Approve the Programme Formulation Grant of US\$ 29,500;

- (d) Request MOPIC to transmit the observations under sub-paragraph (b) to the Government of Jordan; and
- (e) Encourage the Government of Jordan to submit through MOPIC a fully-developed programme proposal that would address the observations under sub-paragraph (b).

(Decision B.22/6)

Morocco: Climate changes adaptation project in oasis zones (Project Concept; Agence pour le Développement Agricole (ADA); MAR/NIE/Agri/2013/1; US\$ 10,000,000)

37. The Chair of the PPRC introduced the project concept which sought to help reduce the vulnerability of communities and oasis agro-ecosystems to climate change in Morocco, by increasing the adaptive capacity of local institutions and actors, and by implementing climate change adaptation measures in Moroccan oasis areas.

38. In response to a query the secretariat confirmed that Agence pour le Développement Agricole had not requested a project formulation grant.

39. After considering the conclusions and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Not endorse the project concept, as supplemented by the clarification response provided by Agence pour le Développement Agricole (ADA) to the request made by the technical review;
- (b) Suggest that ADA reformulates the proposal taking into account the observations in the review sheet annexed to the notification of the Board's decision, as well as the following issues:
 - (i) In addition to soil and water engineering efforts to reduce the vulnerability of the agricultural sector in Moroccan oases, the proponent should consider the development of alternative sources of incomes such as craft and tourism, as piloted with youth and women, to enhance the adaptive capacity of communities and reduce pressure on water resources;
 - (ii) The promotion of varieties of date palms that are resistant to the "Bayoud" virus, as specified in the text of the proposal, should be included in the project activities under component 2, and examples of species to be used for the biological control of siltation (under activity 2.2.2) should be provided;
 - (iii) The cost effectiveness of the project should be demonstrated more clearly, including information on the target areas, the size of farmer lands and number of beneficiaries;
 - (iv) Existing technical standards for the building of dams, irrigation systems, or ground water use, should be provided. Any work that could trigger an

environmental impact assessment (EIA) should be outlined, and the national laws on EIAs should be specified.

- (v) Detailed information on on-going agriculture/oasis-related initiatives by the government, multilateral or bilateral partners should be provided. Complementary adaptation and oasis-related projects in the country should also be described, and the “business as usual” or baseline activities provided, to demonstrate the added-value of the project and its adaptation reasoning;
- (vi) A learning and knowledge management subcomponent should be added to the project. Activities described in the dedicated section in the document are not found in the description of the project’s activities and components;
- (vii) It is not clear which stakeholders have been consulted. A list should be provided. Furthermore, existing local non-governmental organizations (NGOs) and civil-society organizations (CSOs), as well as communities should be consulted, to increase coordination of actions on the ground and ensure sustainability;
- (viii) The proponent should clarify which of the implementing entity fees or the execution costs are requested under “operating charges”; and.

(c) Request ADA to transmit the observations under sub-paragraph (b) to the Government of Morocco.

(Decision B.22/7)

Concept Proposals from Multilateral Implementing Entities

Indonesia: Adapting to climate change for improved food security in West Nusa Tenggara province (Project Concept; World Food Programme; IDN/MIE/Food/2013/1; US\$ 5,940,335)

40. The Chair of the PPRC introduced the project concept which sought to secure community livelihoods and food security against climate change-induced rainfall variability leading to more intense and frequent climate events. The project, focusing on Lombok Island’s Dodokan watershed, planned to target up to 18,000 households and aimed to improve institutional capacity at village, district, and province levels in developing climate-sensitive integrated watershed management plans.

41. After considering the conclusions and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Endorse the project concept, as supplemented by the clarification response provided by World Food Programme (WFP) to the request made by the technical review;
- (b) Request the secretariat to transmit to WFP the observations in the review sheet annexed to the notification of the Board’s decision, as well as the following issues:

- (i) The fully-developed project document should clearly explain how the proposed project would use its budget to finance concrete adaptation activities that produce visible and tangible results on the ground;
 - (ii) The fully-developed project document should pay attention to the number of different proposed activities, and if necessary, focus the project further in order to ensure that it would be able to yield significant quantified benefits in all areas where activities are proposed.
- (c) Request WFP to transmit the observations under sub-paragraph (b) to the Government of Indonesia; and
- (d) Encourage the Government of Indonesia to submit through WFP a fully-developed project proposal that would address the observations under sub-paragraph (b).

(Decision B.22/8)*Fully-developed proposals from National Implementing Entities*

Benin: Adaptation of the Cotonou Lagoon ecosystems and human communities to sea level rise and extreme weather events impacts (Fully-developed project document; Fonds National pour l'Environnement (FNE); BEN/NIE/Coastal/2012/1; US\$ 8,913,255)

42. The Chair of the PPRC introduced the fully-developed project document which sought to reduce the vulnerability to climate risks of the Cotonou lagoon, which was already subject to major environmental problems that were likely to worsen with climate change and climate variability.

43. After considering the conclusions and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Not approve the project document, as supplemented by the clarification response provided by Fonds National pour l'Environnement (FNE) to the request made by the technical review;
- (b) Suggest that FNE reformulates the proposal taking into account the observations in the review sheet annexed to the notification of the Board's decision, as well as the following issues:
 - (i) The proposal should provide technical details and engineering justification for the proposed reinforcement of the lagoon shores, relating it to the actual rate of erosion, and projected climate change impacts;
 - (ii) The proposal should provide technical details and engineering justification for the proposed rehabilitation of the dam across the lagoon, taking into account the coastal processes that influence functioning of the dam, and the effects of climate change on those processes;

- (iii) The proposal should provide quantitative information on how the proposed activities would reduce the pressure on the lagoon ecosystem;
 - (iv) Substantial environmental and social impact assessments, including stakeholder consultations, should be carried out, and used to inform the revised proposal. Such studies should highlight the socio-economic impact of the suggested relocation of people inhabiting the lagoon shores to other areas, and the replacement of livelihoods of current fishermen with other types of livelihoods, and the environmental impact of the proposed infrastructure in the short, medium and long term;
 - (v) The proposal should explain how the proposed specific infrastructure would be consistent with the goals of spatial planning of the city, and how it would be linked to the specific city plans;
 - (vi) The proposal should further detail the type of support proposed to be provided through the project to naval forces;
 - (vii) The proposal should clarify the links with the World Bank financed waste management project, including which additional results related to waste management the proposed project is planned to yield; and
- (c) Request FNE to transmit the observations referred to under sub-paragraph (b) to the Government of Benin.

