



ADAPTATION FUND

AFB/B.15/8
14 November 2011

ADAPTATION FUND BOARD

Fifteenth Meeting
Bonn, 15 to 16 September 2011

REPORT OF THE FIFTEENTH MEETING OF THE ADAPTATION FUND BOARD

Introduction

1. The fifteenth meeting of the Board of the Adaptation Fund of the Kyoto Protocol was held at the 'Langer Eugen' United Nations Campus, in Bonn, from 15 to 16 September 2011, back-to-back with the sixth meetings of the Project and Programme Review Committee (PPRC) and the Ethics and Finance Committee (EFC) of the Adaptation Fund Board. The meeting was convened pursuant to decision 1/CMP.3 adopted at the third meeting of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP).

2. The full list of the members and alternate members, nominated by their respective groups and elected pursuant to decisions 1/CMP.3, and 1/CMP.4, and participating 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 at <http://adaptation-fund.org/afb-meeting/1349>.

3. The meeting was broadcast live through a link on the websites of the Adaptation Fund and the United Nations Convention to Combat Desertification (UNCCD). The UNCCD secretariat also provided logistical and administrative support for the hosting of the meeting.

Agenda item 1: Opening of the Meeting

4. The meeting was opened at 11.25 a.m. on Thursday, 15 September 2011, by the Chair, Ms. Ana Fornells de Frutos (Spain, Annex I Parties), who welcomed the members, alternate members and other participants.

5. The Chair also welcomed the new Board member, Ms. He Zheng (China, Asia) as well as new alternate member, Mr. Monowar Islam (Bangladesh, Least Developed Countries) who had been appointed during the intersessional period.

Agenda item 2: Organizational matters

(a) Adoption of the agenda

6. The Board considered the provisional agenda contained in document AFB/B.15/1, as well as the provisional annotated agenda contained in document AFB/B.15/2, and the provisional timetable attached to it. The Board also agreed to consider the following issues under agenda item 13, "Other matters": The side-event to be held during CMP 7; a report by the secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) on the effect of decision 1/CMP.4 on Board membership; and the election of the Vice-Chair of the Accreditation Panel.

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

(b) Organization of work

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

(c) Declarations of conflicts of interest

9. The Chair said that Ms. He Zheng and Mr. Monowar Islam would need to sign the Board's oath of service.

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

- (a) Mr. Ezzat L.H. Agaiby (Egypt, Africa);
- (b) Ms. Medea Inashvili (Georgia, Eastern Europe); and
- (c) Mr. Cheikh Ndiaye Sylla (Senegal, Africa)

Agenda item 3: Report on intersessional activities of the Chair

11. The Board at its 13th meeting decided to send a letter to the President of COP 16/CMP 6 and to the Executive Secretary of UNFCCC requesting that the Board and its secretariat be invited to participate in the work of the Transitional Committee pursuant to paragraph 111 of decision 1/CP.16. The Board Chair was invited to make a presentation at the workshop on lessons learned by relevant funds and institutions that took place on July 12 in Tokyo.

12. The Adaptation Fund offers important experience in relation with the direct access modality and the need for legal capacity for providing countries with direct access. The Chair observed that the level of attention directed towards the Adaptation Fund should act as an incentive to the Board members to act speedily and decisively.

13. She participated as a panelist at the event organized by Germanwatch and the United Nations University on "The Adaptation Fund – a model for the future?"

14. Additionally, she had prepared a letter for the United Nations Foundation with regard to the possibilities for collaboration in seeking private donations, receivable via the Internet. She announced that the letter would be sent out over the course of the next days by the secretariat.

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

Agenda item 4: Report on the activities of the secretariat

16. The Manager of the Adaptation Fund Board secretariat reported on the activities of the secretariat during the intersessional period which were more fully described in document AFB/B.15/3. She said that the secretariat had communicated the Board's decisions to the applicant implementing entities and had also informed the *Banque Ouest Africaine de Développement* (BOAD) that until the Board had developed guidelines for regional projects and programmes, it would temporarily be unable to submit such proposals although it will be able to submit individual project/programme proposals. The secretariat had also prepared the legal agreements for the approved projects for the Maldives, Mongolia and Turkmenistan.

17. During the intersessional period, and pursuant to decision B.13/1, one of the secretariat's Adaptation Officers had participated in the Global Environment Facility (GEF) extended constituency workshop (ECW) which had taken place in Dakar, Senegal from 6 to 8 July, 2011, in order to present the process of the accreditation of national implementing entities (NIEs). The next opportunity to disseminate such information would be the ECW meeting in Honiara, Solomon Islands, from 27 to 29 September, 2011. The secretariat had also participated in the regional workshop to promote NIE accreditation, set up under decision B.13/8, which had been held in Mbour, Senegal from 5 to 6 September 2011. She also informed the Board that Mr. Marcelo Jordan had joined the secretariat in the position of Operations Officer (Accreditation).

18. The secretariat had continued to screen applications for accreditation, and one previously rejected applicant had also reapplied although that application had not yet been reviewed. As of the date of the present report, five NIEs, one regional implementing entity (RIE) and eight multilateral implementing entities (MIEs) had been accredited. The secretariat had also produced video interviews with two of the Board's former Chairs, as well as a video on the first AF project with the first NIE in Senegal. The website had also been updated and now included, in addition to the videos, a link to the list of concepts endorsed by the Board, information on the status of proposals, links to civil society organizations that supported the work of the Adaptation Fund, as well as a printable version of the accreditation toolkit.

19. Several members supported the need for a workshop to support the accreditation process in Asia and one member also said that there was a need for an additional workshop on accreditation in the region of Eastern Europe.

20. The Manager of the Adaptation Fund Board secretariat explained that it was the mandate the UNFCCC secretariat to organize the workshops and that it had arranged for the Eastern European Region to participate in the workshop taking place in Asia during 2012.

21. The Chair thanked Mr. Sylla for representing the Board at the workshop that had taken place in Mbour, Senegal. The Chair expressed the view that the Board should be officially represented at the workshops by either the Chair, the Vice-Chair, or by a member of the Board designated by the Chair, financed under the budget line of the Chair.

22. One member also asked for information on the status of an application of a RIE from his region while another expressed concerns on the 50 per cent limit being applied to the sum of the cumulative funding for the proposals submitted by MIEs (decision B.12/9), as well as the ratio of the division of the funding between the MIEs and the NIEs.

23. The Manager of the Adaptation Fund Board secretariat explained that the application for accreditation as a RIE had been reviewed and that the Accreditation Panel was waiting for clarification of certain documents before proceeding further with the application.

24. It was observed that it would be important to clarify the application of the cap on funding for MIEs with regards to its cumulative effect on the current funding ratio between MIEs and the NIEs. It was also pointed out that it would be important for the EFC to address that issue at its seventh meeting.

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

- (a) To approve the participation of one member of the secretariat at the meeting of the GEF Expanded Constituency Workshop (Pacific Islands), being held in Honiara, the Solomon Islands, from 27 to 29 September, 2011, in order to disseminate information on the accreditation process; and
- (b) That both the EFC and the PPRC would take up, at their seventh meetings, the issue of the cap on funding for projects proposed by MIEs in order to consider:
 - (i) The cumulative effects of that cap on the funds available to the Adaptation Fund; and
 - (ii) The action to be taken when that cap is exceeded.

(Decision B.15/1)

Agenda item 5: Report of the seventh meeting of the Accreditation Panel

26. The Chair of the Accreditation Panel, Mr. Santiago Reyna (Argentina, Latin American and Caribbean Group) introduced the report of the seventh meeting of the Accreditation Panel (Panel), which was more fully described in document AFB/B.15/4. He said that the Panel had recommended one new NIE and one new MIE application for accreditation. The Panel had also reviewed one RIE and six other NIE applications that had previously been reviewed but has requested additional information before it could make its recommendations. Nine further applications were still under review, several of which continued to present gaps, and the Panel had decided to wait until the Board's 16th meeting before making a recommendation on those applications.

27. He also reminded the Board that the application of the South African National Biodiversity Institute (SANBI) had, pursuant to decision B.14/6, been approved intersessionally (decision B.14-15/6) and that the full text of the decision, along with the report substantiating the Panel's recommendation to accredit SANBI, was contained in Annex I of the report of the Panel.

Accreditation of the Protected Areas Conservation Trust (PACT) of Belize

28. The Panel had also considered the application of the Protected Areas Conservation Trust (PACT) of Belize and after several exchanges of information, and a review of the documentation which had been provided, the Panel had concluded that there were still a few gaps in the fiduciary standards of that organization. While none were crucial, the PACT Board had agreed to address them and consequently, the Panel recommended that PACT be accredited as the NIE for Belize subject to certain conditions.

29. During a closed session the Board decided to accredit the Protected Areas Conservation Trust (PACT) of Belize as a National Implementing Entity, subject to the following conditions:

- (a) PACT should provide semi-annual progress reports on Adaptation Fund projects;
- (b) PACT should have in place to the satisfaction of the Accreditation Panel and before the approval of the first project:
 - (i) A formal annual internal control statement signed by its Executive Director and the Board and to be issued with the financial statements;
 - (ii) A formal mandate for the Finance Committee of the Board to execute the functions of an audit committee; and
 - (iii) A public antifraud policy that demonstrates a zero tolerance attitude.

(Decision B.15/2)

African Development Bank (AfDB)

30. The Panel had also reviewed the application of the African Development Bank (AfDB) and concluded that the application had demonstrated that the AfDB met the accreditation standards relating to financial integrity and management, as well as those dealing with financial mismanagement and other malpractices. However, the application was less strong with respect to institutional capacity relating to projects, and despite the fact that it had demonstrated an adequate project identification, and approval process, there were systematic problems in terms of implementation delays, procurement, disbursement, and monitoring, including acting on projects with high risk. Those difficulties were being addressed by the AfDB through a series of reforms, including a greater decentralization to field offices, which would take several years before they could be fully implemented. That meant that the AfDB would not fully meet the fiduciary standards until then, and even then the levels of capability might depend on the responsible local office. Consequently, the Panel recommended that AfDB be accredited as an MIE subject to certain conditions.

31. During a closed session the Board decided to accredit the African Development Bank (AfDB), subject to the following conditions:

- (a) The AfDB describes in any project proposal the capability of the local office to implement, monitor and close the proposed project in light of the decentralization process of the AfDB;

- (b) The AfDB delivers annually, and within three months after the end of the year, an independent grant audit report covering the open projects that the AfDB handles on behalf of the Adaptation Fund. This audit, which can be done by or under the supervision of The Office of the Auditor General of the AfDB, should:
- (i) Confirm that for all open Adaptation Fund projects that the required reports that were due for the year reviewed were delivered to the Adaptation Fund secretariat or if this is not the case the report should explain what is missing and why;
 - (ii) Confirm that the AfDB has allocated the necessary monitoring activities to the open Adaptation Fund projects in accordance with the AfDB's policies to ensure the adequate progress and achievements of the projects. If that is not the case, the audit report should state what is missing; and
 - (iii) Provide information that in the view of the auditor should be brought to the attention of the Adaptation Fund secretariat.

(Decision B.15/3)

Non-accreditation of NIE1

32. The Panel reviewed the application of NIE 1 and the Panel members' requests for clarification were consolidated and shared with the NIE. The Panel then received additional materials which did not sufficiently address the Panel's queries and requests for further documentation. After deliberation, the Panel concluded that it was not in a position to recommend accreditation of NIE 1. Annex II of the report of the Panel provides a summary report and analysis of the Panel's conclusion not to recommend NIE 1 for accreditation.

33. During a closed session the Board decided not to accredit NIE 1; and to instruct the secretariat to communicate the Accreditation Panel's observations, as contained in Annex II of the Accreditation Panel report to the applicant, and to work with the designated authority to identify a potential NIE that would meet the Fiduciary Standards of the Board.

(Decision B.15/4)

Accreditation Panel observations for NIE 2

34. The Panel reviewed the application of NIE 2 and concluded that the NIE might be a reasonable candidate for accreditation. However, pending items remained to be verified and it was thought that a field visit to the applicant could be useful to collect the required information. The Panel recommended that the Board authorize a field visit to the entity by one expert member of the Panel and one staff member from the secretariat should the Panel maintain its opinion that NIE 2 was a reasonable candidate for accreditation.

35. During a closed session the Board decided to authorize the Accreditation Panel to conduct a field mission to the applicant, should the Panel decide that, upon review of the additional documentation submitted, NIE 2 was a reasonable candidate for accreditation.

(Decision B.15/5)

Accreditation Panel observations for NIE 4

36. The Panel reviewed the application of NIE 4 and the Panel concluded that a field visit to the applicant by one of the expert member of the Panel, and one staff member from the secretariat, could be useful to determine (i) how the coordination and support from other departments of the government infrastructure worked, (ii) how effectively the systems and processes in place were implemented, and (iii) how the transition within the organization affected its general working structure.

37. During a closed session the Board decided to authorize the Accreditation Panel to conduct a field mission to the applicant, NIE 4.

(Decision B.15/6)

Regional accreditation workshops

38. The Chair of the Panel reminded the Board that a workshop on accreditation for the African region had taken place in Mbour, Senegal from 5 to 6 September 2011. The lessons learned from that workshop suggested that a meeting of two days did not allow enough time for the participants to understand the fiduciary standards and the Adaptation Fund's procedures. The Panel recommended the Board maintain the original suggested workshop schedule and extend the duration of the workshops to three days.

39. The Chair asked what benefit an additional day would have had, as well as for further information on the workshop in Mbour. The representative of the secretariat reported that many Parties' designated authorities had attended so it seemed as if the workshop had attracted the right participants. Two NIEs had also attended and had presented their experience with the accreditation process. However, there had been a need for more coordination during the workshop and there had not been enough time for one-on-one discussions. He also reported that some of the information had only been available in one language, either English or French. Interpretation into English and French had been provided.

40. One member reminded the Board that both Japan and Switzerland had financially supported the meeting and that for the cost of the meeting several experts could have been funded to travel to provide targeted advice on the accreditation process.

41. The representative of the UNFCCC secretariat thanked Switzerland, Japan, UNEP, and Senegal for their support in holding the workshop. He said that feedback from the meeting was being collected and would be collated into a report, and that most of the materials had been available in both French and English. In response to the suggestion that the workshops be extended by an additional day, he said that the additional cost of adding an extra day to the workshop for Panama would be on the order of US \$15,000 to US \$20,000, although the addition of an extra day might require the dates of the workshop to be shifted from the currently scheduled 10 to 11 November 2011.

42. The Chair observed that either she, or the Vice-Chair, would attend the workshop in Panama. She also said that the NIEs in the region should be invited to attend the meeting as well.

43. Considering the lessons learned from the first regional accreditation workshop, the Board decided to:

- (a) Request the UNFCCC secretariat to:
- (i) Consider extending the remaining regional accreditation workshops from two days to three days;
 - (ii) Invite NIEs to attend and make presentations at the accreditation workshops being held in their regions;
 - (iii) Ensure that the documentation for the regional accreditation workshop being held in Panama should be made available in both English and Spanish; and
 - (iv) Report on the lessons learned of the workshops to the Board at its 16th meeting.
- (b) Request either the Chair, the Vice-Chair, or any other Board member appointed by the Chair to attend the regional accreditation workshop being held in Panama. The related travel expenses will be financed with the budgetary line “support to the Board Chair”.

(Decision B.15/7)

Complaint procedures

44. The Chair of the Panel said that while the implementing entities were responsible for handling complaints at the project level, the Panel considered that the Board would have to decide, at the implementation level, on a mechanism to collect and evaluate complaints made against the implementing entities themselves.

45. The Board took note of the observations of the Accreditation Panel.

Field Visits

46. The Chair of the Panel observed that there was provision for up to four field visits in the approved budget for fiscal year 2012. In order to be able to react quickly, the Panel recommended that it should be able to undertake up to four field visits in fiscal year 2012 without further referring the issue to the Board for its approval, provided that the Panel was unanimous on the need to make such visits. He said that those field visits would normally involve one expert member of the Panel and one staff member from the secretariat.

47. The Chair of the Board said that in that case the Panel would still have to inform the Board of its decision.

48. The Board, observing that there was a provision of up to four field visits by the Accreditation Panel in the approved budget for the fiscal year 2012, decided that up to four field visits could be made by the Accreditation Panel during that fiscal year without the need to further refer the issue to the Board for its approval, provided that the Panel was unanimous on the need to make such a field visit and informed the Board accordingly.

(Decision B.15/8)*Renewal of the mandates of the expert members of the Accreditation Panel*

49. The Chair of the Panel reminded the Board that the term of the expert members on the Panel would expire in January 2012, and he requested the Board to take action to ensure that their terms were renewed.

