



ADAPTATION FUND

September 3, 2012

---

Adaptation Fund Board

***Adoption of the Adaptation Fund Board's Report to CMP8***

*The Adaptation Fund Board decides to adopt its report to the eighth session of the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol, as attached to this decision.*

*Decision B.18-19/10*

**UNITED  
NATIONS**

---

Distr.  
GENERAL

FCCC/KP/CMP/2012/  
August 2012

Original: ENGLISH

---

**CONFERENCE OF THE PARTIES SERVING AS THE  
MEETING OF THE PARTIES TO THE KYOTO PROTOCOL**  
Eighth session  
Doha, 26 November – 7 December 2012

**Item ... of the provisional agenda**  
**Adaptation Fund**  
**Report of the Adaptation Fund Board**

## **Report of the Adaptation Fund Board**

### **Note by the Chair of the Adaptation Fund Board**

#### *Summary*

This report has been prepared in response to decision 1/CMP.3 requesting the Adaptation Fund Board to report on its activities at each session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), and covers the period from 30 November 2011 to 30 June 2012. The Chair will report orally to the CMP at its eighth session on activities carried out from 1 July 2012 to December 2012. The report provides information on progress made with respect to the Adaptation Fund, in particular on the implementation of tasks mandated by the CMP, and recommends actions to be taken by the CMP, as appropriate. The report contains information on decisions and actions taken by the Adaptation Fund Board to be noted by the CMP.

## Contents

<b>I. INTRODUCTION (PARA. 1-5).....</b>	<b>3</b>
A. Mandate (para. 1-2) .....	3
B. Scope of the note (para. 3) .....	3
C. Recommendations for action by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its eighth session (para. 4-5) .....	3
<b>II. WORK UNDERTAKEN DURING THE REPORTING PERIOD (PARA. 6-39).....</b>	<b>4</b>
<b>III. SUPPORT FOR THE ADAPTATION FUND BOARD AND IMPLEMENTATION OF ITS MANDATE (PARA. 40-44).....</b>	<b>8</b>
<b>IV. ANNEXES.....</b>	<b>10</b>
<b>Annex I: Revised CER Monetization Guidelines.....</b>	<b>10</b>
<b>Annex II: Adaptation Fund Board Members and Alternate Members</b>	<b>18</b>
<b>Annex III: Actual FY12 and approved FY13 budget of the Board and secretariat, and the trustee .....</b>	<b>19</b>
<b>Annex IV: Project Funding Approvals by the Board Since CMP7.....</b>	<b>20</b>
<b>Annex V: Outcome of the deliberation of the secretariat and the trustee performance review Working Group.....</b>	<b>21</b>
<b>Annex VI: Comparative Analysis of Administrative Costs .....</b>	<b>24</b>

## I. Introduction

### A. Mandate

1. The Conference of the Parties (COP), at its seventh session, agreed to the establishment of the Adaptation Fund (the "Fund").<sup>1</sup> The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), at its third session, decided that the operating entity of the Adaptation Fund would be the Adaptation Fund Board (the "Board"), serviced by a secretariat and an interim trustee (the "trustee").<sup>2</sup>

2. By its decision 1/CMP.3, the CMP requested the Board to report on its activities at each session of the CMP. It further invited the Global Environment Facility (GEF) to provide secretariat services to the Board, and the World Bank to serve as the trustee for the Fund, both on an interim basis.

### B. Scope of the note

3. This report provides information on progress made with respect to the Fund, in particular on the implementation of the mandate from the CMP, and recommends actions to be taken by the CMP, as appropriate. The report covers the period from 30 November 2011 to 30 June 2012.

### C. Recommendations for action by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its eighth session

4. The CMP may wish to take note of the information contained in this report.

5. The Board invites the CMP to take note of the following key events, actions and decisions, taken in accordance with decision 1/CMP.4 and paragraph 10, during the reporting period:

- (a) Accreditation of 12 national implementing entities (NIEs), including six during the reporting period, that can access resources from the Adaptation Fund directly;
- (b) Cumulative receipts into the Adaptation Fund trust fund reached USD 301.1 million, comprising USD 180.0 million from the monetization of certified emission reductions (CERs), and USD 119.5 million from additional contributions;
- (c) Cumulative project and program approvals reached USD 166.5 million;
- (d) Funds available for new funding approvals amounted to USD 112.8 million at 30 June 2012. Potential additional resources which include resources from the monetization of CERs up to end-2012 are estimated at USD 144 million;<sup>3</sup>
- (e) The Board decided to offer Adaptation Fund CERs<sup>4</sup> for purchase directly by governments (revised CER Monetization Guidelines are attached in Annex I); and
- (f) Fundraising target of USD 100 million until 2013.

---

<sup>1</sup> Decision 10/CP.7.

<sup>2</sup> Decision 1/CMP.3, paragraph 3.

<sup>3</sup> Based on spot prices for CERs and the exchange rate between the US dollar and the Euro observed during July 2012, and estimated CER issuance from UNEP Risoe Centre (UNEP Risoe CDM/JI Pipeline Analysis and Database, July 1st 2012).

<sup>4</sup> Only those derived from industrial gas projects

## II. Work undertaken during the reporting period

6. The Board has held three meetings during the reporting period: the 16<sup>th</sup> meeting was convened at the Protea Hotel Umhlanga in Durban, South Africa, back to back with the COP/CMP sessions. The remaining two meetings were held on the premises of the United Nations Convention to Combat Desertification (UNCCD) in Bonn, Germany. The agendas and annotations (including background documentation on the agenda items) and detailed reports of the meetings are available on the Fund's website.<sup>5</sup>

7. The following sections describe the major work undertaken by the Board during the reporting period.

### *Election of the Chair and Vice Chair of the Adaptation Fund Board*

8. In accordance with decision 1/CMP.3, paragraph 13, the Board, at its 16<sup>th</sup> meeting, elected, by consensus, Mr. Luis Santos (Uruguay, Group of Latin American and Caribbean Countries (GRULAC)) as Chair and Mr. Anton Hilber (Switzerland, Western European and Others Group (WEOG)) as Vice Chair of the Adaptation Fund Board.