(Decision B.22/9)

Kenya: Integrated programme to build resilience to climate change and adaptive capacity of vulnerable communities in Kenya (Fully-developed programme document; National Environmental Management Authority (NEMA); KEN/NIE/Multi/2013/1; US\$ 9,999,558)

44. The Chair of the PPRC introduced the fully-developed programme document which sought to enhance resilience and adaptive capacity to climate change for selected communities in various counties in Kenya in order to increase food security and environmental management.

45. After considering the conclusions and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Not approve the programme document, as supplemented by the clarification response provided by the National Environmental Management Authority (NEMA) to the request made by the technical review;
- (b) Suggest that NEMA reformulates the proposal taking into account the observations in the review sheet annexed to the notification of the Board's decision, as well as the following issues:
 - (i) Component 4 related to disaster risk reduction should be revised. As it currently reads, the link of the activities (through the use of green and energy saving technology to avoid deforestation) with disaster risk reduction and adaptation is very weak. The original proposal including

early warning systems and flood control measures seemed more relevant;

- (ii) Synergies and complementarities with existing initiatives listed under table 5 “On-going adaptation and mitigation projects in Kenya” should be outlined;
- (iii) Budget notes should be more detailed, particularly for output 2.1., which is budgeted at US\$ 3,071,167, to outline costs such as consultants fees (person/day or person/week), contractual services, equipment (including vehicle), travel, and costs and expenses for communication materials;
- (iv) The implementation arrangements should be revised to account for the Adaptation Fund policies on execution costs (with the 9.5 per cent cap) and implementing entity fees (with the 8.5 per cent cap), to avoid administrative costs exceeding 18 per cent of the total programme budget; and

(c) Request NEMA to transmit the observations referred to in sub-paragraph (b) to the Government of Kenya.

(Decision B.22/10)

Rwanda: Reducing vulnerability to climate change in North West Rwanda through community based adaptation (Fully-developed project document; Ministry of Natural Resources (MINIRENA); RWA/NIE/Rural/2013/1; US\$ 9,969,619)

46. The Chair of the PPRC introduced the fully-developed project document which sought to increase the adaptive capacity of natural systems and rural communities living in exposed areas of northwest Rwanda to climate change impacts. The strategy of the project was to manage the risks and impacts of recurring floods, landslides and erosion through an integrated natural resource management and alternative livelihoods programme.

47. After considering the conclusions and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Approve the project document as supplemented by the clarification response provided by the Ministry of Natural Resources (MINIRENA) to the request made by the technical review;
- (b) Approve the funding of US\$ 9,969,619 for the implementation of the project, as requested by MINIRENA; and
- (c) Request the secretariat to draft an agreement with MINIRENA as the National Implementing Entity for the project.

(Decision B.22/11)

Fully-developed proposals from Multilateral Implementing Entities

Nepal: Adapting to climate induced threats to food production and food security in the Karnali Region of Nepal (Fully-developed project document; World Food Programme; NPL/MIE/Food/2012/1; US\$ 9,527,160)

48. The Chair of the PPRC introduced the fully-developed project document which sought to increase the adaptive capacity of the climate vulnerable and food insecure poor by improved management of livelihood assets in the Karnali mountain districts of Nepal, an area where the rural agricultural livelihoods depended on the health of forest, land and water resources, by enhancing agro-ecosystem services that increased production, reduced food insecurity and directly generated income and energy for rural people.

49. After considering the conclusions and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided to:

(a) Note the recommendation of the Adaptation Fund Board, subject to the availability of funds, to:

- (i) 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;
- (ii) Approve the funding of US\$ 9,527,160 for the implementation of the project, as requested by WFP;
- (iii) Request the secretariat to draft an agreement with WFP as the Multilateral Implementing Entity for the project; and.

(b) Note that the project had been placed in the project/programme pipeline pursuant to Decision B.22/14.

(Decision B.22/12)

Multiple layers of execution / implementation

50. The Chair of the PPRC said that during the discussion of the project and programme proposals the secretariat had observed that an increase in administrative costs could occur when implementing entities used several executing entities and implementing partners. She said that while the cap on executing costs should not be exceeded it also seemed that there could be some advantage in several executing entities being involved in project delivery as that could help to build capacity in smaller institutions that might not otherwise have the opportunity to work on such projects.

51. A member of the EFC pointed out that the EFC had also discussed the issue of multiple layers of implementing entities and said that the recommendation had not captured its discussion. It might therefore be useful to merge the two recommendations as they both addressed cases where the administrative costs might exceed the cap on administrative costs. Others, however, said that although that issue was similar both recommendations also presented different aspects of the problem and so it might be useful to retain them both. While it may be undesirable for MIEs to retain the services of other international organizations, there

could be some merit in approving such an arrangement if the purpose was to help build the capacity of local executing entities.

52. The secretariat clarified that the recommendations from the two committees addressed different issues. The recommendation of the EFC had addressed the case of an agency of the United Nations providing 90 per cent of the execution services to a project, which resulted in the execution fees being billed as project execution costs, without fully disclosing the extent of these services in the project proposal. While the issue of the fees had been clarified, the principle addressed by the EFC had been the lack of transparency in the implementation arrangements by an MIE. The PPRC had considered a different issue. There had been no lack of transparency in describing implementation arrangements on the part of the NIEs. They had presented budgets that foresaw the use of additional partners. However, what did need to be explained by the NIEs was whether those partners would be acting primarily in an implementing or an executing role.

53. After considering the conclusions and recommendation of the Project and Programme Review Committee (PPRC), the Adaptation Fund Board decided to request the secretariat to examine the possible effects on administrative costs of the use of multiple Executing Entities and implementing partners to promote local development and execution of adaptation actions, and to report its findings to the fourteenth meeting of the PPRC.

(Decision B.22/13)

Prioritization of projects in the pipeline

54. After considering the conclusions and recommendation of the Project and Programme Review Committee (PPRC), the Adaptation Fund Board decided to:

- (a) Note the recommendation of the PPRC to approve the project for Nepal (NPL/MIE/Food/2012/1) with a recommendation date of 10/31/2013, a submission date of 8/26/2013 and a net cost of US\$ 8,780,793;
- (b) Place the project mentioned in sub-paragraph (a) in the pipeline according to the prioritization criteria established in Decision B.17/19 and clarified in Decision B.19/5; and
- (c) Consider the projects/programmes in the pipeline for approval, subject to the availability of funds, at a future Board meeting, or intersessionally, in the order in which they are prioritized in the pipeline in accordance with Decision B.20/7 (c).