50. At the request of the Chair, the Manager of the secretariat explained that the contracts for the experts in question were short-term consultant contracts with the World Bank and as such the consultants could only work for a maximum of 150 days a year, although it might be possible to extend that limit for an additional 40 days. She also said that those 150 days applied to all the work that a short-term consultant undertook with the World Bank during any given year.

51. The Chair of the Panel reminded the Board that the experts on the Panel were the key to its success and he asked that the GEF secretariat be asked to renew those contracts for an additional two years.

52. One member noted the 150 day limitation in the contracts with the World Bank (through the GEF secretariat) and the possibility that the consultants also may be engaged by the GEF secretariat for the GEF's accreditation panel. He suggested that the Head of the secretariat be asked to make sure that the services of the experts are retained for the Adaptation Fund for two additional years, and to facilitate the renewal of the contracts of the experts in a way that there is no disruption of their work on the Panel. Other members supported that position, but also observed that it would also be possible to engage an additional expert to support the work of the Panel.

53. The Board decided to request:

- (a) The Chair of the Board to write to the Head of the Secretariat to request her to use her best efforts to ensure that contracts of the present expert members of the Accreditation Panel would be renewed for an additional two years and to ensure that there would be no gaps in the expert membership of the Panel;
- (b) The secretariat to:
 - (i) Provide further information to the Board on the renewal of the contracts of the expert members of the Panel;
 - (ii) Institute a process to recruit an additional expert member for the Panel if that proves necessary; and
 - (iii) Facilitate the transfer of knowledge of the accreditation process, acquired by the expert members of the Panel to any new expert members that are recruited.

(Decision B.15/9)

54. During the consideration of agenda item 13, "Other matters", the Chair of the Board circulated a letter which she had received from the Head of the Adaptation Fund Board

secretariat, Ms. Monique Barbut, aimed at addressing the concerns outlined; the text of the letter is contained in Annex III to the present report.

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

55. The Chair of the PPRC, Mr. Hans Olav Ibrekk, (Norway, Western European and Others Group) introduced document AFB/PPRC.6/16, which contained the report of the sixth meeting of the PPRC. In his presentation he informed the Board that the PPRC had initially had twelve proposals for projects and programmes for consideration. In the end, one proposal had been withdrawn and another not discussed and the Chair said that at a maximum, the PPRC could, perhaps, consider fifteen proposals in a single day. In addition to considering the project and programme proposals, the PPRC had also initiated its discussion of the strategic issues that had come up during its previous meetings. He said that the PPRC had been able to reach consensus on all the issues before it and he thanked the members for their willingness to compromise. He also acknowledged that the report of the PPRC was too long and said that the Committee hoped to produce a more concise report in the future.

Open discussion on defining a more strategic approach to project/programme review at the PPRC level

56. The Chair of the PPRC said that the report highlighted the need for a more focused approach to project and programme review. The PPRC did not have the time to delve into the specific details of all the proposals before it and the Chair said that his goal had been for the PPRC to focus on the more strategic issues that had come up in its deliberations. The PPRC had already successfully addressed the issue of the definition of concrete adaptation and it was now time for the PPRC to look at the lessons to be learned from the review of 40 to 50 projects and programmes that had been presented for consideration thus far. The analysis could provide further guidance to the implementing entities and the countries, when developing projects and programmes. The report of the PPRC therefore recommended that the secretariat be asked to produce a paper that reviewed the key cross-cutting, as well as for more specific strategic, issues that had been raised during the review of the projects and programmes.

57. One member said that the secretariat's report should also have to comment on the maximum number of times a proposal could be considered by the PPRC before being rejected, as well as the option of adjusting or conditionally approving projects and programmes contingent on the submission of additional clarification after their approval.

58. Having considered the comments and recommendations of the Project and Programme Review Committee, the Adaptation Fund Board decided to request the secretariat to prepare a paper that discussed:

- (a) The lessons learned from the review process;
- (b) Those areas where more specific guidelines could be developed for the submission of proposals;
- (c) The maximum number of times that a proposal can or should be considered by the PPRC before being rejected, and

- (d) The option to adjust or conditionally approve a proposal contingent on the submission of additional clarification after its approval.

(Decision B.15/10)

Issues identified during the screening/technical review process

59. The Chair of the PPRC pointed out that the technical review had shown that the approval of all the proposals submitted to the present meeting would still not have exceeded the cap of 50 per cent that the Board had set on the proposals by MIEs. However, one country had submitted two proposals to the present meeting, through two different MIEs, and taken together those two proposals exceeded that country's cap for funding. The secretariat had written to the designated authority of that country to ask for a decision on which proposal should be considered by the Board, but the letter it had received in reply had only indicated how the proposals should be prioritized.

60. The Chair of the Adaption Fund Board asked what would happen when a country submitted several proposals which, taken together, did not exceed a country's cap for funding.

61. The Chair of the PPRC said that in that case all the proposals would be considered on their merits, although it might also be suggested that the country bundle the individual projects into a single programme, if that were possible.

62. Having considered the comments and recommendations of the Projects and Programme Review Committee, the Adaptation Fund Board decided that it would not consider one or more project/programme proposal submitted to a meeting for the same country for which the total cumulative value exceeds the country cap.

(Decision B.15/11)

Proposals from Multilateral Implementing Entities

Belize: Belize marine Conservation and Climate Adaptation Initiative (World Bank)
(BIZ/MIE/Coastal/2011/1, US \$10,000,000)

63. The Chair introduced the project, which sought to bring innovative financing to bear on the climate change and fiscal challenges facing Belize. The Initiative described by the project intended to raise US\$ 100 million in order to set up a trust fund that would finance, in perpetuity, ecosystem-based adaptation measures that enhanced the resilience of the critical Barrier Reef ecosystem.

64. Having considered the comments and recommendations 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 World Bank to the request made by the technical review;
- (b) Request that the World Bank reformulates the proposal taking into account the following issues:

- (i) The use of funds from the Adaptation Fund for the creation of a trust fund is entirely unprecedented and presents a risk from the perspective that the Marine Conservation and Climate Adaptation Trust (MCCAT) will not achieve its outcome, be replenished with sufficient funds to operate, and finance projects that align with the Adaptation Fund's results framework guidance. While the Board welcomes innovative approaches to adaptation and it is likely that the MCCAT, once established, would support adaptation measures, the proponent should place more or all emphasis on the marine conservation activities of the project;
 - (ii) The proponent should clarify which indicators would be used to monitor project performance;
 - (iii) The concept does not contain sufficient information to assess the cost-effectiveness of the proposed interventions, inter alia the size, scope, and area of sites; and the cost of the measures appears to be high given the intended outcome; and
 - (iv) To bridge the gap between marine conservation and adaptation benefits, the sites should be established around the most vulnerable shorelines and consequently it is crucial to know where marine protected areas/no-take zones (MPA/NTZ) will be established.
- (c) Further request the World Bank to transmit the observations referred to under item (b) above to the Government of Belize, on the understanding that a revised concept might be submitted at a later date.

(Decision B.15/12)

Cook Islands: Akamatutu'anga i te iti tangata manakokore ia e te tau'anga reva – Strengthening the Resilience of our Islands and our Communities to Climate Change (SRIC-CC) (UNDP) (COK/MIE/Multi/2011/1, US \$5,381,600)

65. The Chair introduced the project, which sought to strengthen the ability of all Cook Island communities, and the public service, to make informed decisions and manage the anticipated climate change-driven pressures. The programme proposed a three-pronged approach, with the implementation of on-the-ground adaptation and disaster risk reduction measures at the community level in the Pa Enea.

66. Having considered the comments and recommendations 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 the United Nations Development Programme (UNDP) to the request made by the technical review;
- (b) Request that UNDP reformulates the proposal taking into account the following issues:
 - (i) The proponent should ensure that proper EIA is undertaken for each of the water retention projects to avoid any risks of maladaptation. This should be clearly specified in the text. In addition, for several of the described projects, the

sustainability measures are the same, which implies that the projects types and environment are all similar along the different islands;

- (ii) More specific information on the expected economic, social and environmental benefits should be provided;
 - (iii) Some risks rated as “low” risks, such as land disputes among community members, access and communications, and cooperation and commitment within the target communities, should be reconsidered or the rating clearly justified. Moreover, the proponent should provide adequate measures to mitigate each distinct risk, since “Maintaining proactive outreach” seems to be a very general mitigation measure;
 - (iv) Partnerships with Universities and research centres in the implementation of some project activities, if any, should be formalized, since this will have an impact in the project budget; and
 - (v) For the climate change adaptation and disaster risk reduction measures identified under component 3, the proposal should specify as much as possible the activities planned for each island. This will help in the estimation of the economic, social and environmental benefits of the project and will provide tangible indicators (size of community impacted by the activity, number of hectares covered etc.) of achievement of this outcome.
- (c) Further request UNDP to transmit the observations referred to in paragraph (b) above to the Government of Cook Islands, on the understanding that a revised project document might be submitted at a later date.

(Decision B.15/13)

Egypt: Preparing the Lake Nasser Region in southern Egypt as a Climate Adaptation Hub (WFP) (EGY/MIE/Food/2011/1, US \$8,575,892)

67. The Chair introduced the project, which sought to develop the Lake Nasser region to serve as a receptor for climate-induced voluntary migration from other regions, as well as a hub for applied adaptation technology that would be transferrable to other climate-stressed parts of Upper Egypt. The project would also include knowledge and technology transfer to three of the poorest villages in Upper Egypt.

68. Having considered the comments and recommendations 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 World Food Programme (WFP) to the request made by the technical review;
- (b) Request that the WFP reformulates the proposal taking into account the following issues:
 - (i) The motivation and underlying reason for which these individuals and communities are relocating is particularly important. The proposal should provide an analysis of other contributing factors for their willingness to migrate as the risk-

- analysis seems to underestimate some of the challenges, including the extent to which climate change is the driving force behind the migration. For the concept to qualify as an adaptation project, it must demonstrate the *direct* link to climate change impacts and the lack of *any* viable alternatives;
- (ii) The Board has reservations supporting migration as an adaptation response and encourages the proponent to emphasize the adaptation pilot activities and as well as those that strengthen institutional capacity to address adaptation on the national scale;
 - (iii) The use of funds from the Adaptation Fund for the design of a financing mechanism as the primary scale-up strategy for the project poses uncertainty for the long-term sustainability of the project;
 - (iv) The alternatives that are given in comparison with the proposed interventions are still not within the target or scope of the project and are far-fetched. When calculating cost alternatives, these calculations assume forced migration, whereas the situation seems to be less critical at the present time and some of the project activities appear to be designed for economic incentives. Alternative options should be seriously considered within the design of the project;
 - (v) On the understanding that the WFP, as the implementing entity, must take the lead in initiating activities, the proposal should still specify how the proposal is country or community-driven, thereby leveraging expertise or existing institutional infrastructure to enhance project outcomes;
 - (vi) While the generation of adaptation strategies in the creation of new assets is an important approach to adaptation, expecting communities, who have newly relocated to pilot activities that have not always been tested, adds another layer of risk onto the project. Most importantly, it is not clear from the proposal how the pilots of the proposed project are generating sufficient income to sustain livelihoods; and
 - (vii) The proposal should consider that non-autonomous migration is, under any circumstances, politically risky. The project proposal should also address the lack of trust from the general population as part of the political risk under the current circumstances in Egypt.
- (c) Further request WFP to transmit the observations referred to under item (b) above to the Government of Egypt, on the understanding that a revised concept might be submitted at a later date.

(Decision B.15/14)

Georgia: Developing Climate Resilient Flood and Flash Flood Management Practices to Protect Vulnerable Communities in Georgia (UNDP) (GEO/MIE/DRR/2010/4, US \$5,136,500)

69. The Chair introduced the project, which sought to improve the resilience of highly exposed regions of Georgia to hydro-meteorological threats that were increasing as a result of climate change. The bulk of the project funding was to be allocated to the development and implementation of climate resilient flood management practices, with smaller components

directed at the development of an early warning system and the introduction of a floodplain development policy.

70. Having considered the comments and recommendations 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 the United Nations Development Programme (UNDP) to the request made by the technical review;
- (b) Request that UNDP reformulates the proposal taking into account the following issues:
 - (i) The proposal should elaborate the actual adaptation benefit, as opposed to the general development benefits, of the project; which should be quantified to the greatest extent possible, and also explain why the described project approach was chosen instead of other possible ways of allocating similar funds;
 - (ii) The proposal should provide an analysis on the viability or risks related to the proposed insurance scheme, and describe where that type of scheme would draw examples from;
 - (iii) The basis for “direct” beneficiaries should be clarified in terms of economic, agricultural, or ecosystem-based benefits. The proposal should quantify expected results to be achieved in the 1,200 km² to be covered by agroforestry, and other bioengineering measures;
 - (iv) The proposal should explain how the goal setting of this project takes into account the previous and on-going projects, as well as how lessons learned from those projects would be used to help set the goals of this project and be integrated into the learning and knowledge management activities of this project. It should also be explained how coordination with other initiatives during the project would be arranged;
 - (v) The proposal should provide more information on the community consultations in the target regions, including information on their timing, the main issues discussed, community approval of planned project activities, and any feedback that was used to inform the development of the project;
 - (vi) The proposal should explain how long-term maintenance will be assured by the government of Georgia, as stated in terms of adequacy of staff and allocations; and
 - (vii) The proposal should clarify the ability of the proposed coordinating executing entity to coordinate activities related to infrastructure development as well as the other areas not listed under its mandate.
- (c) Request UNDP to transmit the observations referred to in paragraph (b) above to the Government of Georgia, on the understanding that a revised project document might be submitted at a later date.

(Decision B.15/15)

Madagascar: Promoting Climate Resilience in the Rice Sector (UNEP) (MAD/MIE/Agri/2010/1, US \$4,504,920)

71. The Chair introduced the project, which sought to address the vulnerability of the rice sub-sector to climate variability and projected climate change. The project was to be implemented in the Alaotra-Mangoro region located on the Central Highlands of Madagascar, but the overall objective of the project would be to initiate the transformation of the rice sub-sector to make it more resilient to current climate variability as well as expected climate change and associated hazards.

72. Having considered the comments and recommendations 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 the United Nations Environment Programme (UNEP) to the request made by the technical review;
- (b) Request that UNEP reformulates the proposal taking into account the following issue:
 - (i) The project approach should be reconsidered in order to focus on a comprehensive approach within the Lake Alaotra Basin as the major rice producing area, in which case the participation of all major stakeholders, including upland communities, should be expanded, with a view to use the project as a case for upscaling at the national level. The refocusing of the project should take into consideration all aspects of the project, including the distribution of resources amongst activities.
- (c) Further request UNEP to transmit the observation referred to in paragraph (b) above to the Government of Madagascar, on the understanding that a revised project document might be submitted at a later date.

(Decision B.15/16)

Mali: Programme Support for Climate Adaptation in the vulnerable regions of Mopti and Timbouctou (UNDP) (MLI/MIE/Food/2011/1, US \$8,533,688)

73. The Chair introduced the project, which sought to increase the resilience of vulnerable communities and the adaptive capacity to climate change in the regions of Mopti and Timbouctou, and particularly those in the Faguibine system. The project proposed concrete adaptation practices through a community driven approach, and through providing technical services for communities.

74. Having considered the comments and recommendations 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 United Nations Development Programme (UNDP) to the request made by the technical review;

- (b) Request that UNDP reformulates the proposal taking into account the following issues:
- (i) The proponent should provide more baseline information on the existing capacities, initiatives and strategies that could create the enabling environment for the implementation of the proposed activities and ensure their sustainability;
 - (ii) The proponent should explain how safety net measures (cash for work through labour intensive enhanced water control measures) are implemented as part of the more comprehensive approach to reducing vulnerability at the local level;
 - (iii) The synergies and avoidance of duplication with the projects of the United Nations Environment Programme, the United Nations Food and Agricultural Organization and the United Nations Development Programme should be better explained. In addition, it should also explain how it would avoid duplication and create synergies with the following:
 - a. *World Bank/Global Environment Facility Sustainable Land Management Project*, developed by the Ministère de l'Environnement et de l'Assainissement/Cadre Institutionnel de la Gestion des Questions Environnementales (MEA/CIGQE) with the support of the Terrafrica platform partners, that focuses on Agricultural extension and research through Community Driven Development approach in the northern parts of the country
 - b. *Agricultural Services and Producer Organizations Project* (World Bank), which has established an institutional framework conducive to the efficient delivery of agricultural services to producers, by supporting the decentralization of core public services, promoting private sector participation and by empowering producer organizations; and
 - c. *Agricultural Competitiveness and Diversification Project* (World Bank) that has the main objective to demonstrate and disseminate irrigation, post-harvest and value-adding technologies.
 - (iv) The role that the Faguibine System Development Authority (FSDA) will play in this project should be clarified, to ensure the sustainability of the project's investments; and
 - (v) The role that the World Food Programme (WFP) will play in the project needs clarification. The proposal states that WFP will be involved without the use of funding from the Adaptation Fund. However, as WFP will be involved in the food for work or cash for work activities, they will be considered as executing entity, using funding from the Adaptation Fund.
- (c) Further request UNDP to transmit the observations referred to under item (b) above to the Government of Mali, on the understanding that a revised concept might be submitted at a later date.

