

The Adaptation Fund

AFB/B.3/7
August 25, 2008

Adaptation Fund Board
Third Meeting
Bonn, September 15-18, 2008

Agenda Item 5 (f)

PARAGRAPH 22 OF AFB.2/3/REV.3, *ROLE AND RESPONSIBILITIES OF THE ADAPTATION FUND BOARD*

1. At its second meeting, the Board of the Adaptation Fund considered document AFB.2/3, *Draft Role and Responsibilities of the Adaptation Fund Board*. After considering revised texts contained in documents AFB/B.2/3/Rev.1 and AFB/B.2/3/Rev.2, the Board decided to adopt the document on the role and responsibilities of the Adaptation Fund Board as contained in AFB/B.2/3/Rev.3, save that, pending further developments, paragraph 22 would be placed in square brackets and would be addressed at the Board's third meeting.

2. Paragraph 22 reads:

[The Board shall ensure that appropriate legal agreements are in place with the Implementing Entities and Executing Agencies, as necessary.]

3. The entire text of AFB.2/3/Rev.3, *Role and Responsibilities of the Adaptation Fund Board*, is included in this document as Annex 1.

The Adaptation Fund

ANNEX 1

AFB/B.2/3/Rev.3
June 19, 2008

Adaptation Fund Board
Second Meeting
Bonn, June 16-19, 2008

Agenda Item 6 (a)

ROLE AND RESPONSIBILITIES OF THE ADAPTATION FUND BOARD

1. The Adaptation Fund Board (the Board) is the operating entity of the Adaptation Fund; it shall be responsible for the supervision and management of the Adaptation Fund, and shall be fully accountable to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.
2. The Board shall act in a manner that is consistent with the functions assigned to it by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.
3. The Board shall develop strategic priorities, policies and guidelines, and recommend their adoption to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
4. The Board shall 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 report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
5. The Board shall approve the Adaptation Fund project cycle, including guidelines for the preparation of project proposals and eligibility criteria for implementation of such projects.
6. The Board shall develop and periodically review operational criteria based on the key principles listed in Decision 5/CMP.2 to ensure that:
 - (i) A share of the proceeds from certified project activities is used to cover the 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;
 - (ii) Access to the Fund is in a balanced and equitable manner for eligible countries;
 - (iii) Transparency and openness exists in the governance of the Fund;
 - (iv) Funding is on full adaptation cost basis of projects and programmes to address the adverse effects of climate change;
 - (v) The Adaptation Fund operates under the authority and guidance of and is accountable to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, which shall decide on its overall policies;
 - (vi) There is accountability in the management, operation, and use of funds;
 - (vii) There is no duplication with other sources of funding for adaptation; and
 - (viii) There is efficiency and effectiveness in the management, operation, and governance of the fund.
7. The Board shall develop and periodically review operational modalities for the Fund, consistent with the following modalities, as provided in Decision 5/CMP.2:

- (i) Funding for eligible Parties will be available for national, regional and community level activities;
- (ii) Facilitative procedures for accessing funds, including short and efficient project development and approval cycles and expedited processing of eligible activities;
- (iii) Projects should be country driven and should clearly be based on needs, views and priorities of the eligible Parties, taking into account, *inter alia*, national sustainable development strategies, poverty reduction strategies, national communications and national adaptation programmes of action and other relevant instruments, where they exist;
- (iv) Funding shall be available for concrete adaptation projects and programmes in eligible countries;
- (v) Ability to receive contributions from other sources of funding;
- (vi) Competency in adaptation and financial management;
- (vii) Sound financial management, including the use of international fiduciary standards;
- (viii) Clearly defined responsibilities for quality assurance, management and implementation;
- (ix) Independent monitoring, evaluation and financial audits; and
- (x) Learning by doing.

8. The Board shall ensure that projects receiving assistance from the Adaptation Fund Board are designed to achieve sustainable development objectives in accordance with applicable national criteria.

9. The Board shall develop criteria based on principles and modalities listed in Decision 5/CMP.2 to ensure that the executing entities have the capacity to implement the administrative and financial management guidelines of the Adaptation Fund;

10. The Board shall decide on projects, including the allocation of funds, in line with the Adaptation Fund principles, criteria, modalities, policies and programmes, in accordance with decision 5/CMP.2;

11. The Board shall develop and agree on rules of procedure for the Board that are additional to those included in Decision 1/CMP.3 and recommend them for adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

12. The Board shall monitor and review implementation of the operations of the Adaptation Fund, including its administrative arrangements and expenditures incurred under the Adaptation Fund, and recommend decisions, as may be appropriate, for adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

13. The Board shall establish committees, panels and working groups, if required, to provide, inter-alia, expert advice, to assist the Adaptation Fund Board in the performance of its functions;
14. The Board shall draw upon and make use of the expertise that the Adaptation Fund Board may require to perform its functions;
15. The Board shall regularly review performance reports on implementation and ensure independent evaluation and auditing of activities supported by the Adaptation Fund;
16. The Board shall develop and approve the role and responsibilities of the Secretariat.
17. The Board shall review and approve the administrative budget of the Secretariat and request periodic financial and performance audits of the Secretariat and of the implementing and executing entities with regard to activities supported by the Fund;
18. The Board shall develop and approve draft legal and administrative arrangements for secretariat services and the trustee for approval by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
19. The Board shall provide guidance to the Trustee for the discharge of its role and responsibilities in accordance with the terms and conditions set out in the legal arrangements concluded between the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and the Trustee.
20. The Board shall be responsible for the monetization of certified emission reductions issued by the Executive Board of the Clean Development Mechanism and forwarded to the Adaptation Fund to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation, in order to:
 - (i) Ensure a predictable revenue flow for the Adaptation Fund;
 - (ii) Optimize revenue for the Adaptation Fund while limiting financial risks;
 - (iii) Be transparent and monetize the share of the proceeds in the most cost-effective manner, utilizing appropriate expertise for this task; and
 - (iv) Report annually to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol on the monetization of certified emissions reductions.
21. The Board shall report on its activities at each session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
22. [The Board shall ensure that appropriate legal agreements are in place with the Implementing Entities and Executing Agencies, as necessary.]
23. The Board shall include in its work plan for the period up to the fourth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, *inter alia*,

those functions identified in paragraphs 3, 4, 9, 11, 18 and 20 above in order for the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol to adopt or take note thereof.

24. The Board shall revise this document, as may be necessary, in order to reflect any new roles or responsibilities assigned to the Board by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.

25. The Board shall meet pursuant to the rules of procedure of the Board, approved by the Conference of the Parties meeting as the Parties to the Kyoto Protocol.