(Decision B.22/14)

Options for funding the pipeline

55. The Chair of the Adaptation Fund Board said the recommendation of the PPRC would be a useful introduction to agenda item 10(b) "Status of the project/programme pipeline" and asked the Chair of the PPRC to present the PPRC's recommendation on the subject when the Board took up that agenda item.

Options for intersessional review and approval of project/programme proposals

56. The Chair of the PPRC said that pursuant to Decision 21/27(b), the committee had discussed an options paper that had been prepared by the secretariat. She said that the committee members had been of the view that they should take an active role in the intersessional deliberations on the proposals. However, the committee had not been clear on some issues raised in the document prepared by the secretariat and the committee requested that it be revised to clarify those issues and take into consideration the deliberations of the PPRC at its thirteenth meeting.

57. After considering the conclusions and recommendation of the Project and Programme Review Committee (PPRC), the Adaptation Fund Board decided to:

(a) Recognize the need for intersessional review of project and programme proposals by the secretariat and PPRC, and approval of proposals by the Board, in order that project and programme proponents continue to have the opportunity to present proposals at regular intervals; and

(b) Request the secretariat to prepare a revised options paper on the intersessional review and approval of project and programme proposals, including the process for such reviews and the types of proposals that could be reviewed intersessionally, for consideration by the PPRC at its fourteenth meeting.

(Decision B.22/15)

Other matters: Publication on the website of the reports of the committees of the Board

58. The Chair of the PPRC said an additional matter had been raised during the committee's deliberations: the question of whether or not to post the reports of the committees of the Board on the website of the Adaptation Fund. It was observed by the PPRC that the reports were already distributed to all the participants at the meetings of the Board and were therefore already available to the public. It was the view of the committee that it would be desirable to make those reports public in the same way as the report of the Accreditation Panel. However, it was also explained that while there was no legal impediment to publishing the reports of the committees on the website, the participants in the previous meetings of the committees had not been informed that those reports would later be published. Consequently, it might not be desirable to publish the previous reports of the committees on the website of the Fund.

59. The Adaptation Fund Board took note of the views expressed by the Project and Programme Review Committee (PPRC) and agreed to place the reports of the PPRC and the Ethics and Finance Committee on the website of the Adaptation Fund starting with the reports considered at the twenty-third meeting of the Board.

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

60. The Chair of the Ethics and Finance Committee (EFC), Ms. Medea Inashvili (Georgia, Eastern European States), introduced the report of the EFC's thirteenth meeting (document AFB/EFC.13/7).

Annual performance report 2013

61. The Chair of the EFC reported that a representative of the secretariat had presented document AFB/EFC.13/3, Annual Performance Report (APR) 2013, pointing out that now after three years of operation, the Fund was starting to track trends and not only single data points, and that the APR explained the major drop in project/programme approvals, which had come about in large part because the cap on Multilateral Implementing Entities (MIEs) had been reached. If all of the projects placed in the pipeline had been approved, the drop would have been minor. She had also pointed out that slightly over half of all projects were being implemented by one MIE, namely the United Nations Development Programme (UNDP), but if the cap had not been in existence that figure would have been about 60 per cent. Thus the cap was fulfilling its intended purpose of leaving space in forthcoming years for other kinds of implementing entities.

62. In response to questions from the Committee about project start delays and implementation issues, she had explained that any investment income earned by Implementing Entities on funds transferred to them from the AF Trust Fund are expected to be returned to the Fund; that the number of actual results could not yet be shown at such an early stage in the projects, but would become available at the mid-term and even more at the final evaluation; and that the “moderately satisfactory” and “moderately unsatisfactory” implementation progress ratings reflected how well the projects were achieving their targets set out for the year.

63. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to approve the Adaptation Fund’s Annual Performance Report FY 2013 contained in document AFB/EFC.13/3/Rev.1.

(Decision B.22/16)

Results tracking

64. The representative of the secretariat had presented document AFB/EFC.13/4, Results Tracking, explaining that it represented an update on the work described at the previous Committee meeting, and recalling that the objective of the results tracking exercise was to develop core indicators for projects, but in a more automated and less labour-intensive way than observed to date. The secretariat had completed changes to the outcome and output level indicators of the Fund’s results framework and was now starting to develop a methodology for a set of core indicators. The secretariat had also begun work to explicitly integrate the direct access experience of the Fund more directly into its overall results framework.

65. The Adaptation Fund Board took note of the work of the secretariat in the sphere of results tracking in compliance with Decision B.21/20.

*Financial issues**(a) Financial status of the Adaptation Fund Trust Fund and CER monetization*

66. The Chair of the EFC reported that the representative of the trustee had presented the report on the financial status of the Adaptation Fund Trust Fund and CER monetization (AFB/EFC.13/5), showing US\$ 127.4 million available to support new Board funding decisions. He had informed the Committee that the Single Audit report of the Bank’s trust funds had been

completed for the 2013 fiscal year, and a link to the report had been placed on the Fund's website. He had reported on investment income, cash transfers, and that under current market conditions the estimate of potential resources for the Fund to 2020 was in the US\$ 170-200 million range, which would result in approximately US\$ 25-30 million in new funding authority per year.

67. The representative of the trustee had also reported that, during the last quarter, the trustee had sold 300,000 Certified Emission Reductions (CERs), at an average price of EUR 0.71, and generated US\$ 0.29 million in proceeds. He reported that buyers now generally differentiated between two overall classes of CERs: those that are EU-ETS eligible and those that are not (approx. 9.3 million and 1.6 million respectively of the current Fund inventory).

68. The Adaptation Fund Board took note of the trustee's report.

(b) Reconciliation of the Board and secretariat, and trustee budgets for the fiscal year 2013

69. A representative of the secretariat had presented document AFB/EFC.13/6, showing the budget for fiscal year (FY) 2013, the actual costs incurred, and the approved amounts for FY 2014. She had given explanations for some of the differences between the approved amounts and actual costs, explaining that the budget for FY 2014 had been approved, by the Board, in March 2013, and had been drawn up on the basis of estimated costs at that time. For example, it had been assumed that there would be the usual three meetings in FY 2014, plus the one that had been moved forward from FY 2013, making four in total.

70. The representative of the trustee had noted that CER monetization costs in FY13 had been significantly lower than previously estimated, but that the approved amounts for FY14 reflected an expected increase in this activity, along with the legal and other services required for the drawing up of donation agreements, particularly if the secretariat and Board's fundraising efforts were to bear fruit.