### *Changes in composition of the Adaptation Fund Board*

9. During the reporting period, a number of members and alternate members of the Board have been replaced. Among the members of the Board, the following changes took place: Ms. Barbara Letachowicz (Poland, Eastern European Group) was replaced by Ms. Laura Dzelzyte (Lithuania, Eastern European Group). Mr. Richard Muyungi (Tanzania, Least Developed Countries, (LDCs)) was replaced by Mr. Mamadou Honadia (Burkina Faso, LDCs). Mr. Farrukh Iqbal Khan (Pakistan, Non-Annex I Parties) was replaced by Mr. Bruno Sekoli (Lesotho, Non-Annex I Parties) who was previously an alternate member and became a member. Ms. He Zheng (China, Asian Group) resigned and as of the date of issuance of this report had not been replaced. Further, Mr. Philip S. Weech (Bahamas, GRULAC), replaced Mr. Jeffery Spooner (Jamaica, GRULAC) as a member and Mr. Spooner became an alternate member, in turn replacing Mr. Luis Paz Castro (Cuba, GRULAC). Mr. Anton Hilber (Switzerland, WEOG) and Mr. Hans Olav Ibrek (Norway, WEOG) switched positions, with Mr. Hilber becoming a member and Mr. Ibrek becoming an alternate.

10. The following changes took place among the alternate members of the Board: Mr. Monowar Islam (Bangladesh, LDCs) was replaced by Mr. Adao Soares Barbosa (Timor Leste, LDCs). Ms. Kate Binns (United Kingdom, Annex I Parties) was replaced by Ms. Su-Lin Garbett-Shiels (United Kingdom, Annex I Parties). The former alternate member position of Mr. Bruno Sekoli (Lesotho, Non-Annex I Parties) who became a member was filled by Mr. Dembele Boubacar Sidiki (Mali, Non-Annex I Parties). Mr. Amjad Abdulla (Maldives, Small Island Developing States (SIDS)) was replaced by Mr. Mohamed Shareef (Maldives, SIDS); and Ms. Iryna Trofimova (Ukraine, Eastern European Group), who had resigned during the previous reporting period, was replaced by Mr. Aram Ter-Zakaryan (Armenia, Eastern European Group). One member and one alternate member seats corresponding to the Asian constituency remain vacant.

11. The complete list of Board members and alternate members is contained in Annex II.

### *Calendar of meetings of the Adaptation Fund Board in 2012*

12. At its 16<sup>th</sup> meeting, the Board adopted a calendar of meetings for 2012 (see table 1). Meetings of the Project and Programme Review Committee (PPRC) and the Ethics and Finance Committee (EFC) immediately preceded each Board meeting. At its 17<sup>th</sup> meeting, the Board decided to reduce the number of

---

<sup>5</sup> <<http://www.adaptation-fund.org>>.

its meetings from four to three per year. The number of Committee and Accreditation Panel meetings has also been reduced respectively.

**Table 1. Calendar of meetings of the Adaptation Fund Board in 2012**

<b>Dates</b>	<b>Location</b>
15-16 March	Bonn, Germany
28-29 June	Bonn, Germany
TBC	TBC

*Work plan of the Adaptation Fund Board*

13. The Board, at its 18<sup>th</sup> meeting, adopted the work plan for the Adaptation Fund Board for fiscal year 1 July 2012 through 30 June 2013.

*Budget of the Adaptation Fund Board, secretariat and trustee*

14. At its 18<sup>th</sup> meeting, the Board considered and approved resources to support the work of the Board and its secretariat and the trustee through to 30 June 2013 (Annex III). The estimated administrative budget requirement approved for the fiscal year 2013 is USD 3,323,470 as at 30 June 2012, representing a decrease of 6.8% from the approved amount for the previous year.

*Accreditation of implementing entities*

15. Decision 1/CMP.3, paragraph 30, provides that “in order to submit a project proposal, Parties and implementing ... entities shall meet the criteria adopted by the Adaptation Fund Board ..., in order to access funding from the Adaptation Fund.”

16. The Accreditation Panel met three times during the reporting period. The Board elected Ms. Angela Churie-Kallhauge (Sweden, WEOG) as Chair and Mr. Santiago Reyna (Argentina, GRULAC) as Vice Chair. These Board members, along with three additional expert members, constitute the Accreditation Panel. The Panel completed the review of eight applications for NIEs from non-Annex I Parties and two from multilateral organizations and development banks during this period.

17. In line with the decision referred to in paragraph 15 above, the Board considered the recommendations of the Accreditation Panel and approved the accreditation of an additional six national implementing entities (NIEs), the Ministry of Planning and International Cooperation of Jordan, the Ministry of Natural Resources of Rwanda, the Unit for Rural Change of Argentina, the National Environment Management Authority of Kenya, the Mexican Institute of Water Technology, and the National Bank for Agriculture and Rural Development of India; and one multilateral implementing entity (MIE), the United Nations Educational, Scientific and Cultural Organization (UNESCO). The number of accredited NIEs during the reporting period represents a 100 percent increase over the previous two years of operations of the accreditation process. The total number of accredited implementing entities as of the date of this report amounted to 12 NIEs, one RIE and 10 MIEs.