(Decision B.15/17)

Mauritania: Enhancing Resilience of Communities to the Adverse Effects of Climate Change on Food Security in Mauritania (WFP) (MTN/MIE/Food/2011/1, US \$9,995,145)

75. The Chair introduced the project, which sought to increase the resilience and food security of communities to the impacts of climate change by providing them the information, organization, skills and means to improve the foundations on which their livelihoods were based. It would promote enhanced environmental governance through ecological monitoring, the management and sharing of climate change knowledge, and the mobilization and involvement of communities to adapt to climate change and build resilient food secure livelihoods.

76. The Chair of the PPRC also informed that Board that, as mentioned under the description of the issues identified during the screening/technical review process, Mauritania had submitted two proposals. The PPRC, considering that the designated authority had indicated a preference for the proposal submitted by the World Food Programme (WFP), had agreed not to consider the proposal submitted by the World Meteorological Organization (WMO).

77. One member asked for confirmation that the designated authority had indeed indicated the priority of the proposal of the WFP over that of the WMO. The Chair of the PPRC said confirmed that the designated authority had been contacted to choose one of the two proposals and had indicated that the proposal of the WFP should be given priority over that of the WMO.

78. Having considered the comments and recommendations 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 World Food Programme (WFP) to the request made by the technical review;
- (b) Request that the WFP reformulates the proposal taking into account the following:
 - (i) The proponent should further demonstrate the cost effectiveness and relevance of the village-level approach, especially in a context of pastoral migration;
 - (ii) Accordingly, the proponent should revise the project's budget and look for synergies, especially regarding the ecosystem based adaptation measures, the training and community mobilization activities;
 - (iii) More information on the current status of the main technical services that will be supported by the project, such as the name, size, level of coverage at the communal, regional, national level, is needed;
 - (iv) Training and awareness raising in the communities should be harmonized at least at practical level, whether it is related to more general issues of climate change or individual coping mechanisms, as all of these activities aim to improve the resilience of the communities;
 - (v) The project should emphasize on the sustainability of the proposed income generating activities (IGA) and explore different approaches to that aim. This includes (i) capacity building of community organizations and technical services, to

- exploit the economic potential of the proposed value-chains, (ii) exploring the establishment of economic interest groups, (iii) undertake market study for the most promising of the IGA identified or (iv) explore the establishment of a micro-credit scheme to support the income generating activities, as compared to providing grants with funds from the Adaptation Fund, to ensure a financial sustainability of the IGA;
- (vi) The proponent should explain how the project will ensure institutional sustainability especially at the local level, as local leadership is needed to facilitate diffusion of knowledge and expertise for rehabilitation techniques and the maintenance of ecosystems, as well as sound exploitation of natural resources;
- (vii) Based on an analysis of the results framework, the project should describe the areas of synergy and complementarity with the International Fund for Agricultural Development/Global Environment Facility (IFAD/GEF) adaptation project “Support to the adaptation of agricultural production systems that are vulnerable to climate change” and IFAD/GEF sustainable land-use management project “Participatory Environmental Protection and Poverty Reduction in the Oasis of Mauritania”; and
- (viii) Finally, this project should build on the UNDP/GEF project “Conservation of Biodiversity Through Participatory Rehabilitation of Degraded Land in Arid and Semi-Arid Cross-Border Zones of Mauritania and Senegal”, because that project has brought up valuable lessons learned pertaining to community ecosystem rehabilitation and livelihoods improvement through development of potentially lucrative IGAs.
- (c) Further request the WFP to transmit the observations referred to under item (b) above to the Government of Mauritania, on the understanding that a revised concept might be submitted at a later date.

(Decision B.15/18)

Mauritius: Climate Change Adaptation Programme in the Coastal Zone of Mauritius (UNDP) (MUS/MIE/Coastal/2010/2, US \$9,119,240)

79. The Chair introduced the project, which sought to ensure that growth and development in the Republic of Mauritius was sustainable, with the potential climate change effects in the coastal zone being fully addressed in all future planning.

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

- (a) To 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) To approve the funding of US \$9,119,240 for the implementation of the project, as requested by UNDP; and
- (c) To request the secretariat to draft an agreement with the UNDP as the Multilateral Implementing Entity for this project.

(Decision B.15/19)

Papua New Guinea: Enhancing adaptive capacity of communities to climate change-related floods in North Coast and Islands Region of Papua New Guinea (UNDP) (PNG/MIE/DRR/2010/5, US \$6,530,373)

81. The Chair introduced the project, which sought to strengthen the ability of communities in Papua New Guinea to make informed decisions about, and adapt to, climate change-driven hazards affecting both coastal and riverine communities. In particular, the programme would focus on developing resilience towards occurrences of coastal and inland flooding events through development of early warning systems.

82. Having considered the comments and recommendations 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 the United Nations Development Programme (UNDP) to the request made by the technical review;
- (b) Request that UNDP reformulates the proposal taking into account the following issues:
 - (i) The targets of the mangrove related activities should be quantified and provide the expected results in terms of areas planned to be reforested, or capacity of nurseries to be established;
 - (ii) The proposal should clarify how the programme would address the existing drivers of mangrove deforestation, and how it would provide to the communities incentives for mangrove conservation;
 - (iii) The proposal should streamline activities, to ensure they are organized logically in the components and avoid overlap; for example, the activities in the revised output 1.5 seem to be overlapping with those in 3.2, and : component 1 is mostly targeting the community level, and it is not clear how the proposed province-level activities would be efficiently implemented as part of this component;
 - (iv) There is no reference as to how land-use planning will be undertaken. The measures and mechanisms for ensuring land-use planning should be clarified, as they are crucial for a mangrove reforestation project;
 - (v) The replacement of the small grants fund with replication within the project would need to be elaborated. It is not clear when lessons learned from activities 1.4.1 and 2.3.1 would be available for replication. In the Gantt chart, the "replication" is mostly timed for the first year, which does not support extracting lessons learned;
 - (vi) It should be clarified how the project would arrange coordination with the Japan Policy and Human Resources Development and Technical Assistance (TA) programme, for which a specific coordination mechanism was mentioned earlier in the proposal and then later deleted; and
 - (vii) The results framework indicators should include gender considerations.

- (c) Further request UNDP to transmit the observations referred to in paragraph (b) above to the Government of Papua New Guinea, on the understanding that a revised project document might be submitted at a later date.

(Decision B.15/20)

Samoa: Enhancing resilience of coastal communities of Samoa to climate change (UNDP) (SAM/MIE/Multi/2011/1, US \$8,732,351)

83. The Chair introduced the project, which sought to strengthen the ability of Samoan communities, and the public service, to make informed decisions and manage likely climate change-driven pressures in a pro-active, integrated and strategic manner. The programme would enable the necessary technical and financial resources to be used in a programmatic manner, and to be combined with the parallel complementary work undertaken through the Climate Resilience Investment Programme/Pilot Programme for Climate Resilience (CRIP/PPCR)-World Bank project.

84. Having considered the comments and recommendations 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 the United Nations Development Programme (UNDP) to the request made by the technical review;
- (b) Request that UNDP reformulates the proposal taking into account the following issues:
- (i) The proponent should describe in more detail the expected economic, social and environmental benefits, including benefits to biodiversity, that it would provide, with more quantitative information, to be linked with the concrete outputs of the project; and
- (ii) As beach replenishment and riparian and coastal planting have already been identified as shoreline protection measures to be introduced through the project in a number of districts and villages, the proponent should provide specific targets related to these outputs. This is especially relevant because the technique of beach replenishment will be applied for the first time in Samoa.
- (c) Further request UNDP to transmit the observations referred to in paragraph (b) above to the Government of Samoa, on the understanding that a revised project document might be submitted at a later date.

(Decision B.15/21)

85. A list of the Board approved funding for fully-developed projects and programmes at its present meeting is contained in Annex IV to the present report.

Agenda item 7: Report of the sixth meeting of the Ethics and Finance Committee (EFC)

86. The Chair of the EFC, Mr. Zaheer Fakir (South Africa, African Group) gave a report on the sixth meeting of the Ethics and Finance Committee, described in detail in document AFB/EFC.6/L.1. *Knowledge Management (KM) framework*.

87. A representative of the secretariat had given a presentation on the revised knowledge management strategy, which now had one overriding objective; to enhance recipient countries' knowledge to reduce vulnerability and increase adaptive capacity. The work plan had been reorganized, and now comprised six actions: to identify project learning objectives; to provide guidance to the countries in carrying out their knowledge management activities; to collect, organize and analyze projects' data, information and knowledge; to promote collaboration and knowledge sharing on adaptation issues; to systematize and share the Fund's activities; and to create a database of the decisions and documents of the Adaptation Fund Board. She had also pointed out that the budget for the work plan for 2011–2013 was US \$140,000.

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

- a) Approve the Knowledge Management strategy and work plan, including the budget allocations, contained in document AFB/EFC.6/3; and
- b) Request the secretariat to move forward with the implementation of the strategy and to report to the Board at its 17th meeting on progress made during the implementation of the strategy.

(Decision B.15/22)

Evaluation framework

89. The EFC had given consideration to the revised evaluation framework prepared by the GEF Evaluation Office (GEFEO), which had given rise to two main issues to be resolved:

- a) What would trigger an implementing entity level evaluation; and
- b) The type of civil society organizations that would be requested to participate in evaluations.

90. The Chair of the EFC said that a choice also had to be made between two options for implementing the evaluation framework, namely:

- a) establishment of a Technical Evaluation Reference Group (TERG); or
- b) requesting the GEF Evaluation Office to provide technical support on matters related to evaluation.

91. With regard to the question of what would trigger an evaluation, the Board reserved the right to evaluate the performance and effectiveness of implementing entities at any time while the implementing entity was accredited. Such an evaluation would be triggered by a request from any Board member through a notification to the EFC.

92. Two different scenarios were envisaged. Where the issue was related to performance and effectiveness, the EFC would request the entity involved to provide further information and might then engage an independent evaluator to conduct further assessment of the situation, or an evaluation of the entity's performance and/or effectiveness, or dismiss the case. Where the issue was related to financial mismanagement, the EFC would request the entity involved to follow the procedures presented in the accreditation application section on "Transparency, self-investigative powers and anti-corruption measures." As the next step, the EFC committee would make a recommendation to the Board.

93. The type of civil society organizations to be involved in an evaluation would depend on the project concerned. With a large project, national or regional civil society organizations would probably be involved, while with a local project it would be community-based organizations. The question should be addressed with flexibility, and without being prescriptive, but every evaluation should include the views of civil society.

94. With regard to the two options to be considered for the implementation of the evaluation framework, he highlighted some of the characteristics of a Technical Evaluation Reference Group, such as that it should be established by and be accountable to the Board as an independent advisory group, and should function in a way similar to the Accreditation Panel, that it should have a minimum membership of four, growing to eight by 2014, and so on. This option will require support from the dedicated team of the secretariat. The cost for a three-year period was estimated at US \$900,000.

95. For the alternative option, that evaluations for the Board should be handled by the GEFEQ, he pointed out that the advantages included the flexibility to increase or decrease support as needed; the fact that the GEFEQ had gained wide international recognition of its independence and expertise; and that the human resource structure was already in place and no support from the dedicated team of the secretariat was needed. The costs were about half those of the first option, at US \$430,000 for three years. The Vice-Chair had asked for members' views on the choice between establishing a Technical Evaluation Reference Group and assigning the responsibility for evaluations to the GEFEQ. After an exploration of various aspects of the options, some members had expressed support for entrusting the evaluations to the GEFEQ, on the grounds of cost and the experience already residing in the GEF, with some of them suggesting that the option might be tried for an interim period of three years.

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

- (a) Approve the option of entrusting the evaluation function to the GEF Evaluation Office, for an interim three-year period;
- (b) Approve the Evaluation Framework contained in Annex II to document AFB/EFC.6/4 with the changes to paragraphs 12-14, as contained in Annex I to this report, and request the GEF Evaluation Office and the secretariat to prepare a final version of the Evaluation Framework;
- (c) Request the secretariat to publish the evaluation framework and disseminate it at the earliest possible opportunity; and

- (d) Further request the secretariat to present to the next EFC meeting a document on how to trigger a review or an investigation, including to address cases of financial mismanagement. The document should present examples of the experience of other funds and proposals on how to deal with the results of such a review or an investigation.

(Decision B.15/23)

Reports on implementation of approved projects/programmes: CSE

97. The Manager of the secretariat introduced the semi-annual report, noting that a first tranche of US \$2.9 million had been transferred to *Centre de Suivi Ecologique* (CSE), and a first report on implementation had been submitted in August 2011, with a revised budget and a request for the next tranche of US \$1.75 million. The secretariat, however, had identified some risks of potential implementation delays and a major concern that almost 50 per cent of the monitoring and evaluation budget had already been disbursed at such an early stage in project implementation without any clear explanation by the NIE. The secretariat had requested further clarification, but the information provided on the monitoring and evaluation component was still not satisfactory.

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

- (a) Take note of the semi-annual report submitted by CSE and the additional information provided to address the secretariat's observations;
- (b) Instruct the secretariat to communicate to CSE the observations contained in paragraphs 9, 13 and 14 of document AFB/EFC.6/6; in particular, to request that CSE provide more detailed information on the purpose of the contracts and the operational expenses listed under 6.1. of the financial statements at the earliest opportunity; and
- (c) Consider, upon provision of the information requested, approving the disbursement of the second tranche of US \$1.75 million to CSE, including during the intersessional period.

(Decision B.15/24)

Implementation of the code of conduct

99. The EFC had expressed concern about lobbying by Board members for their countries' projects, which represented a reputational risk to the Fund and its committees. At the invitation of the Chair of the Committee, the Chair of the PPRC had reported that he had been the subject of lobbying on a project in a certain country, in the form of a telephone call to him from that country's embassy in his home country of Norway. He had told the caller that he had no intention of discussing the project and had ended the conversation, and thus did not feel that his own position on the Committee had been compromised. On the other hand, in the previous PPRC meeting one member had declared a conflict of interest and had abstained from the discussion of a certain country's project because she had been improperly lobbied about it by another Board member whose behavior in that sense had been constant. The PPRC Chair pointed out the danger that if Committee members were known to be opposed to a country's project, the country might lobby some of them, cause them thereby to recuse themselves and thus reduce the level of opposition to the project.

100. The Committee had stressed that the conflict of interest did not reside in allowing oneself to be spoken to improperly about a project, but in allowing the conversation to continue once it was clear that it was, in fact, a lobbying conversation. Board members should be reminded of that danger.

101. The Chair said that the incidents raised two different issues. One was the code of conduct, and he suggested that the report should recall the importance of adherence to that code. The second issue was that of what constituted a conflict of interest. In its simplest form, it involved participation in the discussion of a project of personal concern to the member, but a conflict of interest could also be created by a member's allowing himself or herself – or giving the appearance of allowing himself or herself – to be the subject of improper influence.

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

- (a) Recall the importance of maintaining trust and integrity among the Board members;
- (b) Remind Board members that engaging in lobbying activities constitutes a breach of the code of conduct; and
- (c) Request that the Board member whose behavior has been brought to the attention of the EFC explains the situation presented by the PPRC Chair to the Board for further consideration.

(Decision B.15/25)

Website

103. The Board was briefed on the comments received from one civil society organization. The Board agreed to continue inviting the civil society and Board members to continue improving the website.

Delays in the implementation of the project "Climate change adaptation programme in water and agriculture in Anseba region, Eritrea" (UNDP)

104. The Manager of the secretariat had explained that UNDP had informed the Chair of the Board on 5 August 2011, of delays in the project start-up. Since project approval on 23 March 2011, UNDP had been waiting for signature of the project document by the Ministry of Finance of Eritrea. The delay was apparently due to a planning exercise currently taking place within the Government, to develop short and medium sector plans to provide a framework for projects, which would be of benefit to the project.

105. Following a discussion, the Board decided to grant an extension of three months for the project start-up, subject to the proviso that confirmation was obtained from the Government as to whether the project would indeed start in three months. A decision on how to proceed based on information received, could also be made intersessionally within the three month period.