71. The Adaptation Fund Board took note of the reconciled Board, secretariat, and trustee budgets for fiscal year 2013.

Other matters

72. Three issues had been raised under this item and are detailed below.

Project Performance Report and approval of tranche - Georgia

73. The Vice-Chair of the EFC, Ms. Su-Lin Garbett-Shiels (United Kingdom, Western European and Other States), taking the chair, stated that a representative of the secretariat had reported that the secretariat had received on 2 August 2013 the first annual project performance report (PPR) provided by UNDP. The secretariat had undertaken a review of the PPR, which had found that a number of clarifications were required, relating to the provision of a planned expenditure schedule and information relating to project risks and performance ratings. Those findings had been communicated to UNDP, which had subsequently provided a revised PPR. The information provided had then been considered complete and the PPR had been cleared by the secretariat just prior to the Board meeting. In order to avoid further delays in the disbursement of funds, the secretariat was submitting the second tranche of funding for

approval by the Board at this meeting, rather than doing so intersessionally, as is the normal practice.

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

- (a) Approve the second tranche of funds requested by the United Nations Development Programme (UNDP) for the implementation of the project *Developing Climate Resilient Flood and Flash Flood Management Practices to Protect Vulnerable Communities of Georgia* in the amount of US\$ 1,311,799; and
- (b) Request the trustee to transfer to UNDP US\$ 1,311,799 as agreed to in the disbursement schedule included in the project agreement.

(Decision B.22/17)

Board approval of tranche disbursement

75. The Committee had held a discussion of the matter of tranche disbursements in general terms. Some members had thought they should be left in the hands of the secretariat, unless an important issue arose which needed to be considered by the EFC and then the Board. The Board should not be micromanaging projects. Others had considered that EFC members should be provided with the requisite documentation with which to make a judgment: as a minimum this would include the check list used by the secretariat to review project performance.

76. The Manager of the secretariat had pointed out that the trustee's disbursements were made on the instruction of the Board, not of the secretariat. If it was considered that the Board did not need to be involved under normal circumstances, there were two possible ways forward: approval of tranche disbursements could be left to the Board Chair, who legally represented the Board; or it could be done intersessionally but on a no-objection basis, eliminating the practice of affirmative voting and the need to obtain a two-thirds majority, which often caused delays.

77. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided that once a project/programme proposal has been approved for funding, subsequent tranches of funding for it may be approved intersessionally on a non-objection basis, as per paragraph 56 of the rules of procedure.

(Decision B.22/18)

Project extension request

Senegal

78. A representative of the secretariat had reported that the implementing entity, Centre de Suivi Ecologique (CSE), for the programme in Senegal was requesting a programme extension of 6 months, owing to "unexpected extreme weather events" in August and September 2013, followed by technical disagreements, with financial implications, between the programme owner and the construction management firm, for the protection works in one of the programme sites, Saly. He recalled that the implementing entity had already requested an extension of one year.

In response to that request, the Board had approved a project delays policy at the twenty-first meeting, under which a total extension of up to 18 months was allowed.

79. In response to questions by members of the Committee, the representative of the secretariat had confirmed that all the tranches for the project had been disbursed; therefore an extension would involve no additional cost to the Fund. He had also clarified that the “extreme weather events” referred to in the extension request document had not been part of the initial risks taken into consideration for the programme.

80. Some members had suggested that the EFC, and then the Board, should consider the conditions that should be applied in general to a second extension, to avoid setting a precedent of automatic extensions. Others had wondered how they could be sure that the pending work for this particular programme could really be completed in six months, given that that programme had already missed its original target completion date by a year. However, the requested extension did fall within the allowed 18 months.

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

- (a) Grant an additional no-cost extension of six months requested by the Centre de Suivi Ecologique (CSE) for the programme *Adaptation to coastal erosion in vulnerable areas in Senegal* in accordance with the Fund’s project delays policy;
- (b) Request the secretariat to undertake discussions with CSE in the context of an exit strategy under development with the involvement of national authorities and experts in Senegal, in order to obtain further information about:
 - (i) Expected dates of completion with planned activities; and
 - (ii) Details of technical and financial aspects causing the delay.

(Decision B.22/19)

Complaint handling mechanism

Project A

82. The Manager of the secretariat had reported that, shortly before the twenty-first Board meeting in June 2013, the secretariat had been approached by the government of a country where a Multilateral Implementing Entity was implementing a Fund project. The letter from the government executing entity had expressed the Government’s concern at high execution costs in the project, which were seen by the Government to be above the 9.5 per cent limit set by the Board. The secretariat had sought clarification on the matter from the MIE, and it had become evident that following advice from the MIE, the executing entity had delegated approximately 90 per cent of the project execution function to the United Nations Office for Project Services (UNOPS), and retained only about 10 per cent, that arrangement having been informally agreed between the Government and the MIE before submission for final project approval.

83. The secretariat had had a teleconference with the MIE to seek clarification on those issues and to urge the MIE to exercise its supervisory function to ensure that technical quality was maintained, that UNOPS as a delegated executing entity would not deviate from the approved project document, and that any changes would be approved by all relevant parties. The MIE had then conducted, in August 2013, tripartite discussions with the Government executing entity and UNOPS, to try to reach a common understanding on the execution arrangements, the charges related to them, and the technical activities within the project.

84. While the particular issue the secretariat had brought up had thus been resolved, the secretariat wished to stress the importance of outlining the implementation arrangements from the design phase of the project to ensure transparency and government-informed support.

85. The Committee had decided to take this case as an opportunity to remind MIEs about the importance of making implementation arrangements as clear as possible at the project design stage and in discussions with government.

86. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to request the secretariat to issue a letter to the accredited implementing entities reminding them that all project/programme proposals must detail the implementation arrangements, including the identification of executing partners and their role in the project/programme execution. Those arrangements should be discussed with the government and made fully transparent prior to project/programme approval. Any changes in implementation arrangements must remain under the 9.5 per cent cap set by the Board. The changes, reasons for the changes, and any associated risks must be reported to the secretariat as soon as possible.

(Decision B.22/20)

Project B

87. Having considered the comments and recommendations of the Ethics and Finance Committee (EFC), the Adaptation Fund Board decided that the Accreditation Panel review the fiduciary standard on transparency, self-investigative powers, and anti-corruption measures, consistent with paragraph 37 of the operational policies and guidelines, of an accredited implementing entity about which a complaint had been raised, and report back to the EFC.

(Decision B/22.21)

Agenda Item 8: Issues remaining from the twenty-first Board meeting

(a) Strategic discussion on objectives and further steps of the Fund: report of the fundraising task-force

88. A representative of the secretariat presented a fundraising strategy. The Adaptation Fund Board considered the fundraising strategy in a closed session.