18. The Board, the Accreditation Panel, and the secretariat continued collaborating with the UNFCCC secretariat in the organization and development of the regional accreditation workshops mandated by decision 5/CMP.6, paragraph 8, and which concluded during the reporting period. The workshop for the Asian and Eastern European regions was held in Manila, Philippines (19-21 March 2012). The Pacific region workshop took place in Apia, Samoa (23-25 April 2012). At each workshop, two Accreditation Panel experts and two secretariat staff members made presentations on the accreditation requirements and process.

*Adaptation Fund Board committees*

19. The Ethics and Finance Committee (EFC) and the Project and Programme Review Committee (PPRC) established by the Board in 2009, met three times during the reporting period, scheduling their meetings one day before the 18th Board meeting and two days prior to the subsequent Board meetings. Mr. Jeffery Spooner (Jamaica, GRULAC) was elected as Chair of the PPRC and Mr. Hans Olav Ibrekk (Norway, WEOG) was elected as Vice Chair. Mr. Yutaka Matsuzawa (Japan, Annex I Parties) was elected as EFC Chair and Ms. Medea Inashvili (Georgia, Eastern European Group) was elected as Vice Chair.

20. The EFC considered and made recommendations to the Board on the following items: investigative procedure, implementation of the evaluation framework, fundraising campaign and strategy, implementation of the 50 percent cap for MIEs, the annual report, project performance report, standard legal agreement between the Board and the implementing entities for the implementation of projects and programmes funded by the Adaptation Fund, private donations, CER monetization, investment management by the trustee, and the budget of the Adaptation Fund Board, secretariat and trustee.

21. Up to the end of the reporting period, the PPRC had reviewed 11 project concepts and 25 fully-developed proposals, representing 29 distinct proposed projects. It also discussed and conveyed the outcomes of its deliberations to the Board on issues identified during the project or programme review process, such as the rules to be applied when implementing entities are acting as executing entities. The PPRC discussed a document, prepared by the secretariat, on the lessons learned from the review process up to the 16th Board meeting, which has provided valuable information. The PPRC also improved the transparency of reporting on its deliberations through a recommendation to the Board that the secretariat's project/programme reviews be posted on the Fund's website. Finally, the instructions for preparing a request for project or programme funding from the Adaptation Fund were revised during the reporting period.

*Funding decisions on adaptation projects and programmes*

22. Decision 1/CMP.4 paragraph 10, "Requests the Adaptation Fund Board to start processing proposals for funding projects, activities or programmes, as applicable, and to report back on progress made to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol."

23. In line with the provision referred to in paragraph 22 above, the Board approved 14 proposals for funding, including two direct access proposals, for a total amount of USD 96.7 million, during the Adaptation Fund Board meetings held since CMP7 (Annex IV).

24. The Parties whose proposals have been approved for funding during the reporting period are: Cambodia, Colombia, Cook Islands, Djibouti, Egypt, Georgia, Jamaica, Lebanon, Madagascar, Mauritania, Papua New Guinea, Samoa, Tanzania and Uruguay.

25. In addition to the funding decisions listed above, the Board endorsed 10 project concepts for a total amount of USD 70.4 million at its meetings since CMP7. The Parties whose proposals have been endorsed during the reporting period are: Argentina, Belize, Benin, Cambodia, Egypt, Lebanon, Mauritania, Myanmar, Paraguay and Peru. The Board also approved project formulation grants for two direct access proposals in Benin and Argentina, totaling USD 59,000.

26. The sectors represented in the approved fully-developed proposals and endorsed concepts included: agriculture, coastal management, disaster risk reduction, food security, rural development, infrastructure, and water resources management.

27. The Board decided to maintain the 50 percent cap on the funding of projects/programmes implemented by MIEs, and exclude project/programme concepts from the 50 percent calculation. It also decided to establish a pipeline of fully developed projects/programmes that have been recommended by the PPRC for approval by the Board exceeding the 50 percent cap on available resources in the trust fund. It also decided to prioritize the projects/programmes in the pipeline through the sequential application of

the following criteria: i) their date of recommendation by the PPRC; ii) their submission date; and iii) the lower “net” cost. The Board further decided to consider fully developed projects/programmes in the pipeline for approval, subject to availability of resources and respecting the 50 percent cap.

28. Responding to the suggestions and requests from the non-governmental organization observers, all project proposals are posted on the Adaptation Fund website as they are received, and interested stakeholders may post online comments pertaining to the proposals.

#### *Portfolio monitoring*

29. Over the course of the reporting period, the Board considered the first annual report of the Fund and approved a project performance reporting template and process. The disbursement schedule template was also revised in order to make disbursements subject to the submission of annual project performance reports.

#### *Review of the Adaptation Fund*

30. The CMP at its sixth session in decision 6/CMP.6, paragraph 3 requested “the Adaptation Fund Board to make available in its report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its seventh session the performance reviews of the interim secretariat and the interim trustee servicing the Adaptation Fund, in accordance with paragraph 33 of decision 1/CMP.3.” Following the request above, the Board selected and hired an independent consultant to prepare the requested performance reviews, which are contained in document FCCC/KP/CMP/2011/6.

31. The CMP at its seventh session requested in decision 7/CMP.7 that the Adaptation Fund Board “submit to the secretariat, as soon as possible after its first meeting in March 2012, its views on the report on the review of the interim arrangements of the Adaptation Fund for inclusion in an information document.” The CMP also decided to request “the Subsidiary Body for Implementation to consider the initial review of the Adaptation Fund at its thirty-sixth session, taking into account the inputs requested” from the Board and other sources listed in 6/CMP.6, paragraph 5(a-d).

32. The Board reported on the work being undertaken following the mandate described in paragraph 30 above at the 36<sup>th</sup> session of the Subsidiary Body for Implementation (SBI). “The Subsidiary Body for Implementation took note of the views of the Adaptation Fund Board on the report on the review of the interim arrangements of the Adaptation Fund.<sup>6</sup> The SBI invited the Adaptation Fund Board to make available in its report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its eighth session its views on the report on the review of the interim arrangements of the Adaptation Fund by 13 August 2012, in addition to those submitted in document FCCC/SBI/2012/INF.2.”<sup>7</sup>

33. The Adaptation Fund Board’s decisions with respect to the secretariat and the trustee performance review are contained in Annex V to this report.