(Decision B.15/26)

Confidential agenda item of the EFC

106. During a closed session the Board decided to follow the recommendation of the EFC on the matter.

(Decision B.15/27)

Agenda item 8: Issues remaining from the 14th Board meeting*a) Consideration of country cap in the context of regional project/programmes*

107. The representative of the secretariat gave a presentation on this issue, reproduced in greater detail in document AFB/B.15/5. The main question in considering the application of country caps in the context of regional projects and programmes was whether allocations within regional projects and programmes were equated to national projects and programmes or not.

108. After discussion on the options that had been identified in the document, several members expressed the view that more study of such fundamental issues was needed, while acknowledging all the work already done by the secretariat. Only after resolution of those basic matters would it be possible to determine policy issues relating to regional caps. As the Board had no experience with regional projects, on which to base a policy, information should be sought from other entities that had implemented such projects.

109. It was recalled that in the case of national projects the question of a cap had had to be considered at very short notice. At the regional level, it would be better to continue gathering ideas and concepts on which to base a policy.

110. One issue to be resolved was whether, once a regional implementing entity had been accredited, it would be able, despite its regional mandate, to submit strictly national projects.

111. The Manager of the Adaptation Fund Board secretariat added that one regional implementing entity had been accredited. As requested by the Board in Decision B.14/25, the secretariat had written to the implementing entity to explain that the Board was not yet in a position to consider regional projects for approval.

112. It was suggested that the message should also be communicated to MIEs that if they were considering submitting a project for more than one country of a region, however "region" was ultimately to be defined, then it should be submitted as a concept, not a fully developed project document with all details resolved. In any event, presently such a project could not exceed the combined allocations of the countries involved. Having to study such a concept would help guide the Board's thinking as it proceeded to develop its policy.

113. Some members warned about the impact of regional projects on the Board's limited resources, with one of them cautioning that in the experience of implementing agencies in other fields, implementation of regional projects seemed to entail higher management costs than the implementation of national ones. In a situation of limited resources it would be prudent to give priority to national projects.

114. Having heard the report of the secretariat on the country cap in the context of regional project/programmes, and the views expressed on it, the Board decided to:

- (a) Request the secretariat to produce a revised paper that:
 - (i) Reflects the experience on regional projects and programmes gained by other agencies, such as UNEP, the GEF, the World Bank, the PPCR, as well as that of the regional development banks; and
 - (ii) Presents a proposal on the definition of regions in the context of regional projects and programmes;
- (b) Consider the revised report of the secretariat as input for the Board's development of a policy on the approval of regional projects and programmes at the Board's 16th meeting.

(Decision B.15/28)

b) Review of the operational policies and guidelines

115. The Chair introduced the document AFBB.15/6 which presented the draft text for paragraph 10 of the Operational Policies and Guidelines (Guidelines), as recommended by the PPCR, as well as the draft text for paragraphs 34, 48, 57, 58 and 59 of the Guidelines as recommended by the ad-hoc committee which had been set up by the Board to consider those paragraphs. Various members and alternate members spoke on the proposals and some oral amendments to the text were suggested.

116. Having considered the amendments proposed to the operational policies and guidelines, as contained in an annex to document AFB/B.15/6, the Board decided to:

- (a) Approve the amendments to the operational policies and guidelines, as orally amended, and as contained in an annex to the report of the 15th meeting of the Board; and
- (b) Request the secretariat to publish the final version of the operational policies and guidelines on the website of the Adaptation Fund, and to update the Adaptation Fund Handbook accordingly.

(Decision B.15/29)

c) Performance study of the secretariat and trustee

117. During a closed session the Board decided to approve the proposal of the Chair of the Board on the payment schedule for the performance study of the secretariat and trustee.

(Decision B.15/30)

118. Following the closed session the Chair introduced Mr. Tarek Rouchdy, the consultant selected by the Board to prepare the performance review of the secretariat and the trustee.

119. Mr. Rouchdy said that he expected to produce a preliminary report by the middle of the month of October, 2011, with a final report being submitted by the end of that month. He also said that he would spend approximately two-thirds of his time undertaking a desk review of the activities of the secretariat and trustee and then one-third of his time in Washington in order to

verify those activities and to evaluate whether they were being efficiently and effectively performed, and so determine the costs and the cost elements of both bodies.

120. One member pointed out that the review being undertaken by Mr. Rouchdy was very important and would guide the CMP at its meeting in Durban. The Chair requested further details on the proposed visit to Washington.

121. Mr. Rouchdy said that it was important to verify the documents reviewed during the desk study to ensure that process and procedures in place were really being followed. It would also be important to compare the activities of the secretariat with those of a similar organization, although he had not yet made a final choice for that comparison. He confirmed that the draft report would be provided to both the secretariat and the trustee for their review and agreement prior to its circulation to the Board.

122. The Board took note of the presentation by Mr. Rouchdy.

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

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

Agenda item 9: Draft report of the Board to CMP 7

124. The Manager of the secretariat introduced the draft report of the Adaptation Fund Board to the seventh meeting of the CMP (AFB/B.15/7) for the consideration of the Board.

125. One member thanked the secretariat for the draft but pointed out that it would need to be updated following the present meeting. He also observed that a number of project concepts had been endorsed and it would be useful to include the list of proponent countries.

126. The Chair said that it would be possible for the Board to make further comments on the draft report, intersessionally, before it was submitted to the CMP.

127. Following a discussion of its draft report to the seventh meeting of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (AFB/B.15/7), the Board decided to request the Chair, assisted by the secretariat, to finalize the report following the present meeting and to forward it to the secretariat of the UNFCCC. The report will be circulated amongst Board members before being finalized.

(Decision B.15/31)

Agenda item 10: Report on the Pilot Programme on Climate Resilience Subcommittee meeting

128. Mr. Zaheer Fakir (South Africa, Africa) gave a report on his attendance at the Pilot Programme on Climate Resilience (PPCR) Subcommittee meeting, which had been held in Cape Town on 28 and 29 June 2011. One of the main issues discussed had been the request of concessional finance in the PPCR, and it had been found that the interest of countries in voluntarily utilizing concessional credits was much greater than had been originally anticipated. Indeed, 12 out of the 18 countries participating in the PPCR had indicated an interest in

accessing concessional credits – which they would have to repay – together with grants to address their national adaptation needs.

129. The limit for concessional funding was US \$36 million per country, but in general Pilot Programme countries were seeking higher amounts, some of them as much as US \$50 million, which would entail a need for mobilization of additional resources. In turn, if such loans were granted, there would be a need for tools and policies to manage country risk debt distress, such as the debt sustainability framework of the International Monetary Fund and World Bank, as it was important not to add to the debt burden of highly indebted countries.

130. Under the Quality Review of the PPCR, a proposal had been made for the preparation of an independent technical review of PPCR SREP (Scaling-Up Renewable Energy Program for Low Income Countries) investment plans. In the application of the procedures, steps must be taken to attempt to ensure gender equity in the roster of PPCR experts and provide a expert review of the Caribbean and Pacific regional pilot programmes. Future meetings of the PPCR Subcommittee would consider the content of the quality reviews over the past 12 months and review agreed procedures with a view to determining the usefulness of the review process and revising procedures.

131. Mr. Fakir also described the PPCR “sunset clause,” under which all existing financial arrangements under the PPCR would be superseded if and when a new climate change financial architecture was agreed. The intention of having such a clause was to avoid prejudicing the on-going UNFCCC deliberations regarding the future of the climate change regime. The Strategic Climate Fund (SCF) would take the necessary steps to conclude its operations once a new financial architecture was effective, although if the outcome of the UNFCCC negotiations allowed, the Trust Fund Committee, with the consent of the trustee, might take steps to continue the operations of the SCF, with modifications as appropriate.

132. Recalling its previous request to the Climate Investment Funds Administrative Unit to report on the inclusion of gender experts in the joint missions, the PPCR Subcommittee requested that the report on the topic be submitted to its next meeting.

133. The next PPCR Subcommittee meeting would be held in Zambia, hosted by the Zambian Government.

134. The Board took note of the report of Mr. Fakir’s attendance at the PPCR Subcommittee meeting

Agenda item 11: Financial Issues:

a) CER Monetization

135. The representative of the trustee explained that a combination of economic and market events had caused CER prices to fall recently to close to the lowest levels seen since 2009 (EUR 7.65). The key factors included overall negative global macroeconomic news and a high volume of CER issuance. In that context, the trustee had maintained the minimum level of regular CER sales, with only the regular daily trades on BlueNext being executed, in accordance with the CER Monetization Guidelines; coupled with the high volume of CER issuance, the balance of CERs available to monetize had risen to 4.4 million.

136. One member asked why the trustee would sell CERs at all when the price was so low.

137. The representative of the trustee recalled that the mandate of the trustee was to ensure a regular predictable flow of resources to the Adaptation Fund, by remaining active in the carbon market. Thus when the price was low the trustee would generally refrain from large-scale transactions (over-the-counter sales), unless there was a requirement for immediate additional funds for project and program approvals by the Board. He also noted that the average price obtained by the trustee since inception of the CER monetization program was higher than the average market price.

138. The Board took note of the presentation by the representative of the trustee.

b) Financial status of the Adaptation Fund Trust Fund

139. The representative of the trustee presented the financial status of the Adaptation Fund Trust Fund, described in greater detail in the report of the trustee (AFB/EFC.6/5), which also contains information on Board approvals to date broken down by MIEs (86 per cent) and NIEs (14 per cent). The trustee reported that funds available to support new Board funding decisions amounted to US \$174.09 million as at 31 August 2011.

140. The Board took note of the presentation by the representative of the trustee.

Agenda item 12: Board Meetings for 2012

141. The representative of the secretariat confirmed that the 16th meeting of the Board would be held in Durban, South Africa, from Monday, 12 December to Wednesday, 14 December 2011, back-to-back with the seventh meeting of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, and gave some information about the venue.

142. Following the discussion of the details of the 16th meeting, the Board decided that

- (a) The 17th meeting of the Board would be held in Bonn, Germany, from Wednesday, 14 March to Friday, 16 March 2012;
- (b) The 18th meeting of the Board would be held in Bonn, Germany, from Wednesday, 20 June to Friday, 22 June 2012; and
- (c) The 19th meeting of the Board would be held in Bonn, Germany, from Wednesday, 12 September to Friday, 14 September 2012.

(Decision B.15/32)

Agenda item 13: Other Matters

Side-event to be held during CMP 7

143. The Board discussed the format and content of a side-event to be organized during the first week of the seventh meeting of the CMP. There was agreement that the event should not, as in the past, focus on the principles and purpose of the Adaptation Fund. Rather, the event should showcase operational and successful projects that had been financed by the Fund.

144. It was also agreed that the secretariat should seek ways to maximize the impact of the side-event.

145. Following a discussion the Board decided to request that:

- (a) The secretariat prepare materials that show the results that had been achieved by the Adaptation Fund, particularly through funded projects, for presentation at the side-event of the Adaptation Fund that had been organized during the seventh meeting of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP7);
- (b) The NIEs present at CMP7 be invited to attend and make presentations on results of accreditation at those side-events.
- (c) The countries present at CMP7 be invited to attend and make presentations on the approved projects under implementation.

(Decision B.15/33)

Report of the UNFCCC secretariat: the effect of 1/CMP.4 on Board membership

146. The representative of the UNFCCC secretariat made a presentation and explained that pursuant to paragraph 15 of decision 1/CMP.4, and following CMP7, half the members of the Adaptation Fund Board, and their alternate members, would continue to serve in office for an additional and final year. She also reminded the Board that those who had served a total of two consecutive terms on the Board would normally by the operation of 1/CMP.3 not be able to continue beyond CMP 7. However, the effect of paragraph 15 of decision 1/CMP.4 would be to suspend the effect of 1/CMP.3 for half of the members and alternate members. To make that situation clear she distributed a table containing an Adaptation Fund Board membership history chart.

147. Several members said that the membership history chart was difficult to understand and asked for further clarifications on which half of the Board would be extended for an additional year. One member also observed that the effect of paragraph 16 of decision 1/CMP.4 was that the terms served as Board member did not count toward the terms served as an alternate member and vice versa.

148. The representative of the UNFCCC secretariat explained that the members and their alternate members were taken together for the operation of paragraph 15 of 1/CMP.4 and that both would see their terms extended if they were selected. She said that it was up to each regional group to select the appropriate member and alternate member, with the exception of the regional groups for the Small Island Developing States and the Least Developed Countries which would have to decide that issue jointly. The effect of the decision was to extend a two year term into a three year term and those members and alternate members currently serving their first term would still be eligible for a second term even if their present term was extended by one year.

149. The Board took note of the presentation of the representative of the secretariat of the United Nations Framework Convention on Climate Change.

Vice-Chair of the Accreditation Panel

150. Ms. Kate Binns, Vice-Chair of the Accreditation Panel, announced her resignation, for personal reasons, and nominated Ms. Angela Churie-Kallhauge as her replacement.

151. The Board decided to elect, by acclamation, Ms. Churie-Kallhauge Vice-Chair of the Accreditation Panel.

(Decision B.15/34)

Agenda item 14: Dialogue with civil society organizations

152. Ms. Rachel Berger, *Practical Action*, expressed the view that observers were too often excluded from the meeting. Non-governmental organizations (NGOs) were funded either from donations or in some cases from public funds, and it was questionable whether it was a good use of such resources for observers to travel to meetings and then not be able to attend a significant part of them.

153. The Chair, supported by the Chair of the Accreditation Panel, said that closed parts of the meetings were kept to the minimum necessary. It was usually accreditation matters that had to be dealt with in closed session, when sensitive national information was being discussed. The members of the Board had signed a confidentiality agreement covering such information but the same was not true of the observers. Consequently the Board had a duty to handle such matters in closed session.

154. Some members called on the NGO community to be more proactive in the implementation of projects and the accreditation process through, inter alia, capacity building activities, rather than standing on the sidelines making observations about the efforts of the Board. That, too, was not a good use of public money. In some countries, the civil society organizations were more adequately resourced than the national implementing entities, but did not seem ready to lend a hand in the practicalities of project implementation.

155. Ms. Berger said that her organization was involved in the practical implementation of projects, but perhaps not in the countries of which the Board members were thinking.

156. Mr. Sven Harmeling, *Germanwatch*, said that he was pleased to hear that the secretariat would be preparing a report on the lessons learnt from the technical review of projects. That was a timely initiative that would provide future project applicants with important guidance.

157. His organization wished to suggest that particular attention be paid to the manner in which applicants undertook and reported on the consultative process and how they addressed the benefits for particularly vulnerable communities. *Germanwatch* had observed that the quality of applications varied significantly in those two regards; on the consultative process, some countries were providing a good description of how consultation had been undertaken, who had participated and how the comments made and concerns raised had been incorporated into the project applications, but such applications were rather the exception; often the consultative process had been very thin, but could be improved by more concrete guidance by the Board. The same could be said of the issue of addressing vulnerable communities; in a few applications a good basis was provided through vulnerability maps which justified why certain communities had been selected for the projects, but that too was the exception.

158. Some members welcomed the contribution of civil society organizations such as *Germanwatch*, but expressed disappointment that other similar organizations were not equally

active. Following the call for civil society input on the Knowledge Management framework, for example, it had been disappointing that only one organization had responded.

159. Mr. Harmeling said that the comments from *Germanwatch*, which was the host organization of the Adaptation Fund NGO Network, had in fact included comments from other organizations. In the future, the consolidated nature of its input would be made clearer.

160. Following a discussion the Board decided to:

- (a) (a) Maintain its dialogue with civil society on Sunday, December 11, 2011, in Durban, South Africa, to be held the day before the seventh meetings of the EFC and the PPRC; and;
- (b) Invite bilateral and multilateral agencies to engage in a dialogue with the Adaptation Fund Board immediately following the seventh meetings of the EFC and the PPRC or the 16th meeting of the Adaptation Fund Board.

(Decision B.15/35)

Agenda item 15: Adoption of the Report

161. The Board adopted document AFB/B.15/L.1/Add.1, which contained the decisions taken by the Board at its 15th meeting and which were also incorporated, under the relevant agenda items, in the draft report of that meeting (AFB/B.14/L.1). The present report was prepared based on AFB.15/L.1 for intersessional adoption by the Board.

Agenda item 16: Closure of the Meeting

162. Following the customary exchange of courtesies, the Chair declared the 15th meeting of the Board closed on Friday, 16 September at 5.15 p.m.

