



ADAPTATION FUND

AFB/B.15/7  
August 23, 2011

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Adaptation Fund Board  
Fifteenth Meeting  
Bonn, September 15-16, 2011

Agenda item 9.

**DRAFT REPORT OF THE ADAPTATION FUND BOARD  
TO THE CONFERENCE OF THE PARTIES  
SERVING AS THE MEETING OF  
THE PARTIES TO THE KYOTO PROTOCOL AT ITS  
SEVENTH SESSION**

### **Note by the secretariat**

1. The secretariat prepared the draft report of the Adaptation Fund Board to the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol at its 7<sup>th</sup> session, following decision 1/CMP.3, paragraph 5 (l). The text in brackets reflects recommendations that have yet to be approved by the Board.

### **Recommendation**

2. The Board may want to
  - a) Consider the draft report contained in document AFB/B.15/7 for approval; and
  - b) Request the Chair, assisted by the secretariat, to finalize this report after the 15<sup>th</sup> Board meeting and to forward it to the UNFCCC secretariat.

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**CONFERENCE OF THE PARTIES SERVING AS THE  
MEETING OF THE PARTIES TO THE KYOTO PROTOCOL**  
Seventh session  
Durban, 28 November – 9 December 2011

**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 December 2010 to September 2011. The Chair will report orally to the CMP at its seventh session on activities carried out from September 2011 to December 2011. 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.

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## I. Introduction

### A. Mandate

1. The Conference of the Parties, at its seventh session, agreed to the establishment of the Adaptation 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, serviced by a secretariat and a trustee<sup>2</sup>.

2. By its decision 1/CMP.3, the CMP requested the Adaptation Fund 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 Adaptation Fund Board, and the World Bank to serve as the trustee for the Adaptation Fund, both on an interim basis.

### B. Scope of the note

3. This report provides information on progress made with respect to the Adaptation 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 December 2010 to September 2011.

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

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

5. The Adaptation Fund Board invites the CMP to take note of the following key actions and decisions, taken in accordance with decision 1/CMP.4, paragraph 10 and 4/CMP.5, paragraph 3, during the reporting period:

- (a) Accreditation of [five] national implementing entities that can access resources from the Adaptation Fund directly;
- (b) Approval of funding decisions on adaptation projects and programmes amounting to USD [43.6] million;
- (c) Enactment of the German Act of Parliament conferring legal capacity on the Adaptation Fund Board on 8 February 2011;
- (d) [Approval of a revised version of the operational policies and guidelines to access resources from the Adaptation Fund Board and related templates (annex I)];
- (e) Approval by the Executive Directors of the World Bank of the extension of the legal arrangements with the CMP governing the World Bank's mandate as interim trustee; and
- (f) Accrual of proceeds from the monetization of certified emission reductions (CERs) of over USD 163 million as at 30 June 2011. Cumulative contributions from donors amounted to over USD 85 million; and cumulative cash transfers to Implementing Entities amounted to USD 12 million.

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

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

## II. Work undertaken during the reporting period

6. The Adaptation Fund Board has held four meetings during the reporting period: the twelfth meeting was convened at the premises of the Universidad del Caribe in Cancun, Mexico, back to back with the COP/CMP sessions; whereas the remaining three meetings were held at the premises of the United Nations Convention to Combat Desertification in Bonn, Germany. The agendas and annotations (including background documentation on the agenda items) and detailed reports of the meetings have been made available on the Adaptation Fund website.<sup>3</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 Adaptation Fund Board, at its 13<sup>th</sup> meeting, elected, by consensus, Ms. Ana Fornells de Frutos (Spain) as Chair and Mr. Luis Santos (Uruguay) 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 Adaptation Fund Board have been replaced. Among the members of the Board, the following changes took place: Mr. Jan Cedergren (Sweden, Western European and Others Group (WEOG)) was replaced by Ms. Angela Churie-Kallhauge (Sweden, WEOG). Mr. Jerzy Janota-Bzowski (Poland, Eastern European Group) was replaced by Ms. Barbara Letachowski (Poland, Eastern European Group). Mr. Julien Rencki (France, Annex I Parties) was replaced by Mr. Marc-Antoine Martin (France, Annex I Parties). Mr. Wang Zhongjing (China, Asian Group).....

10. The following changes took place among the alternate members of the Board: Mr. Hiroshi Ono (Japan, Annex I) was replaced by Mr. Yutaka Matsuzawa (Japan, Annex I).

11. The complete list of Board members and alternate members is given in annex II.

### *Calendar of meetings of the Adaptation Fund Board in 2011*

12. At its 13<sup>th</sup> meeting, held in Bonn from 17 to 18 March 2011, the Adaptation Fund Board adopted a calendar of meetings for 2011 (see table 1). Meetings of the Project and Programme Review Committee (PPRC) and the Ethics and Finance Committee (EFC) were held one day prior to each Board meeting.