34. In addition to the above, the SBI at its 36<sup>th</sup> session agreed to invite “the Adaptation Fund Board to provide additional information on the administrative costs of the Adaptation Fund Board and invited the UNFCCC secretariat, building on the information contained in document FCCC/KP/CMP/2011/6/Add.1, to compile and synthesize available information including that in relation to the Least Developed Countries Fund and Special Climate Change Fund into an information document for its consideration at its thirty-seventh session, for the purpose of a comparative analysis by Parties of the administrative costs of the services of the Global Environment Facility as interim secretariat of the Adaptation Fund Board, the World Bank acting as an interim trustee for the Adaptation Fund and the Adaptation Fund Board.”

---

<sup>6</sup> FCCC/SBI/2012/INF.2.

<sup>7</sup> Conclusions approved by SBI 36, paragraph 7.



35. Following the invitation above, the Board presents the information contained in Annex VI to this report. The Board would like to highlight that, for consistency purposes, the period considered for the provision of information is the same considered by the performance reviews of the interim secretariat and interim trustee (document FCCC/KP/CMP/2011/6/Add.1).

#### *Resources in the Adaptation Fund Trust Fund*

36. As of 30 June 2012, the trustee had sold 12.3 million Adaptation Fund CERs, at an average price of EUR 9.92, generating revenues of USD 180.0 million. Receipts from the monetization of CERs reached USD 11.7 million during the reporting period. As of 30 June 2012, 5.89 million CERs were still available to be sold, in accordance with the CER Monetization Guidelines adopted by the Adaptation Fund Board. The trustee has also facilitated donations totalling USD 119.5 million, in accordance with the Board's donation guidelines. The Board has instructed the trustee to transfer a total of USD 26.1 million to implementing entities to date.

37. Funds available for new funding approvals amounted to USD 112.8 million by 30 June 2012. Potential additional resources from the monetization of CERs up to end-2012 are estimated at USD 31.4 million, for total potential additional resources of 144.2 for new project and programme approvals.<sup>8</sup>

#### *Closing of the Multi-Donor Trust Fund for the Adaptation Fund Board secretariat*

38. The Board at its fifth meeting in March 2009 authorized the World Bank, as trustee of the Adaptation Fund Trust Fund, to repay the donors who have elected reimbursement of their contribution to the Multi-Donor Trust Fund for the secretariat for the Adaptation Fund Board (the "Administrative Trust Fund"), subject to availability of funds from the initial monetization of CERs. All such reimbursements have been made, with the exception of the reimbursement of the United Kingdom's contribution of USD 990,300 which will be made pending formal instruction from the donor to the trustee.

#### *Dialogue with civil society organizations*

39. The Board at its 12<sup>th</sup> session initiated regular dialogue sessions with civil society organizations in order to listen to their proposals, receive feedback on the issues comprising the Board agenda, and exchange views. The sessions are planned to be held either before the end of each Board meeting, or between the UNFCCC sessions and the Board meetings.

### **III. Support for the Adaptation Fund Board and implementation of its mandate**

40. Decision 4/CMP.5, paragraph 9 "Encourages Parties included in Annex I to the Convention and international organizations to provide funding to the Adaptation Fund, which will be additional to the shares of the proceeds from clean development mechanism project activities." Further, by decision 6/CMP.7, paragraph 5, the CMP continues to encourage the provision of funding by Parties included in Annex I to the Convention and international organizations.

41. At its 14<sup>th</sup> meeting the Board discussed the need to raise additional funds and decided to request the Manager of the Adaptation Fund Board secretariat to undertake fundraising activities with donors in consultation with the Chair. The Board is also considering options for a fundraising campaign and strategy. Following the mandate above, the Manager made a presentation to the Government of Sweden at the Ministry of Foreign Affairs in Stockholm, in the margins of the 10<sup>th</sup> Accreditation Panel meeting. Following bilateral contacts, a dialogue with donors was held in the margins of the 36<sup>th</sup> meetings of the

---

<sup>8</sup> The estimates provided are based on publicly available information and do not in any way constitute Trustee predictions with respect to future CER prices, exchange rates, CER issuance, or other variables. Based on spot prices for CERs and the exchange rate between the US dollar and the Euro observed during July 2012, and estimated CER issuance from UNEP Risoe Centre (UNEP Risoe CDM/JI Pipeline Analysis and Database, July 1st 2012).

UNFCCC Subsidiary Bodies in Bonn, May 2012. Another session is scheduled to take place in the margins of COP 18 in Doha.

42. During the reporting period the Fund received contributions from Sweden amounting to USD 14.53 million, Switzerland amounting to USD 3.19 and the United Kingdom amounting to USD 15.91 million with Sweden being the first Party to contribute to the Adaptation Fund for the second time. Pledges of contributions were made by Australia and the Brussels Capital Region of Belgium.

43. The Board would like to express its gratitude to the Governments of Sweden, Switzerland and the United Kingdom for their support to the Fund. The Board also recognizes the support of the Adaptation Fund Board secretariat, the trustee, and the UNFCCC secretariat.

44. In accordance with decision 1/CMP.3, paragraph 18, the dedicated team of officials comprises four professional staff members, namely the secretariat's Manager, two Adaptation Officers and one Operations Officer (Accreditation); a Junior Professional Associate; a Programme Assistant and an Extended Term Consultant.