89. The Adaptation Fund Board decided to take note of the fundraising strategy and to request the fundraising task force with support from the secretariat to continue to update the Board on fundraising efforts, including assessing options for sustainable financing of the Fund.

(Decision B.22/22)*(b) Environmental and social policy*

90. The Chair of the Board introduced the agenda item relating to the proposal for an Environmental and Social Policy. He recalled that the Board, at its twenty-first meeting, had previously recognized the importance of strengthening and streamlining the application of environmental and social safeguards in its policies and procedures. At that meeting, it had discussed a draft proposal prepared by the secretariat, and after consideration had requested the secretariat to launch a public call for comments on the proposal and present a revised proposal and related documents at its twenty-second meeting.

91. The Manager of the secretariat presented the revised policy, which incorporated the comments made at the twenty-first Board meeting as well as those received through the consultation process. The comments received had been compiled in Annex II of document AFB/B.22/5, while Annex III of the document contained an estimate of the costs related to operationalizing the policy. Document AFB/B.22/5/Add.1 contained the proposed amendments to the operational policies and guidelines (OPG) of the Adaptation Fund while document AFB/B.22/5/Add.2 presented options for the modification of the accreditation process that would ensure that implementing entities had the ability to implement the policy.

92. The public call for comments on the policy had taken place between 16 August and 23 September 2013. One of the most commonly received comments referred to the need for capacity building, an issue that would be more fully addressed when the Board discussed the options for a readiness programme under agenda item 8(c). It had also been suggested that there was a need to better define some of the terms being used in the policy, although sometimes the meaning of those terms would only become clear through the application of the new policy. Some had requested a categorization of projects, which had been added to the policy.

93. There had been some misunderstanding of the nature of the grievance mechanism. It was not the responsibility of the secretariat to establish a grievance procedure. Instead the applicants for accreditation had to demonstrate that there was a mechanism to address complaints and that a system of risk management was in place. The Manager of the secretariat stated that implementing entities have the responsibility to comply with the policy and to justify that the projects that they proposed would not cause environmental or social harm. Implementing entities would have to screen risks for compliance with the policy, prepare an environmental impact assessment and risk management plan, where necessary. Implementing entities would exercise oversight on the executing entities to avoid or mitigate the environmental or social risks identified. They would report to the secretariat on the monitoring of environmental and social risks through the annual project performance report (PPR). The secretariat would continue to review the project/programme proposals and PPRs as it does at the present time. She also presented three options for incorporating the policy into the accreditation process, including one for a tiered approach to aligning already accredited implementing entities, and those applicants currently under review, with the proposed policy. That option would go hand in hand with the implementation of the proposed readiness programme under agenda item 8(c) and would not involve any additional expense to the Fund as one of the experts on the Accreditation Panel already had the necessary experience to undertake the work involved and the budget line for consultants could cover any additional consulting services required.

94. The Manager of the secretariat said that the secretariat had consulted with the Global Environment Facility (GEF) Accreditation Panel expert on safeguards. Since there were a number of entities under review by the Accreditation Panel and others already accredited, the secretariat had considered a tiered approach for the application of the policy. While new applicants would need to show the capacity to apply the policy, or the ability to access that capacity, the accreditation process could also help them develop their capacity if there were only small gaps remaining. The policy formalized the current practice. If the applicant was completely unable to meet the fiduciary standards and apply the policy it would not be recommended for accreditation but when the applicant was close to having the required capacity it could be guided by the Accreditation Panel, and if a readiness programme were to be created, the applicant could apply for support from that as well.

95. Following a discussion, the Adaptation Fund Board decided to:

- (a) Approve:
 - (i) The environmental and social policy contained in document AFB/B.22/5;
 - (ii) The amendments to the operational policies and guidelines for Parties to access resources from the Adaptation Fund, its related templates, and instructions as contained in document AFB/B.22/5/Add.1;
 - (iii) The tiered approach recommended by the secretariat to deal with already accredited implementing entities and applicants under review, as contained in document AFB/B.22/5/Add.2. The approach should include guidance or support to these entities for compliance with the environmental and social policy through the Fund's *Readiness Programme*, as outlined in document AFB/B.22/6, and report back to the Board;
 - (iv) The amendments to the accreditation application contained in the annex to document AFB/B.22/5/Add.2; and
- (b) Request the secretariat to communicate the approval of this decision to the accredited implementing entities.

(Decision B.22/23)

(c) Options for a readiness programme

96. A representative of the secretariat presented Document AFB/B.22/6, "Options for a programme to support readiness for direct access to climate finance for national and regional implementing entities".

97. In line with Decision B.21/28, the document was intended to provide options for increasing both the preparedness of applicant national implementing entities seeking accreditation by the Adaptation Fund, and the number of high quality project/programme proposals submitted to the Board within a reasonable time period after accreditation.

98. Enhanced capacities of national and regional institutions through the accreditation process included (i) establishing an anti-fraud policy and promoting a zero-tolerance attitude towards corruption, (ii) formalizing or improving internal processes and guidelines and (iii) establishing new functions such as internal audit. Moreover, with the approval of the environmental and social policy, institutional capacities to comply with it could also be enhanced through the accreditation process.

99. The overall goal of the readiness programme would be to increase the opportunity of developing country Parties to directly access climate adaptation finance, which would in turn have the impact of an increased number of concrete adaptation interventions undertaken in developing countries through the direct access modality. At a more detailed level, the outcomes would be an increased capacity of national and regional entities to meet the Fund's fiduciary standards; an increased capacity of national and regional organizations to undertake adaptation project/programme appraisals and assess risks within them; an improved availability of knowledge for accessing adaptation project/programme finance through knowledge-sharing among implementing entities; and an increased ability of national and regional entities to leverage adaptation finance.

100. The secretariat proposed to implement the proposed Readiness Programme in phases, since limited resources were available for funding all of the proposed activities, and since the existing and potential NIEs were at different stages of preparedness for, and involvement in, the process of accessing climate finance and implementing adaptation projects/programmes. Given the latter factor, the secretariat suggested that it might be more cost-effective to aim activities at clusters of implementing entities at similar stages of preparedness. A phased approach would also give an opportunity to pilot a performance-based funding approach, with additional funding depending on successful implementation of early phases of the programme.

101. Programme activities could be prioritized depending on the current level of need for achieving each of the anticipated outcomes, both from the Fund's perspective and also from that of the countries.