**Table 1. Calendar of meetings of the Adaptation Fund Board in 2011**

<b>Dates</b>	<b>Location</b>
17-18 March	Bonn, Germany
21-22 June	Bonn, Germany
15–16 September	Bonn, Germany
12–14 December	Durban, South Africa

### *Work-plan of the Adaptation Fund Board*

13. The Board, at its 14<sup>th</sup> meeting, adopted the work-plan for the Adaptation Fund Board corresponding to the fiscal year 30 June 2011 – 1 July 2012.

<sup>3</sup> <<http://www.adaptation-fund.org>>.

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

14. At its 14<sup>th</sup> meeting, the Adaptation Fund Board considered and approved resources to support the work of the Adaptation Fund Board and its secretariat and the trustee through to 30 June 2012 (annex III). The estimated administrative budget requirement approved for the fiscal year 2012 is USD 4,510,101 as at 30 June 2011.

*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 four times during the reporting period. The Accreditation Panel elected Mr. Santiago Reyna (Argentina, Group of Latin American and Caribbean Countries, GRULAC) as Chair and Ms. Kate Binns (UK, WEOG) as Vice-Chair. Ms. Binns replaced Mr. Jerzy Janota Bzowski (Poland, Eastern European Group) in the Accreditation Panel’s membership due to his resignation. A further three expert members constitute the Accreditation Panel. As of the date of issuance of this report they had reviewed applications from [twelve] non-Annex I Parties, [two] regional organizations and [five] multilateral organizations and development banks.

17. In line with the provision referred to in paragraph 15 above, the Board considered the recommendations of the Accreditation Panel and approved the accreditation of additional [two] national implementing entity (NIE), the National Environment Fund of Benin [and the South African National Biodiversity Institute]; [one] regional implementing entity (RIE), the West-African Development Bank; and [two] multilateral implementing entities (MIE): the World Meteorological Organization and the Inter-American Development Bank. The total number of accredited implementing entities amount to [five] NIE, [one] RIE and [eight] MIE.

18. The Board adopted several decisions to promote the accreditation of NIE and the direct access to the Adaptation Fund resources. In that regard, the Board decided that the cumulative budget allocation for funding projects submitted by MIEs, should not exceed 50 per cent of the total funds available for funding decisions in the Adaptation Fund Trust Fund at the start of each session. The Board further requested the Accreditation Panel to develop an accreditation toolkit, which was launched in June 2011 and is available in the six UN languages on the Adaptation Fund website. At the request of the Board, the Accreditation Panel also revised the accreditation application in order to clarify the documentation required to demonstrate that an applicant entity meets the fiduciary standards (annex IV). The Adaptation Fund Board secretariat staff has made several presentations to Parties on the NIE accreditation process, in the margins of the UNFCCC sessions in June 2011 and during the Global Environment Facility extended constituency workshops in Cartagena, Colombia (April 2011) and Dakar, Senegal (July 2011). The Board, the Accreditation Panel and the secretariat are also collaborating with the UNFCCC secretariat in the organization and development of the regional accreditation workshops mandated by decision 5/CMP.6, the first of which is scheduled to be held in Saly, Senegal in September 2011.

*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 four times during the reporting period, scheduling their meetings one day prior to the Board meetings. Mr. Hans Olav Ibrenk (Norway, WEOG) was elected as Chair of the PPRC and Mr. Jeffery Spooner (Jamaica, GRULAC) was elected as Vice-Chair. Mr. Mirza Shawkat Ali (Bangladesh, Lest Developed Countries) was elected as EFC Chair and Ms. Iryna Trofimova (Ukraine (Eastern European Group) was elected as Vice-Chair.

20. The EFC considered and made recommendations to the Board on the following items: knowledge management framework; evaluation framework, guidelines for project/programme

final evaluations, standard legal agreement between the Board and the implementing entities for the implementation of projects and programmes funded by the Adaptation Fund, execution costs, cap per country, private donations, budget of the Adaptation Fund Board, secretariat and trustee.

21. As of the date of issuance of this report and during the reporting period, the PPRC reviewed [6] project concepts and [7] fully-developed proposals, representing 24 individual proposed project. 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: review criteria for projects and programmes and definition of concrete adaptation projects and programmes. The PPRC also moved towards a more transparent way of reporting of its deliberations, and commissioned the secretariat to prepare a compilation of Board decisions relevant to the work of the committee. Further, the Chair and the Vice-Chair of the PPRC were authorized by the Board to be involved intersessionally in the improvement of the technical review criteria and the project cycle.