## IV. Annexes

### Annex I: Amended and Restated CER Monetization Program Guidelines June 2012

#### I. SCOPE

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

#### II. OBJECTIVES OF THE CER MONETIZATION PROGRAM

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

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

3. The three Program objectives are discussed below.

##### *Ensure Predictable Revenue Flow*

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

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

##### *Optimize Revenue and Limit Financial Risks*

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

6. **Sales revenue optimization:** Ideally, the Trustee will carry out CER monetization through an ongoing program of spot sales in highly liquid markets. This will ensure fair and transparent pricing, reduce transaction costs associated with price discovery, and minimize costs and risks coming from insufficient liquidity or settlement processes. It is possible to trade spot on liquid exchanges, which

represent the best approximation of an efficient market as long as the volume of sales is consistent with their capacity. The Trustee may supplement spot sales with the use of futures contracts and occasional OTC sales.

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

*Enhance Transparency, Inclusiveness and Cost-Effectiveness*

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

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

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

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

*Six Criteria to Implement the Program Objectives*

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

- Optimize revenues;
- Minimize risks;
- Enhance transparency;
- Be inclusive;
- Be cost effective; and
- Make funding rapidly available.

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

**III. RULES GUIDING THE EXECUTION: THREE-TIERED APPROACH**

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

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

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

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

### ***Ongoing Mechanistic Sales Conducted on Liquid Carbon-Exchanges***

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

- (i) Continuous execution of spot straight sales on liquid exchanges
  - a) The Trustee will primarily conduct straight spot sales (meaning sales executed spot, according to the way trades are normally executed on the exchange, as opposed to a specific form of auction or any form of customized and out-of-the-ordinary transaction), whenever possible on every trading day on the selected exchange(s). The size and the number of transactions executed on a given day will be determined by the Trustee so as to:
    - i) Maximize, to the extent possible, the volume of CER spot sales conducted on exchanges over the period of the CER Monetization Program.
    - ii) Accommodate the liquidity on the exchange and not move or disrupt the market price. To determine the size and number of transactions, the Trustee will rely on indicators made public by exchanges such as the total number of trades per day and the average size of a transaction.
    - iii) Spread the sales of CERs over time so as to average CER market prices. At the beginning of each quarter, the Trustee will determine the planned daily sales volume for such quarter based on the amount of CERs issued during the previous quarter and based on the volume of CERs expected to flow into the AF account, with the goal being to spread transactions evenly throughout the upcoming quarter.
  - b) The Trustee will keep records of all transactions executed on the selected exchange(s). In particular, the record of daily number, volume and selling price of transactions will be kept as well as the corresponding data applicable to the exchange.
  - c) The Trustee will monitor over time the effective presence and access to the selected exchange(s) of compliance buyers and investors, either directly or through brokers.
  - d) The Trustee will conduct trades on an anonymous basis.

- e) The Trustee will mitigate settlement risk by using the delivery-versus-payment settlement facility provided by the exchange. The Trustee will interrupt trading whenever and as long as this facility is discontinued.
- (ii) Limited use of futures contracts
    - a) Although the Trustee will sell CERs on selected exchanges primarily through spot contracts, the Trustee may use futures to a limited extent. Specifically, the Trustee will sell CERs on exchanges using futures contracts only to: access through the futures contracts a liquidity which is manifestly lacking on the spot contracts in the selected exchange(s); and maintain a presence in futures CER trading to diversify selling channels and maintain a continuous and seamless access to CER markets.
  - (iii) The Trustee will determine the maximum amount of sales through futures contracts based on their characteristics and associated costs and risks:
    - a) The Trustee will place a limit on selling CERs through futures contract derived from the costs and risks associated with “margin calls” or collateral requirements. Selling futures could entail the transferring of cash, known as “collateral”, or “margin”, to the exchange or the clearing house performing the settlement functions for the exchange. An initial margin deposit, which would be made in cash in the case of the AF, is required whenever a futures position is opened. With market movements, the margin is recalculated over time, resulting in margin adjustments or “margin calls” and the possible provision of additional collateral until the futures contract is closed. While all margin posted is returned at the expiration of the contract, a sharp increase in the price of CERs could entail suddenly raising large amounts of cash to post as collateral.
    - b) The Trustee will set the limit on future trades of CERs in the following way; determine the cumulative size of futures trades so as to cap to a reasonable amount the margin call, not to exceed €20 million, which would result from the strongest possible increase in the CER price. Cash used will be put aside in the Trust Fund cash account. The amount of CERs that should be delivered at expiration will be kept aside as well in the CDM registry account of the AF.
    - c) The Trustee will furthermore limit the trading on futures based on the AF’s objective of rapid availability of funds. Currently CER futures contracts only have liquidity for December expiration. Therefore, cash proceeds from the sales will not become available until the end of a given year. The Trustee will continuously assess the availability and liquidity of futures contracts with intermediate expiry dates (March, June and September for instance). In determining the maximum amount of futures sales in a given year, the Trustee will incorporate the objective of keeping a cash inventory in the AF Trust Fund cash account commensurate with the expected disbursements of the AF throughout the year.
  - (iv) Selection of exchanges based on their strength, reputation and liquidity

Several exchanges have been established for emissions trading; the largest are ICE/ECX, and the BlueNext environmental exchange. The Trustee will continue to monitor the evolution of the status and offering of the various exchanges in competition in carbon markets according to the criteria used for the initial

selection, and will adapt accordingly its selection of exchanges in the future. A summary presentation of the selected exchanges is given in *Annex II*.

### **OTC Sales**

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

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

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

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

### **Direct Sales to Governments**

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

- i) Over-accumulation in the AF CER account due to high rates of CER issuance by the CDM, temporary suspension of ongoing mechanistic sales, or other reasons.
- ii) Illiquid markets for certain types of CERs, after careful separation of the AF CERs ('green' CERs, CERs generated by large hydros, industrial gas, etc.)

iii) To accelerate the availability of cash in response to the need for new project financing or for administrative costs associated with the management of the AF Trust Fund.

iv) Governments express an interest in purchasing CERs, subject to the criteria below.