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

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

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

ANNEX II: ADOPTED AGENDA OF THE FIFTEENTH MEETING

1. Opening of the Meeting.
2. Organizational Matters:
 - (a) *Adoption of the Agenda;*
 - (b) *Organization of Work;*
 - (c) *Declarations of conflict of interest*
3. Report on intersessional activities of the Chair.
4. Report on the activities of the secretariat.
5. Report of the seventh meeting of the Accreditation Panel.
6. Report of the sixth meeting of the Project and Programme Review Committee (PPRC):
 - (a) *Open discussion on a more strategic approach to project/programme review;*
 - (b) *Issues identified during screening/technical review process;*
 - (c) *Proposals from Multilateral Implementing Entities.*
7. Report of the sixth meeting of the Ethics and Finance Committee (EFC):
 - (a) *Knowledge Management framework*
 - (b) *Evaluation framework;*
 - (c) *Reports on implementation of approved projects/programmes: CSE:*
 - (d) *Implementation of the code of conduct;*
 - (e) *Website;*
 - (f) *Financial status of the Adaptation Fund Trust Fund;*
 - (g) *Delays in the implementation of UNDP's project for Eritrea;*
 - (h) *Confidential agenda item of the EFC.*
8. Issues Remaining from the 13th Board meeting:
 - (a) *Consideration of country cap in the context of regional project/programmes;*
 - (b) *Review of the operational policies and guidelines;*
 - (c) *Performance study of the secretariat and trustee*
 - (c) *Participation of the Adaptation Fund Board and secretariat in the Transitional Committee of the Green Climate Fund*
9. Draft Report of the Board to CMP 7.
10. Report on Pilot Programme in Climate Resilience Subcommittee meeting.
11. Financial issues:
 - (a) *CER Monetization;*
 - (b) *Financial status of the Adaptation Fund Trust Fund.*

12. Board meetings for 2012.
13. Other Matters:
 - (a) *Side-event to be held during CMP 7;*
 - (b) *Report of the UNFCCC secretariat: the effect of 1/CMP.4 on Board membership;*
 - (c) *Election of the Vice-Chair of the Accreditation Panel.*
11. Dialogue with civil society organizations.
15. Adoption of the report.
16. Closure of the Meeting.

ANNEX III: LETTER FROM HEAD OF THE ADAPTATION FUND BOARD SECRETARIAT



ADAPTATION FUND

1818 H Street, NW
MSN P4-400
Washington, DC 20433 USA

September 16, 2011

Ms. Ana Fornells de Frutos
Chair
Adaptation Fund Board

Dear Ms. Fornells de Frutos,

Being aware of the discussions at the 15th Adaptation Fund Board meeting regarding the contracts of the Accreditation Panel experts, I understand the concern of the Board about the possibility that the experts' time may be limited should they be contracted by the Global Environment Facility for its own accreditation panel. I would like to reassure the Board that the experts will be available for the work related to the review of the Adaptation Fund's accreditation applications and the Adaptation Fund will remain their first priority.

I will request the World Bank for a waiver of the limit of 150 days Short Term Consultants may work during the fiscal year to further ensure the adequate availability of the experts to commit to their work for the Adaptation Fund.

Sincerely,

A handwritten signature in black ink, appearing to read 'Barbut', enclosed in a simple rectangular box.

Monique Barbut
Head of the Adaptation Fund Board secretariat

**ANNEX IV: FUNDING DECISIONS
AND BUDGET APPROVAL**

	Country/Title	IE	Document Ref	Project	Fee	N I E	MIE	IE fee %	Total Amount Approved	Decision
1. Projects and Programs:	Mauritius	UNDP	AFB/PPRC.6/12	8,404,830.00	714,410.00		9,119,240.00	8.5%	9,119,240.00	Approved
	Cook Islands	UNDP	AFB/PPRC.6/5	4,960,000.00	421,600.00		5,381,600.00	8.5%	0.00	Not approved
	Georgia	UNDP	AFB/PPRC.6/7	4,900,000.00	416,500.00		5,316,500.00	8.5%	0.00	Not approved
	Madagascar	UNEP	AFB/PPRC.6/8	4,152,000.00	352,920.00		4,504,920.00	8.5%	0.00	Not approved
	Papua New Guinea	UNDP	AFB/PPRC.6/13	6,018,777.00	511,596.00		6,530,373.00	8.5%	0.00	Not approved
	Samoa	UNDP	AFB/PPRC.6/14	8,048,250.00	684,101.00		8,732,351.00	8.5%	0.00	Not approved
	Tanzania	UNEP	AFB/PPRC.6/15	5,839,688.00	496,373.00		6,336,061.00	8.5%	0.00	Withdrawn
Sub-total				42,323,545.00	3,597,500.00		45,921,045.00	8.5%	9,119,240.00	
2. Concepts:	Belize	WB	AFB/PPRC.6/4	9,220,000.00	780,000.00		10,000,000.00	8.5%	0.00	Not endorsed
	Egypt	WFP	AFB/PPRC.6/6	8,014,852.00	561,040.00		8,575,892.00	7.0%	0.00	Not endorsed
	Mali	UNDP	AFB/PPRC.6/9	7,864,838.00	668,511.00		8,533,349.00	8.5%	0.00	Not endorsed
	Mauritania	WFP	AFB/PPRC.6/10	9,341,257.00	653,888.00		9,995,145.00	7.0%	0.00	Not endorsed
	Mauritania	WMO	AFB/PPRC.6/11	3,845,000.00	326,825.00		4,171,825.00	8.5%	0.00	Not considered
Sub-total				38,285,947.00	2,990,264.00		41,276,211.00		0.00	
3. Total (3 = 1 + 2)									9,119,240.00	

ANNEX V: APPROVED ADAPTATION FUND EVALUATION FRAMEWORK

The Adaptation Fund background

1. The Adaptation Fund, established by the Parties to the UN Framework Convention on Climate Change (UNFCCC) at its seventh Conference of the Parties (Marrakech, Morocco, October 29 - November 10, 2001), is mandated to finance concrete adaptation projects and programs in developing countries that are Parties to the Kyoto Protocol and to allow direct access to the Fund by those Parties. According to Fund operational policies and guidelines, a concrete adaptation project is defined as a set of activities aimed at addressing the adverse impacts of, and risks posed by, climate change. The total amount of funds to be made available for eligible developing country Parties will depend on the market-based monetization of Certified Emission Reductions (CERs), which are the Fund's main source of revenue. A two percent share of the proceeds from Clean Development Mechanism project activities would be used to finance the cost of adaptation. Depending on the assumptions used, potential resources available to the Adaptation Fund up to the end of 2012 are estimated to be approximately USD 288.4 – 401.5 million.¹ As of December 2010 the fund had approximately USD 148 million available for funding projects, four projects have been approved for funding amounting to nearly USD 24 million, and nine project concepts have been endorsed amounting to almost USD 53 million. Further and up to date information about the Adaptation Fund can be found on its website: www.adapation-fund.org. The Fund approach focuses on two main results areas: (1) reducing vulnerability to the adverse impacts of climate change; and (2) increasing adaptive capacity to cope with, and address the adverse impacts of, climate change.

2. The operating entity of the Fund is the Adaptation Fund Board (the Board), serviced by a Secretariat and a Trustee. Parties invited the Global Environment Facility (GEF) to provide secretariat services (the Secretariat) to the Board, and the World Bank to serve as the trustee (the Trustee) of the Fund, both on an interim basis. Decision 1/CMP.3 provides that one of the functions of the Adaptation Fund Board (the Board) is to establish committees, panels and working groups, if required, to provide, inter alia, expert advice to assist the Board in the performance of its functions. At the 5th meeting the AF Board set up two committees, the Ethics and Finance Committee and the Project and Programme Review Committee.² At its 7th meeting the Adaptation Fund Board adopted fiduciary standards governing the use, disbursement and reporting on funds issued by the Adaptation Fund covering three broad areas: Financial Integrity and Management; Institutional Capacity; and Transparency and Self-investigative Powers.³ In

¹ Financial status of the Adaptation Fund Trust Fund (AFB/EFC.3/7Rev.1)

² Report of the Fifth Adaptation Fund Board (AFB/B.5/10, Decision B.5/5 (May 2009))

³ Report of the Seventh Adaptation Fund Board (AFB/B.7/13/Rev.1, Decision B.7/2 (October 2009)).

order to ensure that organisations receiving Adaptation Fund money meet the fiduciary standards, the Board has established an Accreditation Panel.⁴

3. At the 10th Adaptation Fund Board meeting, the Board approved a Results Based Management framework and an approach to its implementation.⁵ The RBM includes a Strategic Results Framework which describes, at the Fund level, the goals, expected impact, outcomes, and outputs as well as indicators and targets. As part of the implementation plan, the Fund Board requested that a monitoring and evaluation framework and guidelines for final evaluations be developed.

Results based management (RBM), monitoring and evaluation

4. At the June 2010 Adaptation Fund Board meeting, Board members approved *An Approach to Implementing Results Based Management – RBM (AFB/EFC.1/3/Rev.1)*. The Board highlighted that the RBM framework should contain certain elements that should be incorporated in a future evaluation framework as well:

- it should be commensurable with the resources available;
- it should be implemented stepwise, applying the lessons learned by the Board in planning, monitoring and evaluation;
- reporting requirements should be kept simple as possible;
- there should be a limited number of indicators, both qualitative and quantitative, providing simple and reliable means to measure achievements and reporting performance, or to reflect changes connected to an operation or activity; indicators should be timely, reliable and cost-efficient.
- evaluation should be integrated into the project cycle (projects evaluations should be conducted at the end of implementation of the projects);
- Learning and knowledge management should also be integrated into the project cycle;
- Roles and uses of performance information should be defined for accountability and knowledge generation and dissemination.

5. The Board decided to have three elements to the Fund's strategic directions, its performance monitoring and report system and evaluation. The first element is RBM, which provides a sound framework for strategic planning and management by improving learning and accountability.⁶ The focus of an RBM aims to improve management effectiveness and accountability by defining realistic expected results and targets. The second element, monitoring, provides a way to present progress towards the achievement of expected results and targets, integrating lessons learned into management decisions and reporting on

⁴ Report of the Seventh Adaptation Fund Board (AFB/B.7/13/Rev.1, Decision B.7/3 (October 2009).

⁵ Report of the Tenth Adaptation Fund Board (AFB/B.10/7/Rev. 1, Decision B.10/13 (August 2010).

⁶ OECD 2001. Results Based management in the Development Co-operation Agencies: a review of experiences Background Report. Written by Ms. Annette Binnendijk, consultant to the DAC WPEV. <http://www.oecd.org/dataoecd/17/1/1886527.pdf>

performance. Monitoring tells whether the organisation, country, portfolio or project *is on track* to achieving the intended objectives. The third element, evaluation, provides information on whether the project or portfolio was *on the right track*. While monitoring is one of the key instruments of RBM, evaluation looks at monitoring and RBM with a critical eye, to assess its validity, credibility and reliability. Evaluation also provides evidence on how changes are taking place, and the strengths and weakness of the design of the projects, programme or corporate strategies embedded in the RBM. Therefore, the present document provides the evaluation framework for the Adaptation Fund and its activities.

6. In addition to the RBM document, there are several other documents approved by the Board that are relevant to this framework since they provide guidance to an evaluation framework. In fact, the framework presented here provides a compendium of guidelines and requirements established by several documents approved by the Board with regards to evaluation. Annex 1 provides a table summarizing guidance and requirements regarding evaluation.

Purpose of the evaluation framework

7. The overall purpose of this evaluation framework is to explain concepts, roles and use of evaluation within the Adaptation Fund and to define the institutional framework and the responsibilities of different entities participating in the Fund. Specifically, it establishes requirements for how Fund activities should be evaluated in line with international principles, norms and standards. This framework does not address aspects of trustee management, financial and managerial audit, or investigation mechanisms at the Fund, implementing entity or project/programme levels, which may be subject to other provisions of the Fund's bylaws. Furthermore, the framework does not deal with the capacity of implementing entities to do monitoring and evaluation, since this is covered within the accreditation process. The framework includes a discussion on who should implement this framework. International best practices for multilateral funding institutions indicate that the evaluation function should be established and implemented independent from the management of the institution.

8. The Evaluation Framework should remain in effect until and unless the Board decides otherwise. It should also be kept under review and updated to conform to the highest international principles, norms and standards. Potentially, if the Fund Board decides, the evaluation framework and its implementation should be evaluated in 3 or 4 years time.

Overarching objectives

9. The function of evaluation in the Adaptation Fund should promote the following overarching objectives, in accordance to international standards in evaluation:

- Accountability for the achievement of the Fund objectives through the assessment of results, effectiveness, processes, and performance of the Fund financed activities and their contribution to those objectives
- Learning, feedback, and knowledge sharing on results and lessons learned among different groups participating in the Fund to improve on-going and future activities and to support decision-making on policies, strategies, programme management, projects and programmes.

Definition of evaluation

10. Evaluation, as defined in the internationally accepted glossary of evaluation terms of the OECD/DAC⁷, is a systematic and objective assessment of an on-going or completed project, programme, or policy, its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, development efficiency, effectiveness, impact, and sustainability. An evaluation should provide evidence-based information that is independent, credible, reliable, and useful, enabling the timely incorporation of findings, recommendations, and lessons into the decision-making processes. Evaluations are important sources of evidence of the achievement of results and institutional performance, and should contribute to knowledge and to organisational learning. Evaluation differs from other oversight mechanisms, such as investigation and audit that focus on the adequacy of management controls; compliance with regulations, rules, and established policies; and the adequacy of organisational structures and processes.

Types and levels of evaluations

11. Following the initial recommendations from the Board, the evaluation framework proposed here includes a simple reporting system and takes into account the early stages of implementation of the Fund and its projects. There are three levels of evaluation that should be present in the Adaptation Fund:

a) *Project Level Evaluations.*

- **Mid-term Evaluations.** Projects and programmes that have more than 4 years of implementation will conduct a mid-term evaluation after completing the second year of implementation.⁸ This type of evaluations, conducted by an independent team of

⁷ Glossary of Key Terms in Evaluation and Results Based Management (OECD, 2010)

⁸ Many implementing agencies require mid-term reviews, even for projects with less than 4 years of implementation. The requirement of project/programme mid-term evaluation is different and additional. Mid-term reviews, a tool of project monitoring, use monitoring data to provide a snapshot of the progress towards achievement of pre-established indicators (measured in the baseline), for all inputs, outputs, activities, outcomes, and impacts. These monitoring data are analyzed and used to formulate

consultants, will critically assess the initial outputs and results of the project, which enable assessing the quality of programme implementation. It is essential that this evaluation assesses the assumptions made during the preparation stage, particularly objectives and agreed indicators and the current context of the implementation. This is especially crucial, as a change in socio-economic conditions can make the initial diagnosis that was the starting point for the implemented intervention, outdated. The results of this evaluation may contribute to certain modifications to the implementation of an intervention and to up-dating the adopted assumptions. Major changes to the objectives and expected outcomes of the project should be communicated to the Adaptation Fund Secretariat to decide if the project needs to be reassessed for eligibility and funding by the Adaptation Fund Board. Mid-term evaluations will follow minimum requirements presented below as well as guidelines (forthcoming). Their cost should be covered by the project's M&E plans.

- **Final Evaluations.** All projects will conduct evaluations after the end of their implementation (final evaluation). The evaluations will be undertaken independent of project/programme management, or if undertaken by project/programme management, will be reviewed by an independent evaluation unit of the Implementing Entity. Evaluations will assess, at a minimum, achievements of project/programme outcomes; evaluation of risks to sustainability; processes influencing achievement of results, including financial management; how the project/programme has contributed to the achievement of the Fund's objectives; and an evaluation of the M&E systems. Final evaluations will follow minimum requirements presented below as well as guidelines (presented in a separate document). Their costs are covered in the project M&E plans.
- The Adaptation Fund Board reserves the right to carry out **independent and external reviews** or evaluations of projects whenever it deems these necessary. These reviews and evaluations will be additional to the mid-term evaluations and final evaluations. The costs of these reviews will be covered by the Board itself.⁹
- Each project will produce financial audits according to the Adaptation Fund legal agreement with the Implementing Entity.¹⁰ Guidance on how to conduct audits are not included in this framework but are provided elsewhere.

recommendations for project continuation and possible recommendations for improved project performance and improvement of M&E. Mid-term reviews are not conducted independently from management, and do not intend to question if the proposed approach is the right one but rather to assess if the project is on track.

⁹ Operational Guidelines and Policies of the Adaptation Fund Board, approved through Decision B.7/2 at the 7th meeting of the Adaptation Fund Board. September 2009.

¹⁰ Audit is the verification of compliance of the use of resources (mostly financial) with the binding legal regulations and specific standards e.g. the rules governing the use of assistance. Information obtained from the audit can be used in evaluation for estimating efficiency of an intervention.

b) *Implementing Entities Level.*

12. The Board reserves the right to evaluate the performance and effectiveness of implementing entities at any time while the implementing entity is accredited. These evaluations will be triggered by the EFC following issues raised by the Secretariat or Evaluation Function, or upon the request from any Board member or alternate, The EFC will review the matter and decide on a plan of action, which could include one or several of the following actions:

- i. request the involved entity to provide further information; or
- ii. request the Evaluation Function to contract an independent evaluator to conduct further assessment of the situation; or
- iii. request the Evaluation Function to contract an independent evaluator to conduct an evaluation of the entity's performance and/or effectiveness (all principles and evaluation criteria presented below should apply to this type of evaluations); or
- iv. dismiss the case.