102. The Board generally welcomed the proposed readiness programme. In that context, some members asked why so far there were only 15 accredited NIEs, out of a total of 154 countries that were eligible to nominate a potential NIE.

103. A representative of the secretariat said that a major hurdle to be overcome was the identification of a suitable entity. Some, while suitable, might be intimidated about applying, or ignorant of the process, or unaware that the Fund was seeking more applicant NIEs. All of those obstacles could be tackled by the planned readiness programme.

104. One member suggested that a further obstacle was that all the application documentation had to be submitted in English.

105. The Chair noted that there seemed to be solid support for the programme. A small number of technical issues had been raised, some of which had already been answered while others could be dealt with intersessionally.

106. The total cost of the programme was estimated at US\$ 970,000,.

107. Following a discussion, the Adaptation Fund Board decided to:

- (a) Approve Phase I of the *Readiness Programme* as detailed in document AFB/B.22/6, on the basis that it would follow performance-based funding principles;
- (b) Take note of the options provided by the secretariat on a programme to support readiness for direct access to climate finance for national and regional implementing entities;
- (c) Request the secretariat to submit to the Board intersessionally between the twenty-second and twenty-third meetings, execution arrangements, criteria/eligibility criteria to allocate the funds to the accredited implementing entities for specific activities, as well as a timeline of activities, with a view to start implementing the programme before the twenty-third Board meeting; and
- (d) Approve an increase in the Administrative Budget of the Board, secretariat and trustee for FY2014 of US\$ 467,000 for the programme described in AFB/B.22/6, and authorize the trustee to transfer such amount to the secretariat and request the trustee to set aside the balance amount of US\$ 503,000 from the Adaptation Fund Trust Fund resources for subsequent commitment and transfer at the instruction of the Board.

(Decision B.22/24)

Agenda Item 9: Communications and outreach

108. A representative of the secretariat distributed the communications and outreach materials that had been prepared by the Fund's short-term consultant. Rather than the large volumes of quite dry information to be found in the Fund's reports, the intention was to present eye-catching examples of the Fund's work in an easily-digestible form, with a focus on concrete examples and case studies: one such publication about the project in Senegal was already completed and being printed. Some materials were aimed at the general public; others, somewhat more detailed, were intended to spark the interest of potential donors.

109. The materials were enthusiastically received by the Board. Their focus on a few salient points was welcomed, as was the concentration on the Fund's special feature, direct access. Some members made detailed suggestions for enhancements, while others considered that the materials were absolutely fit for purpose as they were.

110. The representative of the secretariat also reported that pursuant to Decision B.21/25, the standard legal agreements with implementing entities had been amended to require them to ensure the visibility of the Adaptation Fund, including using the Fund's logo in all their project/programme-related communications. A graphic designer had been engaged to make the logo available in various consistent formats.

111. In further outreach activities, there would be various Fund side events at the nineteenth session of the Conference of the Parties (see agenda Item 14, "Other Matters", below), at which for the first time the Fund would have an official seat, thanks in large part to the efforts of former Board Vice-Chair Anton Hilber (Switzerland, Western European and Other States). Also, a photo contest would be launched in December, and an article by the Board Chair was now available on the UNFCCC website.

112. The Adaptation Fund Board took note of the presentation by the secretariat.

Agenda Item 10: Financial Issues

a) *Financial status of the Adaptation Fund Trust Fund and Certified Emission Reduction (CER) monetization*

113. The representative of the trustee presented the report on the financial status of the Adaptation Fund Trust Fund and CER monetization (AFB/EFC.13/5), and provided the information already described in para 66-67 above.

114. He also reported that the trustee had processed donation agreements with Sweden (SEK 100 million) and Brussels Capital Region (EUR 1.2 million). The Trustee had also executed a donation agreement with France for the transfer of its pro-rata share of the remaining balance in the Adaptation Fund Administrative Trust Fund and an agreement with the United Kingdom under which the UK waived its right to be reimbursed US\$ 990,300 from the Adaptation Fund Trust Fund in respect of its reimbursable contribution to the Administrative Trust Fund in 2008.

115. The Adaptation Fund Board took note of the report by the trustee.

b) *Status of the project/programme pipeline*

116. The Chair of the PPRC reported on the discussion that had taken place in the PPRC. She said that it was difficult to explain to donors why the Fund needed more resources when it actually had significant funds that had not been disbursed and was not funding all the projects that it had technically cleared. It was also important to remember that some countries had made use of MIEs because they did not yet have the capacity to establish NIEs. The pipeline, however, was getting bigger and another project had been added to it at the present meeting. She said that the PPRC had recognized that the problem of the pipeline needed a solution and had been working well together and had considered several options to address the issue.

117. The Chair of the Board said that the cap had been established at a time when the large number of proposals being received from MIEs had risked exhausting the resources of the Fund. Since then the number of applications from MIEs had fallen and he asked whether the cap still had to be strictly applied, or whether it could be reinterpreted so that a balanced allocation between implementing entities was achieved over time. It was a standard requirement in his country that approved funding had to be disbursed within six months. Many countries had a similar rule and so the existence of the pipeline could raise additional difficulties when asking donors for contributions. He also observed that in the end the decision on how to deal with the pipeline would be a political and not a technical decision.

118. It was observed that the real problem was not the pipeline itself but the lack of resources to fund the projects in the pipeline. Although the Fund had been set up to help the most vulnerable countries it was also important to remember that everyone had been informed of the cap as well as the pipeline. In full knowledge of the pipeline, some countries had still chosen to use MIEs. It was also pointed out that if countries had difficulties establishing an NIE they also had the option of using an RIE instead. The pipeline had been created to ensure funding for projects and programmes proposed by both NIEs and RIEs. Countries could be encouraged to redraft their proposals and submit them through either an NIE or an RIE. It was important to ensure that if the Fund was encouraging the creation of NIEs and RIEs that there would be funds available for the projects and programmes that they proposed.

119. Several Board members noted that funding had to be predictable, and that it would be harmful to the Fund itself, and the direct access mechanism, if a pipeline for NIE projects and proposals had to be created. Board members also noted that the future resources from the sale of CERs cannot be projected with certainty. Some members supported clearing the pipeline using resources currently reserved for NIEs and RIEs with the understanding that those NIE/RIE resources would be correspondingly replenished as new funds would become available, while others suggested reducing the funding cap for the projects and programmes downwards from the US\$ 10 million limit. MIEs should be encouraged to hold back from making further submissions to the Fund and to look to alternate sources of funding for their proposals, although it was also noted that at the previous meeting of the Board it had been observed that the Board should not 'farm out' its projects and programmes.