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

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

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

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

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

#### **Further Requests for AF Board Guidance**

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

29. In such event, the Trustee will provide the AF Board with relevant information about the event and its impact on the market and will propose alternative courses of action for consideration by the AF Board. The Trustee will act only upon these AF-Board approved Guidelines, AF Board decisions adopted according to AF Board rules and procedures, or written instruction from the AF Board Authorized Designee<sup>9</sup>, in accordance with its Terms and Conditions.

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

31.

---

<sup>9</sup> The Chair of the Adaptation Fund Board or authorized designee



### Settlement

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

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

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

### Summary

TABLE 1

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

#### IV. REPORTING

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

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

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

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

---

**Annex II: Adaptation Fund Board Members and Alternate Members**

Term of Office <sup>10</sup>	Position	Name	Country	Constituency Represented
March 2012 to March 2014 (CMP 7 to CMP 9) <sup>11</sup>	Member	Mr. Cheikh Ndiaye Sylla	Senegal	Africa
	Alternate Member	Mr. Richard Mwendandu	Kenya	Africa
	Member	Mr. Ezzat Lewis Hannalla Agaiby	Egypt	Africa
	Alternate Member	Mr. Zaheer Fakir	South Africa	Africa
	Member	Mr. Abdulhadi Al-Marri	Qatar	Asia
	Alternate Member	Mr. Damdiny Dagvadorj	Mongolia	Asia
	Member	-	-	Asia
	Alternate Member	-	-	Asia
	Member	Ms. Medea Inashvili	Georgia	Eastern Europe
	Alternate Member	Mr. Valeriu Cazac	Moldova	Eastern Europe
	Member	Ms. Laura Dzelzyte	Lithuania	Eastern Europe
	Alternate Member	Mr. Aram Ter-Zakaryan	Armenia	Eastern Europe
	Member	Mr. Philip S. Weech	Bahamas	GRULAC
	Alternate Member	Mr. Jeffery Spooner	Jamaica	GRULAC
	Member	Mr. Luis Santos	Uruguay	GRULAC
	Alternate Member	Mr. Santiago Reyna	Argentina	GRULAC
	Member	Mr. Anton Hilber	Switzerland	WEOG
	Alternate Member	Mr. Hans Olav Ibrekk	Norway	WEOG
	Member	Ms. Angela Churie-Kallhaug	Sweden	WEOG
	Alternate Member	Mr. Markku Kanninen	Finland	WEOG
	Member	Mr. Peceli Vocea	Fiji	SIDs
	Alternate Member	Mr. Mohamed Shareef	Maldives	SIDs
	Member	Mr. Mamadou Honadia	Burkina Faso	LDCs
	Alternate Member	Mr. Adao Soares Barbosa	Timor Leste	LDCs
	Member	Ms. Ana Fornells de Frutos	Spain	Annex I Parties
	Alternate Member	Mr. Yutaka Matsuzawa	Japan	Annex I Parties
	Member	Mr. Marc-Antoine Martin	France	Annex I Parties
	Alternate Member	Ms. Su-Lin Garbett-Shiels	United Kingdom	Annex I Parties
	Member	Mr. Ricardo Lozano Picon	Colombia	Non-Annex I Parties
	Alternate Member	Ms. Sally Biney	Ghana	Non-Annex I Parties
Member	Mr. Bruno Sekoli	Lesotho	Non-Annex I Parties	
Alternate Member	Mr. Dembele Boubacar Sidiki	Mali	Non-Annex I Parties	

<sup>10</sup> Members and alternate members shall serve for a term of two years and shall be eligible to serve a maximum of two consecutive terms (see decision 1/CMP.3). At the seventh session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, half of the members of the Adaptation Fund Board, and their alternate members from the same group, shall continue to serve in office for one additional and final year. The terms as members do not count towards the terms as alternate members, and terms as alternate members do not count towards the terms as members (see decision 1/CMP.4).

<sup>11</sup> The term of office of a member, or an alternate, shall start at the first meeting of the Board in the calendar year following his or her election and shall end immediately before the first meeting of the Board in the calendar year in which the term ends (see decision 4/CMP.5).

**Annex III: Actual FY12 and approved FY13 budget of the Board and secretariat, and the trustee<sup>12</sup>**

<u>All amounts in US\$</u>	<u>Approved FY12</u>	<u>Actual Estimated FY12</u>	<u>Proposed FY13</u>
-	-	-	-
<b><u>BOARD AND SECRETARIAT</u></b>			
-	-	-	-
<u>01 Personnel</u>	<u>1,727,768</u>	<u>1,304,128</u>	<u>1,754,747</u>
<u>02 Travel</u>	<u>1,057,810</u>	<u>591,727</u>	<u>717,400</u>
<u>03 General operations</u>	<u>297,264</u>	<u>195,614</u>	<u>351,323</u>
<u>04 Meetings</u>	<u>515,000</u>	<u>489,176</u>	<u>500,000</u>
<u>Sub-total Board and secretariat</u>	<u>3,597,842</u>	<u>2,580,645</u>	<u>3,323,470</u>
-	-	-	-
<b><u>TRUSTEE</u></b>			
<u>01 CER Monetization</u>	<u>678,000</u>	<u>514,000</u>	<u>520,000</u>
<u>02 Financial and Program Management</u>	<u>140,000</u>	<u>157,000</u>	<u>173,000</u>
<u>03 Investment Management</u>	<u>70,000</u>	<u>85,000</u>	<u>70,000</u>
<u>04 Accounting and Reporting</u>	<u>55,000</u>	<u>56,000</u>	<u>56,000</u>
<u>05 Legal Services</u>	<u>55,000</u>	<u>34,000</u>	<u>15,000</u>
<u>06 External Audit</u>	<u>90,000</u>	<u>42,000</u>	<u>60,000</u>
<u>Sub-total trustee services</u>	<u>1,088,000</u>	<u>888,000</u>	<u>894,000</u>
<u>07 Special Initiative: FIF IT Systems</u>			<u>150,000</u>
<u>Sub-total trustee</u>	<u>1,088,000</u>	<u>888,000</u>	<u>1,044,000</u>
-	-	-	-
<b><u>GRAND TOTAL ALL COMPONENTS</u></b>	<b><u>4,685,842</u></b>	<b><u>3,468,645</u></b>	<b><u>4,367,470</u></b>

<sup>12</sup> Decimal points in the table are rounded up.