13. The EFC will recommend to the Board a plan of action and the Board will make the final decision.

14. A minimum notification of 3 months will be given to an implementing entity if they have been identified by the Board as being the object of such a performance evaluation.¹¹ The evaluation report will be presented to the Board, in an executive closed meeting if considered appropriate, and the Board will make a decision on how to proceed.

c) *Adaptation Fund Level.*

15. The EFC will develop specific procedures (presented in a separate document) to deal with issues related to financial mismanagement and other forms of malpractice at the entity or project level (ie, corruption, misuse of funds or neglect of duty). In developing these procedures, the EFC will take into account the information submitted by the implementing entity in its accreditation application on applicable policies and procedures relating to "Transparency, self-investigative powers and anti-corruption measures".

16. The CMP, at its 6th session, requested that a Review of the Adaptation Fund should be conducted and presented at its 7th session.¹² Views from interested stakeholders on the scope of this review were requested to be submitted to the Secretariat by September 19th, 2011. The scope of the review of the Adaptation Fund will include a review of all matters related to the Adaptation Fund, including institutional arrangements, taking stock of the progress made to date and lessons learned in the operationalisation and implementation of the Fund. Given that the Adaptation Fund has only recently become fully operational, this review shall focus on:

- a. The interim institutional arrangements of the GEF acting as interim secretariat of the Adaptation Fund Board, as well as the interim institutional arrangements of the World Bank

¹¹ Operational Guidelines and Policies of the Adaptation Fund Board (approved by the Board, June 2011)

¹² Terms of reference for the initial review of the Adaptation Fund (Draft Decision/CMP.6)

- acting as the interim trustee for the Adaptation Fund and all matters related to the Adaptation Fund Board;
- b. Performance reviews of the GEF acting as interim secretariat of the Adaptation Fund Board, as well as the interim institutional arrangements of the World Bank acting as the interim trustee for the Adaptation Fund;
 - c. A comparative assessment of the administrative costs of the services of the GEF as interim secretariat of the Adaptation Fund Board and the World Bank acting as an interim trustee for the Adaptation Fund and the Adaptation Fund Board.

17. The CMP may decide to request additional reviews in the future. These reviews should take into account the findings, conclusions and recommendations from the independent evaluations of the Fund proposed above.

18. International evaluation standards and best practices also recommend evaluations at other levels: country level evaluations, which normally assess how the financial support fits and supports country's priorities; impact evaluations, which assess the long-term effects produced by an intervention, intended or unintended, direct or indirect; and process and performance evaluations of the internal dynamics of the funding institution and of other participating institutions, as well as the implementation of projects. One particular type of evaluations which should be considered by the Board is ex-post evaluations. The Board may consider establishing a system to conduct ex-post evaluations of Fund supported activities given that climate change targeted scenarios and impacts are expected to take place many years after project completion. Final evaluations may be too early, even nine months after completion of project activities, to evaluate the achievement of project outcomes and impacts.

Disclosure of evaluations

19. All evaluations will be fully disclosed to relevant policy makers, operational staff, beneficiaries, and the public in general. The principle behind the disclosure practice is to ensure the transparent dissemination of evaluation reports. The Adaptation Fund, within its knowledge management strategy, should ensure the dissemination of the findings, lessons and recommendations extracted from evaluations. Consistent with the practice of most public sector financial institutions, the Adaptation Fund will not disclose to the public financial, business, proprietary or other non-public information provided to the Adaptation Fund by its NIE or MIE. In these cases, the published version of the final evaluation should remove these confidential sections.

Roles and Responsibilities for evaluation

20. Each of the entities involved in the Adaptation Fund have differentiated and specific roles and responsibilities regarding evaluation. In almost all international organisations, evaluations are managed and implemented by independent evaluation units or individuals reporting directly to the Board or governing body, rather than to management. The Board may want to considering selecting one of the options (or combination of) from the menu below following international standards and best practices.

The Adaptation Fund Board

21. The Adaptation Fund Board has several functions regarding evaluation. The ones described below may be supplemented by other functions assigned to it in the future by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol. According to the operational policies and guidelines, the Board is responsible for the strategic oversight of projects and programmes implemented with resources from the Adaptation Fund and oversee results at the fund-level. The Board also authorises independent evaluations and approves standards, guidance on procedures, and quality assurance for project and programme evaluations.

22. In addition, the Board reserves the right to carry out independent reviews or evaluations of projects and programmes as and when deemed necessary. The costs for such activities will be covered by the Adaptation Fund. Finally, in order to improve effectiveness and efficiency, the Board should regularly review performance reports and evaluations on implementation and ensures independent evaluation of projects and programmes supported by the Adaptation Fund and keep the project cycle under review. The Board reviews and approves guidelines to implement this framework, including guidelines for final evaluations.

23. The Board ensures that adequate resources are allocated to enable the evaluation function to operate effectively and with due independence, in particularly through the Ethics and Finance Committee and the Board Secretariat. The Board promotes transparency, participation and disclosure of evaluation findings, and ensures that sufficient time is dedicated to discussion of evaluation issues at the Board meetings.

The Adaptation Fund Secretariat

24. The GEF provides secretariat services to the Adaptation Fund Board on an interim basis. A dedicated team of officials has been contracted to render services to the Fund in a functionally independent and effective manner (Adaptation Fund Secretariat). The Head of the AF Secretariat is responsible for delivery of services to the Board. The secretariat manages daily operations of the fund, assists with developing strategies, policies and guidelines, serve as a liaison between implementing and executing agencies, arrange for Adaptation Fund Board meetings, ensures implementation of operational policies, operationalises the project cycle, administers the budget and business plan, and oversees project implementation as well as communication to the trustee. Regarding evaluation, the Secretariat ensures the following tasks:

- Preparation of an evaluation framework, with the support of the GEF Evaluation Office.
- Provides support to the Ethics and Finance Committee and the AF Board to ensure that the evaluation framework is implemented and that Implementing entities and projects and programmes funded by the Fund adhere to the principles, criteria and requirements as well as the guidelines of the evaluation framework.
- Provides support to the EFC in its preparation of the annual portfolio and progress towards results report to be presented to the Board. This report should include, when available and appropriate, lessons, findings, conclusions and recommendations from relevant evaluation reports.
- Ensures that findings and recommendations emanating from evaluations are followed up on and lessons are incorporated into the development of new projects and programmes,

policies, strategies and procedures. In particular these lessons should be provided to project proponents (implementing entities) and the Project & Programme Review Committee.

- Ensures that results and lessons are disseminated through the Adaptation Fund website.
- Ensure that monitoring tools and guidelines, such as tracking tools and project reporting procedures, are developed, presented to the Board and put in place to optimise and facilitate the evaluation function within the Fund.

Ethics and Finance Committee

25. According to Board documents, the Ethics and Finance Committee has both monitoring and evaluation functions and responsibilities. The monitoring aspects are described in the Board document presenting the implementation approach of the RBM framework. Some of the responsibilities regarding monitoring include the monitoring of the Adaptation Fund portfolio of projects and programmes, with the support of the Secretariat. All projects under implementation are required to submit annual status reports to this committee. The committee will provide an annual report to the Board on the overall status of the portfolio and progress towards results, starting in December 2011.

26. Regarding evaluation, the EFC is responsible for providing advice to the Board on issues of conflict of interest, ethics, finance and audit. The committee will review the performance of the Fund and the implementing entities by using both internal and external evaluations and reports as appropriate. Based on independent reviews or evaluations conducted at the discretion of the committee or the Board, the Ethics and Finance Committee¹³ may recommend to the Board to suspend or cancel a project or programme, at any stage of the project cycle. These independent reviews or evaluations may take place for several reasons, such as (a) financial irregularities in the implementation of the project; and/or (b) material breach and poor implementation performance leading to a conclusion that the project can no longer meet its objectives. In addition, the EFC, with support from the Secretariat, will assess the quality of final evaluation reports according to a set criteria established in the Final Evaluation Guidelines.

Implementing Entities

27. Implementing entities of Adaptation Fund projects have several roles and responsibilities in evaluation. Regarding projects and programmes, implementing entities are required that:

- their project and programme proposals have satisfactory M&E plans and indicators aligned with the Fund's RBM;
- They conduct mid-term and final evaluations for all projects. These evaluations should be conducted according to the minimum requirements presented below and Board approved guidelines. The reports should be submitted to the Board, through the AF Secretariat, at least 9 months after completion of the project implementation

¹³ Accessing Resources from the Adaptation Fund: the Handbook

- Evaluations of AF funded activities are made public and ensure that lessons learned and information is exchanged with other entities engaged with the Fund.
- They respond promptly and fully to requests for information, access to staff and field activities and other support relating to evaluations of Fund activities which they are responsible for; and
- Projects incorporate lessons from previous evaluations in their design and implementation plans.

Project & Programme Review Committee

28. The Project and Programme Review Committee (PPRC) is responsible for assisting the Board in tasks related to project/programme review for Fund financing, in accordance with the operational policies and guidelines for Parties to access resources of the Adaptation Fund, and for providing recommendations and advice to the Board thereon.

29. Lessons coming from evaluations should be considered by the PPR Committee when reviewing project proposals.

Accreditation Panel

30. In accordance with the operational policies and guidelines, the Accreditation Panel shall make recommendations to the Board regarding the accreditation of new implementing entities, as well as suspension, cancellation or re-accreditation of entities already accredited. As part of the accreditation process, the Panel has to ensure that implementing entities have M&E capacities. Lessons coming from final evaluations should be considered by the Accreditation Panel, as relevant, for accrediting new entities.

Conference of the Parties/Meeting of the Parties to the Kyoto Protocol (CMP)

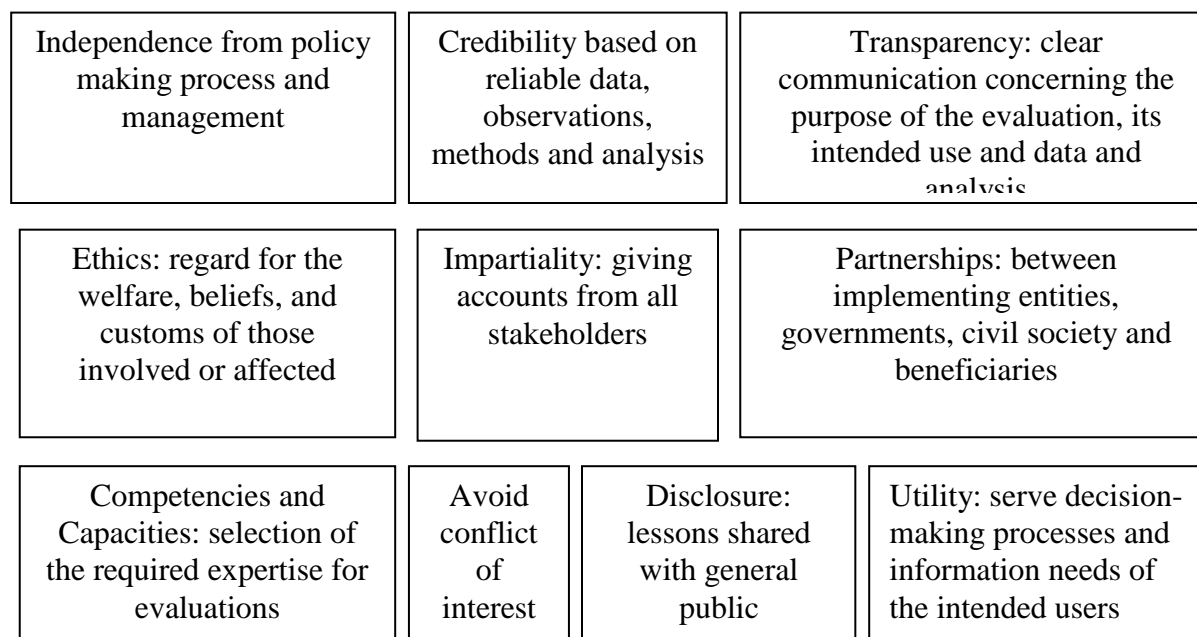
31. The Conference of the Parties serving as the Meeting of Parties to the Kyoto Protocol (CMP) exercises oversight of all Adaptation Fund and Board activities, including evaluation functions. The CMP has requested an initial Review of the Adaptation Fund to be presented at its 7th meeting (see above for description of the terms of reference)

Civil Society Organisations

32. All evaluations conducted by the Adaptation Fund will seek to engage with relevant Civil Society Organisations (CSOs) to ensure that their views and perspectives are heard and taken into account in the evaluation. The relevant CSOs should be selected according to the type of projects, for example for national or regional activities umbrella or international CSOs may be most appropriate while for locally based activities, local communities maybe more relevant. A description of the engagement and the CSOs involved in the evaluation needs to be included in the final evaluation. The civil society organisations have an important role in contributing to the integrity of Adaptation Fund Board policies, including policies on evaluating performance and achievement of results.

Evaluation principles and criteria

33. The evaluation function in the Adaptation Fund should be implemented under the principles presented in the diagram below, following best practices on evaluation. Some of these principles may require further development of specific guidelines or procedures. They will be prepared by the Secretariat at the request of the Board.



34. In general, evaluations in the Adaptation Fund should explore five major criteria, depending of what is being evaluated and understanding that not all of them need to be systematically reviewed in all cases.

- Relevance of the Adaptation Fund and funded projects/programmes: to local and national sustainable development plans, priorities and policies, poverty alleviation plans, national communications or adaptation programmes, and other relevant instruments; to the objectives of the Adaptation Fund, and to the guidance from the convention. Some of the questions to be considered are: Was the activity supported relevant to improving resilience, reducing vulnerability and increasing adaptive capacity at different levels? Does the project support concrete adaptation measures that anticipated address adverse effects of climate change? The issue of uncertainty of climate models and project designs should be considered here. Evaluations should consider if the project proposal included flexibility or adaptive management to accommodate changes in the climate scenarios.
- Effectiveness: The extent to which the intended outcome(s) have been achieved or how likely it is to be achieved. Some questions to be considered are: to what extent did the activity achieve reduction in vulnerability and/or increased adaptive capacity; does the

activity provide environmental and, social, and economic benefits to the involved communities; in particular the most vulnerable communities? Did the Fund provided support to vulnerable developing countries, parties to the Kyoto Protocol, to take own climate resilient measures? Have the concrete adaptation measures addressed the adverse impacts of and risks posed by climate change?