120. Others urged the Board to consider the impression that the pipeline made on donors. To that end it might be more useful to fund the projects in the pipeline to demonstrate the depleted resources of the Fund and the need for additional resources to fund all the necessary adaptation activities flowing from the direct access mechanism.

121. In response to a query as whether any of the MIEs had complained about the fact that projects were in the pipeline, the Chair of the Board said that they had not. He had held discussions with them and discovered that the effect of the pipeline was that the MIEs had decided that there was no point in submitting additional proposals to the Fund as long as the pipeline remained. The trustee also explained that it was not possible for donors to ' earmark ' funds for certain projects.

122. The Adaptation Fund Board decided to continue deliberations at its twenty-third meeting on the implications of a number of options to fund the pipeline based on a document prepared by the secretariat, including inputs provided by Board members and alternates during the intersessional period.

(Decision B.22/25)

Agenda Item 11: Election of the Board, PPRC, EFC and Accreditation Panel Chairs and Vice-Chairs

123. Ms. Nattley Williams of the UNFCCC secretariat explained the regulations on elections to the Board, which would take place at the ninth session of the Conference of Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP9). The positions of half of the members and half of the alternates were up for reelection, and all current holders were eligible to stand, with the exception of the constituency of the Annex I Countries, of which the member and the alternate had each served two terms. The deadline for nominations would be 8 p.m. on Thursday 21 November.

124. In response to questions from the Board, she explained that the transition of a member to an alternate's position or vice versa was an issue to be decided by each constituency.

125. Following a discussion the Adaptation Fund Board decided to:

(a) Elect:

- (i) Mr. Mamadou Honadia (Burkina Faso, Least Developed Countries) as Chair of the Adaptation Fund Board;
 - (ii) Ms. Su-Lin Garbett-Shiels (United Kingdom, Western European and Other States) as Chair of the Ethics and Finance Committee (EFC);
 - (iii) Ms. Angela Churie-Kallhauge (Sweden, Annex I Parties) as Chair of the Accreditation Panel;
 - (iv) Mr. Philip S. Weech (Bahamas, Latin America and Caribbean States) as Vice-Chair of the Accreditation Panel; and
- (b) Elect intersessionally, following the ninth session of the Conference of Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP9), the Vice-Chair of the Adaptation Fund Board, Vice-Chair of the EFC and the Chair and Vice-Chair of the Project and Programme Review Committee.

(Decision B.22/26)

Agenda Item 12: Date and venue of meetings in 2014

126. Following the presentation by the Manager of the Adaptation Fund Board secretariat of possible meeting dates, the Adaptation Fund Board decided to:

- (a) Confirm that its twenty-third meeting would be held from 18 to 21 March 2014 in Bonn, Germany; and
- (b) Request the secretariat to present options intersessionally for dates and venues for the twenty-fourth meeting.

(Decision B.22/27)

Agenda Item 13: Dialogue with civil society organizations

127. The Chair welcomed the representatives of civil society and invited Mr. Alpha Kaloga (Germanwatch/Adaptation Fund NGO Network) to address the Board on the Environmental and Social Policy of the Adaptation Fund. Mr. Kaloga said that partners of the NGO Network had discovered that some of the beneficiaries of projects funded by the Adaptation Fund had seen indirect negative impacts and that those outcomes could be avoided with a better impact assessment. There was also evidence that stakeholders tracked the work of the Fund with real interest and that the issue of the Environmental and Social Policy was of great relevance to them. There were, however, areas that needed to be further addressed when taking a holistic approach to the issue.

128. The definition of indigenous peoples was a political issue in some countries and while a reference to the United Nations Declaration on the Rights of Indigenous Peoples would be helpful there was no clear definition of those indigenous peoples. There was also a lack of clarity on what would be considered a lower level of acceptable environmental and social risk or the potential causes of significant and social harm, or who would undertake that categorization. Simple guidelines could leave room for confusion and interpretation should not be left to the

subjective interpretation of the implementing entities. They should commit to adhere to the highest standard of environmental and social protection, and beneficiaries had to give their free, prior and informed consent if they were to participate in the consultations in a meaningful way, evidence of which should be provided by the implementing entities.

129. Mr. Sven Harmeling (Care International) said that the process of obtaining free, prior and informed consent meant more than simply providing adequate information. There had to be evidence of a broad consensus among stakeholders and protection for ‘whistleblowers’, as well as policies to deal with projects that proposed the forced resettlement of populations. Mr Kaloga said that that free, prior informed consent meant that consent should be on a no-objection basis when it concerned the economic and social aspects of vulnerable communities.

130. In response to a question on fundraising Mr. Kaloga said that the Network had circulated letters to donors in support the Fund but had not as yet received a response to them.

131. Mr. Harmeling then explained the key aspects of participatory monitoring, learning and evaluation. He said that the process was based on a participatory human rights-based approach and contained four key principles to achieve that: participation by those most directly affected, agreement on what would be monitored and evaluated by those all involved, ensuring that the negotiated outcome selected the views of the marginalized and the flexible implementation of the project. He said that the effectiveness, sustainability and impact of the evaluation framework of the Fund should be assessed in terms of participatory elements that incorporated the views of the targeted communities. The guidelines for evaluation should ensure that the perspectives of those affected by project decisions were taken into account as well.

132. In the discussion that followed, Mr. Harmeling said that participatory monitoring had first been used in projects in Bangladesh and that Care was looking for a bigger uptake of its use in other countries. He also said that instead of looking at participatory monitoring as an additional cost it should be seen as an investment in the sustainability of programmes that helped them to be more effective.

133. With respect to a question as to whether participatory monitoring had been accepted by the International Development Evaluation Association Mr. Harmeling said that it was not linked to that organization. He also explained that participatory monitoring went beyond community-based adaptation and that it could be ecosystem based too. It could also be used in the mid-term evaluation of the projects and programmes of the Fund.

134. The Adaptation Fund Board noted with appreciation the reports by the members of civil society.

Agenda Item 14: Other matters

Activities at the ninth session of the Conference of Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP9)

135. The Manager of the secretariat described some of the Fund’s activities that were planned for the Conference of the Parties. On Wednesday 13 November, the Board Chair would be giving a report to the plenary. On Friday 15, the Fund would be organizing a side event, focusing on stories of adaptation interventions, while on Tuesday 19 November it would be

participating in a panel with Transparency International. The date and venue of the dialogue with donors co-hosted with the incoming President of COP 19 / CMP 9 was yet to be confirmed.

136. The Fund would have a booth at the Conference, and for the first time it would be independently identified as the Adaptation Fund, rather than the GEF, which had previously been the case.