### Annex IV: Project Funding Approvals by the Board since CMP7

#### 18<sup>th</sup> AFB Meeting (June 29, 2012)

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

#### 17<sup>th</sup> AFB Meeting (March 16, 2012)

	Country/Title	IE	Document Ref	Project	Fee	NIE	MIE	IE fee %	Total Amount	Decision
<b>1. Projects and Programmes:</b>										
	Papua New Guinea	UNDP	AFB/PPRC.8/12	6,018,777.00	511,596.00		6,530,373.00	8.5%	6,530,373.00	Approved
	Colombia	UNDP	AFB/PPRC.8/6	9,064,000.00	770,440.00		9,834,440.00	8.5%	0.00	Not Approved
	Ghana	UNDP	AFB/PPRC.8/11	8,156,682.00	693,318.00		8,850,000.00	8.5%	0.00	Not Approved
	<b>Sub-total</b>			<b>23,239,459.00</b>	<b>1,975,354.00</b>		<b>25,214,813.00</b>	<b>8.5%</b>	<b>6,530,373.00</b>	
<b>2. Project Formulation Grant:</b>										
	Benin	FNE	AFB/PPRC.8/6/Add.1						29,000.00	Approved
	<b>Sub-total</b>								<b>29,000.00</b>	
<b>3. Concepts:</b>										
	Benin	FNE	AFB/PPRC.8/6	8,369,000.00	711,000.00	9,080,000.00		8.5%	9,080,000.00	Endorsed
	Belize	WB	AFB/PPRC.8/7	5,530,000.00	470,000.00		6,000,000.00	8.5%	6,000,000.00	Endorsed
	Cambodia	UNEP	AFB/PPRC.8/8	4,566,150.00	388,123.00		4,954,273.00	8.5%	4,954,273.00	Endorsed
	Lebanon	IFAD	AFB/PPRC.8/9	7,245,000.00	615,825.00		7,860,825.00	8.5%	7,860,825.00	Endorsed
	<b>Sub-total</b>			<b>25,710,150.00</b>	<b>2,184,948.00</b>	<b>9,080,000.00</b>	<b>18,815,098.00</b>	<b>8.5%</b>	<b>27,895,098.00</b>	
	<b>4. Total (4 = 1 + 2 + 3)</b>			<b>48,949,609.00</b>	<b>4,160,302.00</b>	<b>9,080,000.00</b>	<b>44,029,911.00</b>	<b>8.5%</b>	<b>34,454,471.00</b>	

#### 16<sup>th</sup> AFB Meeting (December 14, 2011)

	Country/Title	IE	Document Ref	Project	Fee	NIE	MIE	IE fee %	Total Amount	Decision
<b>1. Projects and Programs:</b>										
	Uruguay	ANII	AFB/PPRC.7/5	9,471,428.00	496,250.00	9,967,678.00		5.2%	9,967,678.00	approved
	Cook Islands	UNDP	AFB/PPRC.7/7	4,960,000.00	421,600.00		5,381,600.00	8.5%	5,381,600.00	approved
	Georgia	UNDP	AFB/PPRC.7/9	4,900,000.00	416,500.00		5,316,500.00	8.5%	5,316,500.00	approved
	Madagascar	UNEP	AFB/PPRC.7/10	4,705,000.00	399,925.00		5,104,925.00	8.5%	5,104,925.00	approved
	Samoa	UNDP	AFB/PPRC.7/14	8,048,250.00	684,101.00		8,732,351.00	8.5%	8,732,351.00	approved
	Tanzania	UNEP	AFB/PPRC.7/15	4,616,188.00	392,376.00		5,008,564.00	8.5%	5,008,564.00	approved
	Papua New Guinea	UNDP	AFB/PPRC.7/13	6,018,777.00	511,596.00		6,530,373.00	8.5%		not approved
	<b>Sub-total</b>			<b>42,719,643.00</b>	<b>3,322,348.00</b>	<b>9,967,678.00</b>	<b>36,074,313.00</b>	<b>7.8%</b>	<b>39,511,618.00</b>	
<b>2. Concepts:</b>										
	Egypt	WFP	AFB/PPRC.7/8	6,849,773.00	437,885.00		7,287,658.00	6.4%	7,287,658.00	endorsed
	Mauritania	WFP	AFB/PPRC.7/11	7,180,274.00	459,013.00		7,639,287.00	6.4%	7,639,287.00	endorsed
	Myanmar	UNDP	AFB/PPRC.7/12	7,289,425.00	619,601.00		7,909,026.00	8.5%	7,909,026.00	endorsed
	Cambodia	UNEP	AFB/PPRC.7/6	4,530,288.00	385,074.00		4,915,362.00	8.5%		not endorsed
	<b>Sub-total</b>			<b>25,849,760.00</b>	<b>1,901,573.00</b>		<b>27,751,333.00</b>	<b>7.4%</b>	<b>22,835,971.00</b>	
	<b>3. Total (3 = 1 + 2)</b>			<b>68,569,403.00</b>	<b>5,223,921.00</b>	<b>9,967,678.00</b>	<b>63,825,646.00</b>	<b>7.6%</b>	<b>62,347,589.00</b>	

**Annex V: The Adaptation Fund Board's decisions with respect the secretariat and the trustee performance review**

**Performance Review of the Interim Arrangements of the Adaptation Fund**

1. A working group, established in decision B.16/30, reviewed the report prepared by the consultant entitled "Performance Review of the Interim Arrangements of the Adaptation Fund." Upon deliberation of the recommendations contained within the consultant's report and the working group's recommendations, the following decisions include the Adaptation Fund Board's (AFB) measures taken, findings, and overall conclusions with respect to the arrangements of the AFB secretariat and Trustee.