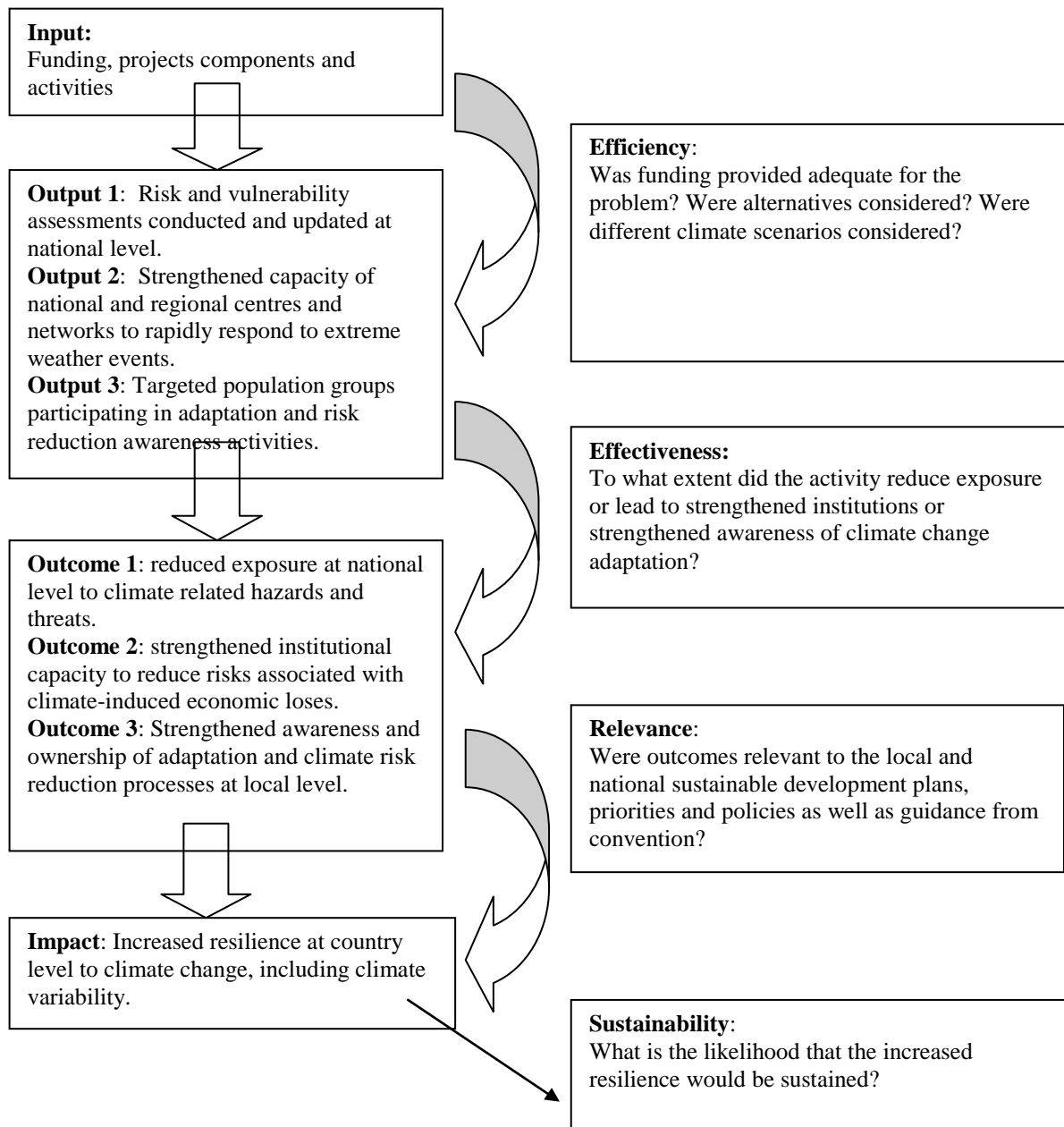
- Efficiency: A measurement of how economically the funds, expertise, time, etc provided by the AF have been converted into results. Some of the questions to be considered are: were alternatives considered? Did the project provide justification for the funding requested on the basis of the full cost of adaptation? Were the cost guidelines established by the Fund for the Secretariat, implementing entities and management cost-effective? What have been the average times in the project cycle? Were quality at entry targets achieved?
- Impact: The positive/negative and unforeseen changes to, and effects produced by, the Adaptation Fund support, individually or at the aggregated level. Have the activities supported by the Fund increased the resiliency at the community, national and regional levels to climate variability and change?
- Sustainability: The likelihood that benefits will continue for an extended period of time after project completion. Some questions to be considered are: is the adaptation measure sustainable to the community involved both to maintain and to avert future climate change impacts? Has the project established financially sustainable institutions and/or adaptation measures for communities in the long term, did the project cause other implications, which may increase vulnerability levels for the surrounding environment? Were there any learning and knowledge management mechanisms established, ensuring continuation of exchange of lessons and knowledge?

35. In addition to these criteria, the Adaptation Fund should report on **results** achieved and against those agreed upon in the RBM framework. Results include direct outputs, short to medium term outcomes, and longer term impacts.

36. These evaluation criteria could be applied for each of the two objectives proposed in the Strategic Results Framework of the Adaptation Fund, Annex 1. For example, the following figure provides the chain of results and the evaluation criteria for Objective 1: reduction of vulnerability to the adverse impacts of climate change, including variability at local and national levels.

Figure 1. Evaluation Criteria applied to Adaptation Fund RBM Objective 1.

Objective 1: reduce vulnerability to the adverse impacts of climate change, including variability at local and national levels



Minimum Requirements

37. There are two minimum requirements regarding evaluation, which are at the project level. Other minimum requirements may be considered and approved by the Board at a future time.

Minimum Requirements for Project/Programme Mid-term Evaluations

38. Projects/programmes with more than 4 years of implementation funded by the Adaptation Fund will be evaluated at their mid point of implementation. This requirement is different and in addition to NIE or MIE requirements for mid-term reviews. These evaluations will have the following minimum requirements:

- They should be prepared by an independent evaluator, independent from project/programme management, but selected by the Implementing Entity;
- The evaluation report should contain information on:
 - The evaluation: when the evaluation took place, who was involved and how; terms of reference, including key questions, and methodology
 - Updated project data at the time of the evaluation: date of project cycle, expected and actual (so far) financing, including actual expenditures; changes in institutional arrangements and changes in project objectives;
- Mid-term evaluations should assess at a minimum¹⁴:
 - Initial outputs and results of the project
 - Quality of implementation, including financial management¹⁵
 - Assumptions made during the preparation stage, particularly objectives and agreed indicators, against current conditions.
 - Factors affecting the achievement of objectives.
 - M&E systems and their implementation
- The mid-term evaluations should be prepared no later than 6 months after the mid point of the project and send to the AF Secretariat.
- Major changes to the objectives and expected outcomes of the project, coming from the mid-term evaluation, should be communicated by the Implementing Entity to the Adaptation Fund Secretariat. The secretariat will decide if the project needs to be reassessed for eligibility and funding by the Adaptation Fund.
- The cost of the mid-term evaluations should be covered by the project's M&E plans.

Minimum Requirements for Project/Programme Final Evaluations

¹⁴ Guidelines for Mid-Term Evaluations will be developed.

¹⁵ This does not fulfill possible requirements of an audit.

39. All projects and programmes funded by the Adaptation Fund will be evaluated at the end of implementation (Final Evaluation). These evaluations will have the following minimum requirements:

- They should be prepared by an independent evaluator, independent from project/programme management, but selected by the Implementing Entity.
- In conducting these evaluations, the implementing entities will apply their own evaluation norms and standards in addition to the ones required below. If an evaluation office is present within the organisational structure of the implementing entity, this office should be requested to participate in the evaluation, following their own procedures.
- The evaluation reports should contain information on:
 - The evaluation: when the evaluation took place; who was involved and how; terms of reference, including key questions, and methodology
 - Updated project data at the time of the evaluation: dates of project cycle; expected and actual financing including actual expenditures; changes in institutional arrangements; and changes in project objectives.
- Final Evaluations should assess at a minimum¹⁶:
 - i. Achievement of outcomes, including ratings and with particular consideration of achievements related to the proposed concrete adaptation measures, if applicable;
 - ii. Likelihood of sustainability of outcomes at project completion, including ratings;
 - iii. Evaluation of processes influencing achievement of project/programme results;
 - iv. Contribution of project achievements to the Adaptation Fund targets, objectives, impact and goal, including report on AF standard/core indicators; and
 - v. Assessment of the M&E systems and its implementation.
- Final Evaluations shall be prepared and submitted to the Adaptation Fund EFC through the Fund's Secretariat within nine (9) months after project completion.
- Copies of the Final Evaluations shall be forwarded by the Implementing Entity to the national/regional agency implementing the project.

Issues for further discussion when evaluating adaptation projects and programmes

40. Successful adaptation measure would ideally result in a new coping range that covers most of the new climate patterns and variability under the new conditions. Most likely, the new conditions, both climate and socio-economic conditions for example, will not have materialized at the time of the project completion, although the adaptation measures might have been tested by one-time event that resembles future scenario conditions (i.e., extreme drought or precipitation events, cyclones causing storm surges similar to the sea level rise predicted in the future). Literature regarding methods and frameworks as well as discussion on how to evaluate adaptation activities has grown in the last few years. No international standards or norms have been established, given the complexity and cross-sectoral nature of adaptation measures. Most likely there will not be one method or framework that could fit all needs, but frameworks that would be guided by the specific sectors in which adaptation measures are applied.

¹⁶ Guidelines for Final Evaluations are under development.

Furthermore, the evaluation of adaptation activities should not be considered in isolation but it should be linked to existing evaluation processes already in use (for example, evaluations of adaptive capacity activities should be evaluated within the processes, methods and frameworks to evaluate capacity). The following paragraphs provide a sample of characteristics of projects and investments dealing with adaptation that provide challenges to their evaluation. The Board should consider them in an evaluation framework.

- a) Success when no impacts happen. One characteristic of adaptation measures is that they are trying to prevent the occurrence of an event. Therefore, their success may be determined when nothing happens. In some cases, the success could be measured if a climatic event similar to the one predicted by the climate change models actually occurs. The questions then are: did the system effectively withstand the event? What type of risk management processes and procedures were established? In other cases, the extreme event may not occur or the predicted climate change may be changes that will be more gradual. Indicators that show progress towards the achievement of project objectives may be used (e.g. number of schools built to withstand floods). Project baselines become important for evaluation here, given that they will provide the information necessary to establish any changes at the end of the project. In addition to the baseline of project indicators is also important to consider the context in which the project is being implemented.
- b) Evaluations occur too early. Evaluations will usually occur much earlier than the date of the targeted scenario (i.e., climate change scenarios for 2020, 2050 or 2100) and the expected impacts. Establishing a system of ex-post evaluations (i.e., evaluation after a few years of project completion) may be one solution to this. Evaluating achievements in adaptive capacity in lieu of the actual adaptation measures themselves may be another option, establishing the flexibility and readiness to change.
- c) Uncertainty in climate scenarios producing uncertainty of risk levels. There are some areas of the world that have a great deal of uncertainty regarding their climate variability and change, as provided by existing models. Projects and adaptation measures are designed within these uncertainties and levels of risk. The evaluation question here would be if any improvements were done to the climate change models and if these changes had been incorporated in the implementation of the project and design of the adaptation measure.
- d) Short term climate variability may affect the outcomes of the projects. The weather during the project implementation period may affect the performance of the proposed adaptation measure, either positively or negatively. For example, unexpected rainy seasons during an agriculture adaptation project dealing with future scenarios of drought may not allow for testing the effectiveness of the adaptation measure. The crop yields during those years would not be the best indicator of success for the project.
- e) Going beyond achievement of objectives: was the adaptation measure selected and implemented the right one? Effective achievement of the objectives of a project is part of any evaluation but the evaluator should also assess that the adaptation measure, in reflection, was the most appropriate one to achieving the objectives.

- f) Contribution rather than attribution. Changes in resilience or adaptive capacity may not be directly or clearly attributed to the Adaptation Fund supported project, given the fact that many other actions affect adaptation.
- g) Processes are better measured than impacts. In most cases, an evaluation at the end of a project may be too early to evaluate the effectiveness in terms of risk and vulnerability reduction but easier to evaluate improvements in adaptive capacity.

ANNEX VI: AMENDED OPERATIONAL POLICIES AND GUIDELINES



ADAPTATION FUND

Adaptation Fund Board

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

INTRODUCTION

1. The Kyoto Protocol (KP), in its Article 12.8, states that “The Conference of the Parties serving as the meeting of the Parties to this Protocol shall ensure that a share of the proceeds from certified project activities is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.”¹⁷ This is the legal basis for the establishment of the Adaptation Fund.
2. At the seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), held in Marrakech, Morocco, from October 29 to November 10, 2001 (COP7), the Parties agreed to the establishment of the Adaptation Fund (the Fund).¹⁸
3. In Montreal, Canada in November 2005¹⁹ and in Nairobi, Kenya in December 2006,²⁰ the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), decided on specific approaches, principles and modalities to be applied for the operationalization of the Fund.
4. In Bali, Indonesia, in December 2007, the CMP decided that the operating entity of the Fund would be the Adaptation Fund Board (the Board), serviced by a Secretariat and a Trustee.²¹ Parties invited the Global Environment Facility to provide secretariat services to the Board (the Secretariat), and the World Bank to serve as the trustee (the Trustee) of the Fund, both on an interim basis.
5. In particular, Decision 1/CMP.3, paragraph 5(b), lists among the functions of the Board to develop and decide on specific operational policies and guidelines, including programming guidance and administrative and financial management guidelines, in accordance with decision 5/CMP.2, and to report to the CMP.
6. In Poznan, Poland, in December 2008, through Decision 1/CMP.4, the Parties adopted:
 - (a) the *Rules of Procedures of the Adaptation Fund Board*;
 - (b) the *Memorandum of Understanding between the Conference of the Parties serving as the meeting of the Parties of the Kyoto Protocol and Council of the Global Environmental Facility regarding secretariat services to the Adaptation Fund Board*, on an interim basis;

¹⁷ See FCCC/KP/Kyoto Protocol.

¹⁸ See Decision 10/CP.7, “Funding under the Kyoto Protocol”.

¹⁹ See Decision 28/CMP.1, “Initial guidance to an entity entrusted with the operation of the financial system of the Convention, for the operation of the Adaptation Fund” in Annex I to this document.

²⁰ See Decision 5/CMP.2, “Adaptation Fund”, in Annex I to this document.

²¹ See Decision 1/CMP.3, “Adaptation Fund”, in Annex I to this document.

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

DEFINITIONS OF ADAPTATION PROJECTS AND PROGRAMMES

9. The Adaptation Fund established under decision 10/CP.7 shall finance concrete adaptation projects and programmes.
10. A concrete adaptation project/programme is defined as a set of activities aimed at addressing the adverse impacts of and risks posed by climate change. The activities shall aim at producing visible and tangible results on the ground by reducing vulnerability and increasing the adaptive capacity of human and natural systems to respond to the impacts of climate change, including climate variability. Adaptation projects/programmes can be implemented at the community, national, regional and transboundary level. Projects/programmes concern activities with a specific objective(s) and concrete outcome(s) and output(s) that are measurable, monitorable, and verifiable.
11. An adaptation programme is a process, a plan or an approach for addressing climate change impacts that is broader than the scope of an individual project.

OPERATIONAL AND FINANCING PRIORITIES

12. The overall goal of all adaptation projects and programmes financed under the Fund will be to support concrete adaptation activities that reduce vulnerability and increase adaptive capacity to respond to the impacts of climate change, including variability at local and national levels.
13. Provision of funding under the Fund will be based on, and in accordance with, the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* adopted by the CMP, attached as Annex 1.

14. Funding will be provided on full adaptation cost basis of projects and programmes to address *the adverse effects of climate change*.²² *Full cost of adaptation* means the costs associated with implementing concrete adaptation activities that address the adverse effects of climate change. The Fund will finance projects and programmes whose principal and explicit aim is to adapt and increase climate resilience. The project/programme proponent is to provide justification of the extent to which the project contributes to adaptation and climate resilience. The Board may provide further guidance on financing priorities, including through the integration of information based on further research on the full costs of adaptation and on lessons learned.
15. In developing projects and programmes to be funded under the Fund, eligible developing country Parties may wish to consider the guidance provided in 5/CP.7. Parties may also consult information included in reports from the Intergovernmental Panel on Climate Change (IPCC) and information generated under the Nairobi Work Programme (NWP) on Impacts, Vulnerability and Adaptation to Climate Change.²³
16. Decisions on the allocation of resources of the Fund shall take into account the criteria outlined in the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund*, adopted by the CMP, specifically:
- (a) Level of vulnerability;
 - (b) Level of urgency and risks arising from delay;
 - (c) Ensuring access to the fund in a balanced and equitable manner;
 - (d) Lessons learned in project and programme design and implementation to be captured;
 - (e) Securing regional co-benefits to the extent possible, where applicable;
 - (f) Maximizing multi-sectoral or cross-sectoral benefits;
 - (g) Adaptive capacity to the adverse effects of climate change.
17. Resource allocation decisions will be guided by paragraphs 9 and 10 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund*.
18. The Board will review its procedures for allocating resources of the Fund among eligible Parties at least every three years, and/or as instructed by the CMP.

PROJECT/ PROGRAMME PROPOSAL REQUIREMENTS

19. To access Fund resources, a project /programme will have to be in compliance with the eligibility criteria contained in paragraph 15 of the *Strategic Priorities, Policies and*

²² Decision 5/CMP.2, paragraph 1 (d).

²³ IPCC Assessment Report 4, see <http://www.ipcc.ch/ipccreports/assessments-reports.htm> and NWP see http://unfccc.int/adaptation/sbsta_agenda_item_adaptation/items/3633.php.

Guidelines of the Adaptation Fund and using the relevant templates (templates attached as Annex 3).