137. The Adaptation Fund Board took note of the presentation by the secretariat.

Agenda Item 15: Adoption of the report

138. The present report includes the decisions adopted by the Board at its twenty-second meeting (AFB/B.22/L.1) and was prepared by the secretariat for intersessional adoption by the Board.

Agenda Item 16: Closure of the meeting

139. The Chair declared the meeting closed on Friday, 1 November 2013 at 2.50 p.m.

ANNEX I

ATTENDANCE AT ADAPTATION FUND BOARD – TWENTY-SECOND MEETING		
MEMBERS		
Name	Country	Constituency
Mr. Yerima Peter Tarfa	Nigeria	African States
Mr. Waduawawette Lekamalage Sumathipala	Sri Lanka	Asia-Pacific States
Dr. Mohamed Shareef	Maldives	Asia-Pacific States
Ms. Laura Dzelzyte	Lithuania	Eastern European States
Mr. Valeriu Cazac	Moldova	Eastern European States
Mr. Philip S. Weech	Bahamas	Latin America and Caribbean States
Mr. Raúl Pinedo	Panama	Latin America and Caribbean States
Mr. Hans Olav Ibrekk (Chair)	Norway	Western European and Other States
Ms. Su-Lin Garbett-Shiels	United Kingdom of Great Britain and Northern Ireland	Western European and Other States
Ms. Ana Fornells de Frutos	Spain	Annex I Parties
Ms. Angela Churie- Kallhauge	Sweden	Annex I Parties
Mr. Bruno Sekoli	Lesotho	Non-Annex I Parties
Ms. Margarita Caso Chávez	Mexico	Non-Annex I Parties
Mr. Peceli Vocea	Fiji	Small Island Developing States
Mr. Adao Soares Barbosa	Timor Leste	Least Developed Countries

ALTERNATES		
Name	Country	Constituency
Mr. Petrus Muteyauli	Namibia	African States
Mr. Zaheer Fakir	South Africa	African States
Mr. Alamgir Mohamed Monsurul Alam	Bangladesh	Asia-Pacific States
Mr. Aram Ter-Zakaryan	Armenia	Eastern European States
Ms. Medea Inashvili	Georgia	Eastern European States
Ms. Irina Helena Pineda Aguilar	Honduras	Latin America and Caribbean States
Mr. Jeffery Spooner	Jamaica	Latin America and Caribbean States
Mr. Marc-Antoine Martin	France	Western European and Other States
Mr. Anton Hilber	Switzerland	Western European and Other States
Mr. Markku Kanninen	Finland	Annex I Parties
Ms. Patience Dampney	Ghana	Non-Annex I Parties
Ms. Boubacar Sidiki Dembele	Mali	Non-Annex I Parties
Mr. Paul Elreen Philip	Grenada	Small Island Developing States

ANNEX II**ADOPTED AGENDA OF THE TWENTY-SECOND 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. Report on activities of the secretariat.
5. Report of the Accreditation Panel.
6. Report of the thirteenth meeting of the Project and Programme Review Committee (PPRC) on:
 - a) Issues identified during project/programme review;
 - b) Project/programme pipeline;
 - c) Project/programme proposals;
 - d) Intersessional review and approval of projects/programme proposals.
7. Report of the thirteenth meeting of the Ethics and Finance Committee (EFC) on:
 - a) Annual performance report 2013;
 - b) Results tracking;
 - c) Implementation of the code of conduct;
 - d) Financial issues;
 - e) Other matters.
8. Issues remaining from the twenty-first meeting:
 - a) Strategic discussion on objectives and further steps of the Fund. Report of the fundraising task force;
 - b) Environmental and social safeguards;
 - c) Options for a readiness programme.
9. Communications and outreach.
10. Financial issues:
 - a) Financial status of the Trust Fund and CER monetization;
 - b) Status of the project/programme pipeline;
11. Election of the Board, PPRC, EFC and Accreditation Panel Chairs and Vice-Chairs
12. Date and venue of meetings in 2014.
13. Dialogue with civil society organizations.
14. Other matters:

Activities at the ninth session of the Conference of Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP9)
15. Adoption of the report.
16. Closure of the meeting.

ANNEX III**SUMMARY OF FUNDING RECOMMENDATIONS AT THE THIRTEENTH MEETING OF THE PROJECT AND PROGRAMME REVIEW COMMITTEE OF THE ADAPTATION FUND BOARD**

	Country/Title	IE	Document Ref	Project	Fee	NIE	RIE	MIE	IE fee %	Set-aside Funds	Decision
1. Projects and Programmes:											
	Benin	FNE	AFB/PPRC.13/9	8,244,255	669,000	8,913,255			8.1%		Not approved
	Kenya	NEMA	AFB/PPRC.13/10	9,279,556	720,331	9,999,886			7.8%		Not approved
	Rwanda	MINIRENA	AFB/PPRC.13/11	9,366,982	602,637	9,969,619			6.4%	9,969,619	Approved
	Nepal	WFP	AFB/PPRC.13/12	8,780,793	746,367			9,527,160	8.5%		Placed in pipeline
	Sub-total			35,671,586	2,738,335	28,882,760		9,527,160	7.7%	9,969,619	
2. Project Formulation Grant:											
	Chile	AGCI	AFB/PPRC.13/4/Add.1	30,000		30,000					Not approved
	Costa Rica	Fundecooperación	AFB/PPRC.13/5/Add.1	30,000		30,000				30,000	Approved
	Jordan	MOPIC	AFB/PPRC.13/6/Add.1	29,500		29,500				29,500	Approved
	Sub-total			89,500		89,500				59,500	
3. Concepts:											
	Chile	AGCI	AFB/PPRC.13/4	9,170,000	800,000	9,970,000			8.7%		Not endorsed
	Costa Rica	Fundecooperación	AFB/PPRC.13/5	9,220,000	750,000	9,970,000			8.1%		Endorsed
	Jordan	MOPIC	AFB/PPRC.13/6	8,503,000	723,000	9,226,000			8.5%		Endorsed
	Morocco	ADA	AFB/PPRC.13/7	10,000,000	0	10,000,000			0.0%		Not endorsed
	Indonesia	WFP	AFB/PPRC.13/8	5,477,000	463,375			5,940,375	8.5%		Endorsed
	Sub-total			42,370,000	2,736,375	39,166,000.0		5,940,375	6.5%		
4. Total (4 = 1 + 2 + 3)				78,131,086	5,474,709.8	68,138,260.3		15,467,535	7.0%	10,029,119	