***Secretariat***

2. Taking into account the working group's evaluations of the GEF cross-support to the AF, particularly on results-based management, human resources, information technology, knowledge management, and project review, the Board decides to:

- a) Request the Project and Programme Review Committee (PPRC) to consider authorizing the secretariat to decide on the endorsement of project concepts based on their technical reviews and assessments of proposals, and to notify proponents directly. The PPRC is requested to formulate a recommendation to the AFB in this regard.

**(Decision B.18-19/2)**

3. In order to ensure the quality of the project/programme review process, the Board decides to request the Head of the AFB Secretariat to:

- a) Ensure that the co-reviewers selected for the GEF Secretariat's cross support services for AF project reviews have at least the same amount of relevant experience as the dedicated team of the AFB secretariat project review team; and,
- b) Inform the AFB about the need of additional staff before recruiting, should there be any longer term human resource constraints regarding the provision of AF project review services

**(Decision B.18-19/3)**

4. Recognizing high turnover amongst GEF Secretariat staff providing cross-support to the AFB Secretariat, the Board decides to request the Head of the AFB Secretariat to:

- a) Consistently ensure the quality of the work provided by the GEF cross-support staff, limit excessive turnover of the GEF staff to avoid undermining the quality of the support, and regularly report to the AFB the grade of GEF secretariat staff assigned to the provision of cross-support to the AF;
- b) Ensure that GEF staff providing cross-support are able to prioritize the work for the Adaptation Fund adequately and sufficiently.

**(Decision B.18-19/4)**

5. The Board decides to explore further how to guarantee that the GEF cross-cutting support provided and charged to the AF responds to the needs of the AFB.

**(Decision B.18-19/5)**

6. Regarding the GEF's role as the interim secretariat, the Board is of the view that the matter falls within the political mandate of the CMP. However, it is the Board's position that given the resource constraints the Fund faces, the challenges of CER monetization, and the need for the Board to focus on its core activities, including the implementation of concrete adaptation projects/programmes, a change in the interim secretariat is not recommended/ advised at this time. Further, the Board notes that establishing an independent secretariat at this juncture may undermine confidence in the effectiveness and efficiency of the Adaptation Fund and its Board, and may undermine the willingness of donors to provide support. It may also risk increasing the transaction costs to the Fund.

7. The Board decides to recommend the CMP maintain the GEF as interim Secretariat of the AFB and to include the above paragraph in its next report to the CMP.

**(Decision B.18-19/6)**

### ***Trustee***

8. At the 17<sup>th</sup> Board meeting, decisions were taken in relation with the investment strategy and reporting on the implementation of this strategy. Having considered the recommendation of the EFC the Board decided to:

- a) Express support for the trustee's proposed investment strategy as outlined in document AFB/EFC.8/10; and*
- b) Request the Trustee to provide further reporting on the implementation of this strategy at the next and future meetings.*

*Decision B.17/26*

9. Further, the Board finds that the recommendation to shift the oversight role over the Trustee's activities from the Board to the Secretariat is not advisable. The Board decides to maintain oversight over the Trustee's activities.

**(Decision B.18-19/7)**

10. The Board decides to:

- a) Encourage the Trustee to increase the use of videoconferencing to ensure their efficient participation in AFB Meetings and to strive to limit their direct participation in AFB Meetings to one senior staff member ; and
- b) Request the Trustee to provide the Chair of the AFB intersessionally with justification of any need for their direct participation in the next AFB meetings at a level that goes beyond the above recommendation. .

**(Decision B.18-19/8)**

11. The Board decides to request the Trustee to examine the report prepared by the consultant entitled "Performance Review of the Interim Arrangements of the Adaptation Fund" and advise at its next meeting about possible options/ measures to ensure that information about the amount of CERs available to the Adaptation Fund in its Share of Proceeds Account held with the Clean Development Mechanism is complete, accurate and received in a timely manner before the CERs are made available to the Trustee for monetization. Each option should include a cost estimate and a time line for implementation.

**(Decision B.18-19/9)**



**Annex VI: Comparative Analysis of Administrative Costs****Adaptation Fund Board administrative cost  
Fiscal Year 2009, 2010 and 2011**

(US\$)

	FY09 (July 2008 – June 2009)	FY10 (July 2009 – June 2010)	FY11 (July 2010 – June 2011)
Travel cost/Airfare (Eligible Board members)	76,996.81	576,000	593,280
Daily Subsistence Allowance (DSA)	145,709.96	141,729	161,009
Support to Chair	15,000	0	23,870
<b>Total</b>	<b>237,706.77</b>	<b>717,729</b>	<b>778,159</b>

**Note:**

- The number of eligible Board members ranges from 20 to 25 depending on selection of members (Eastern European members can be from Annex I or non-Annex I Parties).
- In FY09, some Board members arranged their travels on their own governments' cost so cost/airfare for this year is much lower than the following fiscal years. In accordance with paragraphs 41 and 42 of the Rules of procedure of the Adaptation Fund Board, travel arrangements for Board members and alternates following UN rules started from FY10.