DESIGNATED AUTHORITY

20. Each Party shall designate and communicate to the secretariat the authority that will represent the government of such Party in its relations with the Board and its secretariat. The Designated Authority shall be an officer within the Party's government administration. The communication to the secretariat shall be made in writing and signed by either a Minister, an authority at cabinet level, or the Ambassador of the Party.
21. The main responsibility of the Designated Authority is the endorsement on behalf of the national government of: a) accreditation applications as National Implementing Entities submitted by national entities; b) accreditation applications as Regional or Sub-regional Implementing Entities submitted by regional or sub-regional entities; and c) projects and programmes proposed by the implementing entities, either national, regional, sub-regional, or multilateral.
22. The Designated Authority shall confirm that the endorsed project/programme proposal is in accordance with the government's national or regional priorities in implementing adaptation activities to reduce adverse impacts of, and risks posed by, climate change in the country or region

FINANCING WINDOWS

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

ELIGIBILITY CRITERIA

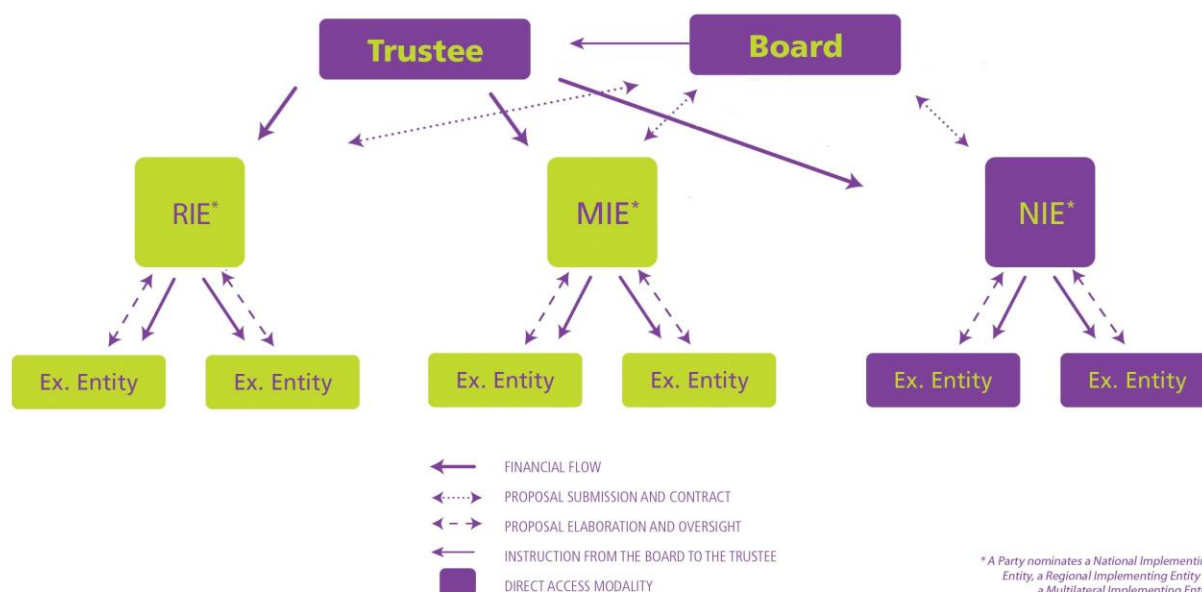
Country Eligibility

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

Implementing and Executing Entities

27. Eligible Parties who seek financial resources from the Adaptation Fund shall submit proposals directly through their nominated National Implementing Entity (NIE).²⁴ They may, if they so wish, use the services of Multilateral Implementing Entities (MIE). The implementing entities shall obtain an endorsement from the government through the Designated Authority referred to in paragraph 20 above.²⁵ The options of submitting different projects/programmes through an NIE and through an MIE are not mutually exclusive. The modalities for accessing resources of the Adaptation Fund are outlined in Figure 1.

FIGURE 1: MODALITIES FOR ACCESSING RESOURCES OF THE ADAPTATION FUND



28. National Implementing Entities (NIE) are those national legal entities nominated by Parties that are recognized by the Board as meeting the fiduciary standards approved by the Board. The NIEs will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring and reporting responsibilities.
29. A group of Parties may also nominate regional and sub-regional entities as implementing entities (RIE/SRIE), and thereby provisions of paragraph 28 will apply. In addition to the nomination of an NIE an eligible Party may also nominate a RIE/SRIE and may submit project/programme proposals through an accredited RIE/SRIE that is operating in their

²⁴ They may include *inter alia*, ministries, inter-ministerial commissions, government cooperation agencies.

region or sub-region. The application for accreditation shall be endorsed by at least two country members of the organization. The RIE/SRIEs will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring and reporting responsibilities.

30. Multilateral Implementing Entities (MIE) are those Multilateral Institutions and Regional Development Banks invited by the Board that meet the fiduciary standards approved by the Board. The MIEs, chosen by eligible Parties to submit proposals to the Board, will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring and reporting responsibilities.
31. In the case of regional (i.e., multi-country) projects and programmes, the proposal submitted to the Board should be endorsed by the Designated Authority of each participating Party.
32. Executing Entities are organizations that execute adaptation projects and programmes supported by the Fund under the oversight of Implementing Entities.

ACCREDITATION OF IMPLEMENTING ENTITIES

Fiduciary Standards

33. Among principles established for the Fund (Decision 5/CMP.2) is “sound financial management, including the use of international fiduciary standards.” At its 7th meeting the Board adopted fiduciary standards governing the use, disbursement and reporting on funds issued by the Adaptation Fund covering the following broad areas (refer to Annex 2 for details):
 - (a) Financial Integrity and Management:
 - (i) Accurately and regularly record transactions and balances in a manner that adheres to broadly accepted good practices, and are audited periodically by an independent firm or organization;
 - (ii) Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;
 - (iii) Produce forward-looking financial plans and budgets;
 - (iv) Legal status to contract with the Fund and third parties
 - (b) Institutional Capacity:
 - (i) Procurement procedures which provide for transparent practices, including in competition;
 - (ii) Capacity to undertake monitoring and evaluation;
 - (iii) Ability to identify, develop and appraise project/programme;

- (iv) Competency to manage or oversee the execution of the project/programme including ability to manage sub-recipients and to support project /programme delivery and implementation.
- (c) Transparency and Self-investigative Powers: Competence to deal with financial mismanagement and other forms of malpractice.

Accreditation Process

34. Accreditation for the implementing entities would follow a transparent and systematic process through an Adaptation Fund Accreditation Panel (the Panel) supported by the Secretariat. The Panel will consist of two Board Members and three experts. The different steps for accreditation are as follows:
- (a) The Board will invite Parties²⁶ to each nominate a National Implementing Entity (NIE); the Board will issue a call to potential Multilateral Implementing Entities (MIE) to express interest in serving as an MIE;
 - (b) Potential implementing entities (NIEs, RIEs, or MIEs), will submit their accreditation applications to the Secretariat together with the required supporting documentation to verify how they meet the fiduciary standards;
 - (c) The Secretariat will screen the documentation to ensure that all the necessary information is provided, and will follow-up with the potential implementing entities to ensure that the application package is complete. The Secretariat will forward the complete package to the Panel within 15 (fifteen) working days following receipt of a candidate implementing entity's submission;
 - (d) The Panel will undertake a desk-review of the application and forward its recommendation to the Board; should the Panel require additional information prior to making its recommendation, a mission and/or a teleconference may be undertaken with regard to the country concerned.²⁷
 - (e) The Board may provide further guidance on the required information in the future on the basis of lessons learned; and
 - (f) The Board will make a decision and in writing will notify the entity of the outcome, which could fall into one of the following categories:
 - (i) Applicant meets requirements and accreditation is approved; or
 - (ii) Applicant needs to address certain requirements prior to full accreditation.

²⁶ The Designated Authority referred to in paragraph 21 above shall endorse the application for accreditation on behalf of the Party.

²⁷ The Panel will specify areas requiring further work to meet the requirements and may provide technical advice to address such areas. In exceptional circumstances, an external assessor may be used to help resolve especially difficult/contentious issues.

35. In case the nominated NIE does not meet the criteria, an eligible Party may resubmit its application after addressing the requirements of the Board or submit an application nominating a new NIE. In the meantime, eligible Parties are encouraged to use the services of an accredited RIE/SRIE or MIE, if they so wish, to submit project/programme proposals for funding. An applicant MIE that does not meet the criteria for accreditation may also resubmit its application after addressing the requirements of the Board.
36. Accreditation will be valid for a period of 5 years with the possibility of renewal. The Board will develop guidelines for renewal of an implementing entity's accreditation based on simplified procedures that will be established at a later date.
37. The Board reserves the right to review or evaluate the performance of implementing entities at any time during an implementing entity's accreditation period. It also reserves the right to investigate the use of the Fund resources, if there is any indication of misappropriate allocations. An investigation could include an independent audit of the use of the Fund resources. A minimum notification of 3 months will be given to an implementing entity if they have been identified by the Board as being the object of a review or evaluation.
38. The Board may also consider suspending or cancelling the accreditation of an implementing entity if it made false statements or provided intentionally false information to the Board both at the time of accreditation to the Board or in submitting a project or programme proposal.
39. Before the Board makes its final decision on whether to suspend or cancel the accreditation of an implementing entity, the entity concerned will be given a fair chance to present its views to the Board.

PROJECT/PROGRAMME CYCLE

40. The project/programme cycle of the Adaptation Fund for any project or programme size begins with a proposal submission to the Secretariat by the NIE/RIE/MIE chosen by the Party/ies. The Designated Authority referred to in paragraph 20 above shall endorse the proposal submission. The submission is followed by an initial screening, project/programme review and approval.²⁸

Review and Approval of Small-size Projects and Programmes

41. In order to expedite the process of approving projects/programmes and reduce unnecessary bureaucracy, small-size projects will undergo a one-step approval process by the Board. The proposed project cycle steps are as follows:
 - (a) The project/programme proponent submits a fully developed project/programme document²⁹ based on a template approved by the Board (Annex 3, Appendix A). A disbursement schedule with time-bound milestones will be submitted together with the fully developed project/programme document. Proposals shall be submitted to

²⁸ The Designated Authority referred to in paragraph 21 above shall endorse the proposal submission.

²⁹ A fully developed project/programme is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation.

the Board through the Secretariat. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board to the extent possible. Project/programme proposals shall be submitted at least nine weeks before each Board meeting in order to be considered by the Board at its next meeting.

- (b) The Secretariat will screen all proposals for consistency and provide a technical review. It will then forward the proposals with the technical reviews to the Projects and Programmes Review Committee (PPRC) for review, based on the criteria approved by the Board (Annex 3). The secretariat will forward comments on the project/programme proposals and requests for clarification or further information to the implementing entities, as appropriate. The inputs received and the conclusions of the technical review by the secretariat will be incorporated to the review template.
- (c) The Secretariat will send all project/programme proposals received with technical reviews to the PPRC at least seven (7) days prior to the meeting. The PPRC will review the proposals and give its recommendation to the Board for a decision at the Meeting. The PPRC may use services of independent adaptation experts to provide input into the review process if needed. The Board can approve, not approve or reject a proposal with a clear explanation to the implementing entities. Rejected proposals cannot be resubmitted.
- (d) The proposals approved by the Board will be posted on the Adaptation Fund website. Upon the decision, the Secretariat in writing will notify the proponent of the Board decision.

Review and Approval of Regular Projects and Programmes

- 42. Regular adaptation projects/programmes are those that request funding exceeding \$1 million. These proposals may undergo either a one-step or a two-step³⁰ approval process. In the one-step approval process the proponent shall submit a fully-developed project/programme document. In the two-step approval process a brief project/programme concept shall be submitted as first step followed by a fully-developed project/document³¹. Funding will only be reserved for a project/programme after the approval of a fully-developed project document in the second step.
- 43. The project/programme cycle steps for both concept and fully-developed project document are as follows:
 - (a) The project/programme proponent submits a concept/fully-developed project document based on a template approved by the Board ((Annex 3, Appendix A). A disbursement schedule with time-bound milestones will be submitted together with the fully developed project/programme document. Proposals shall be submitted to the Board through the Secretariat. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board as much as possible.

³⁰ . A two-step process, while time consuming minimizes the risk that a proponent does not invest time and energy in fully developing a project or program document that fails to meet the criteria of the Fund.

³¹ A fully developed project/programme is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation.

Project/programme proposals shall be submitted at least nine weeks before each Board meeting in order to be considered by the Board at its next meeting.

- (b) The Secretariat will screen all proposals for consistency and provide a technical review based on the criteria approved by the Board (Annex 3). It will then forward the proposals and the technical reviews to the PPRC for review. The Secretariat will forward comments on the project/programme proposals and requests for clarification or further information to the implementing entities, as appropriate. The inputs received and the conclusions of the technical review by the secretariat will be incorporated in the review template.
 - (c) The Secretariat will send all project/programme proposals with technical reviews to the PPRC at least seven (7) days before the meeting. The PPRC will review the proposals and give its recommendation to the Board for a decision at the meeting. The PPRC may use services of independent adaptation experts to provide input into the review process if needed. In the case of concepts, the Board can endorse, not endorse, or reject a proposal with a clear explanation to the implementing entities. In the case of fully-developed proposals, the Board can approve, not approve, or reject a proposal with a clear explanation to the implementing entities. Rejected proposals cannot be resubmitted.
- 44. Proponents with endorsed concepts are expected to submit a fully developed proposal at subsequent Board meetings for approval and funding, following the steps described on paragraph 43 above.
 - 45. All proposals approved for funding by the Board will be posted on the Adaptation Fund website. Upon the decision, the Secretariat will notify the proponent of the Board decision in writing.

Project/Programme Formulation Grants

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

Transfer of funds

- 50. The Secretariat will draft a standard legal agreement between the Board and implementing entities using the template approved by the Board, and any other

documents deemed necessary. The secretariat will provide these documents for signature by the Chair or any other Member designated to sign. The Board may, at its discretion, review any of the proposed agreements.

51. The Trustee will transfer funds on the written instruction of the Board, signed by the Chair, or any other Board Member designated by the Chair, and report to the Board on the transfer of funds.
52. The Board will ensure a separation of functions between the review and verification of transfer requests, and the issuance of instructions to the Trustee to transfer funds.
53. The Board will instruct the Trustee to transfer funds in tranches, based on the disbursement schedule with time bound milestones submitted with the fully developed project/programme document. The Board may require a progress review from the Implementing Entity prior to each tranche transfer. The Board may also suspend the transfer of funds if there is evidence that funds have been misappropriated.
54. If an implementing entity does not sign the standard legal agreement within four (4) months from the date of notification of the approval of the project/programme proposal, the funds committed for that project/programme will be cancelled and retained in the Trust Fund for new commitments.

Monitoring, Evaluation and Review

55. The Board is responsible for strategic oversight of projects and programmes implemented with resources from the Fund, in accordance with its overarching strategic results framework, a *Strategic Results Framework for the Adaptation Fund* and the *Adaptation Fund Level Effectiveness and Efficiency Results Framework* [Available: <http://www.adaptation-fund.org/sites/default/files/Results%20Framework%20and%20Baseline%20Guidance%20final.pdf>], to support the *Strategic Priorities, Policies, and Guidelines of the Adaptation Fund*. The Ethics and Finance Committee (EFC), with support of the Secretariat, will monitor the Fund portfolio of projects and programmes.
56. The Board will oversee results at the fund-level. Implementing entities shall ensure that capacity exists to measure and monitor results of the executing entities at the country-level. The Board requires that projects and programmes under implementation submit annual status reports to the EFC. The EFC with the support of the Secretariat shall provide an annual report to the Board on the overall status of the portfolio and progress towards results.
57. All regular projects and programmes that complete implementation will be subject to terminal evaluation by an independent evaluator selected by the implementing entity. All small projects and programmes shall be subject to terminal evaluation if deemed appropriate by the Board. Terminal evaluation reports will be submitted to the Board after a reasonable time after project termination, as stipulated in the project agreement.
58. The Board requires that all projects' and programmes' objectives and indicators align with the Fund's Strategic Results Framework. Each project/programme will embed relevant indicators from the strategic framework into its own results framework. Not all indicators will be applicable to all projects/programmes but at least one of the core outcome indicators should be embedded.

59. The Board reserves the right to carry out independent reviews, evaluations or investigations of the projects and programmes as and when deemed necessary. The costs for such activities will be covered by the Fund. Lessons from evaluations will be considered by the PPRC when reviewing project/programme proposals.
60. The Board has approved *Guidelines for project/programme final evaluations*. [Available: http://www.adaptation-fund.org/sites/default/files/Guidelines%20for%20Proj_Prog%20Final%20Evaluations%20final.pdf]. These guidelines describe how final evaluations should be conducted for all projects/programmes funded by the Adaptation Fund, as a minimum, to ensure sufficient accountability and learning in the Fund. They should be complementary to the implementing entities' own guidelines on final evaluation.
61. This project cycle will be kept under review by the Board.

Procurement

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

Project Suspensions and Cancellations

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

Reservations

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

Dispute Settlement

69. In case of a dispute as to the interpretation, application or implementation of the project/programme, the implementing entity or the DA shall first approach the EFC through the Secretariat with a written request seeking clarification. In case the issue is not resolved to the satisfaction of the implementing entity, the case may be put before the Board at its next meeting, to which a representative of the implementing entity or the DA could also be invited.
70. The provisions of the standard legal agreement between the Board and implementing entity/DA on settlement of disputes shall apply to any disputes that may arise with regard to approved projects/programmes under implementation.

Administrative costs

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

Where to send a Request for Funding

73. All requests shall be sent to:

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

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

Review of the Operational Policies and Guidelines

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