#### *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, during the reporting period the Board approved [8] proposals for funding for a total amount of USD [46.3] million.

24. The Parties whose proposals have been approved for funding during the reporting period are: Ecuador, Eritrea, Maldives, Mongolia, Nicaragua, Pakistan, Solomon Islands and Turkmenistan.

25. In addition to the funding decisions referred above, the Board endorsed [10] project concepts for a total amount of USD 59.4 million. The Board also approved project formulation grants for two direct access proposals in Uruguay and Jamaica, totalling USD 60,000.

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. Following 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 a facility to post comments online was made available to interested stakeholders.

#### *Legal capacity of the Adaptation Fund Board*

28. At its 5<sup>th</sup> session, the CMP decided to endorse “the decision of the Adaptation Fund Board to accept the offer of Germany to confer legal capacity on the Adaptation Fund Board”. This process was concluded with the enactment of the German Act of Parliament conferring legal capacity on the Adaptation Fund Board on 8 February 2011. Since that date, the Board Chair has signed legal agreements with [seven] implementing entities for the implementation of projects or programmes approved for funding by the Board and [one] agreement on project formulation grant with a national implementing entity.

#### *Review of the operational policies and guidelines for Parties to access resources from the Adaptation Fund*

29. At its 13<sup>th</sup> meeting, the Board initiated a process of review of its operational policies and guidelines and related templates. [The process was concluded at the 15<sup>th</sup> meeting, with the approval of a revised version of the operational policies and guidelines and related templates (annex I). The revised text incorporates lessons learned during the accreditation and project or

programme review processes, as well as already approved decisions on project or programme formulation grants, results-based management and evaluation. It further clarifies the role of the Designated Authority, the consultative process that project or programme proponents are required to follow and makes explicit reference to gender considerations among the project or programme review criteria.]

#### *Review of the Adaptation Fund*

30. The CMP at its 6<sup>th</sup> session 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 has selected and hired an independent consultant to prepare the performance reviews. The study will be ready by end of October 2011 and will be presented to the CMP at its 7<sup>th</sup> session.

#### *Monitoring and Evaluation framework*

31. Over the course of the reporting period, the Board adopted a guidance document on how project baselines and project results frameworks may be prepared. The guidance is intended to help potential applicants to the Adaptation Fund develop project or programme baselines and results frameworks (including data collection, analysis, and reporting on Adaptation Fund indicators). It also lays out how to align results frameworks or log frames at the project level with the Adaptation Fund’s Strategic Results Framework. The guidance also includes a short overview on how to develop a knowledge management strategy at the project level. Further, the secretariat finalized the development of an independent project database which is already being used. The database will be linked to the project performance and monitoring reporting system for the Adaptation Fund approved by the Board during the current reporting period.

32. The Board also approved the Adaptation Fund’s evaluation framework and guidelines for project or programme final evaluations.

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

33. The World Bank as trustee has sold 9.5 million CERs since inception of the CER monetization program in May 2009 and generated revenues of USD 163 million through CER sales as of 30 June 2011. The trustee conducts CER sales through exchange trades on a daily basis as well as through over-the-counter transactions, in order to provide a predictable flow of resources for the Adaptation Fund, consistent with the CER Monetization Guidelines adopted by the Adaptation Fund Board. The trustee has also facilitated donations totalling USD 86 million, in accordance with the Donation Guidelines adopted by the Adaptation Fund Board in November 2009. Net funding availability in the Adaptation Fund Trust Fund as of 30 June 2011 is USD 172 million, representing an increase of USD 133 million since last reported [DATE]. At the request of the Board, the trustee has transferred USD 12 million to Implementing Entities to date.

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

34. During the fifth Adaptation Fund Board meeting in March 2009, the Adaptation Fund Board 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*

35. 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 on 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**

36. 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”. No contributions from Annex I Parties have been received during the reporting period.

37. The Board recognized the support of the Adaptation Fund Board secretariat, the trustee and the UNFCCC secretariat.

38. In accordance with decision 1/CMP.3, paragraph 18, the recruitment of an additional dedicated official to serve the Adaptation Fund Board –Operations Officer (Accreditation)– was completed in September 2011. The dedicated team of officials comprises four professional staff members, including the secretariat’s Manager; a Junior Professional Associate; a Programme Assistant and a Short Term Temporary.

39. The funding of project and programme proposals requires substantial resources in addition to those available in the Adaptation Fund. The net resources available in the Adaptation Fund Trust Fund to support funding decisions amounted to USD 172 million as of 30 June 2011. Estimates of the total potential resources of the Adaptation Fund to the end December 2012 range from approximately USD 310 million to US\$ 420 million.<sup>4</sup>

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<sup>4</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.

Annex I

[ENGLISH ONLY]