



ADAPTATION FUND

June 18, 2009

ADAPTATION FUND BOARD

Sixth Meeting

Bonn, June 15 to 17 June, 2009

REPORT OF THE SIXTH MEETING OF THE ADAPTATION FUND BOARD

INTRODUCTION

1. The sixth meeting of the Board of the Adaptation Fund of the Kyoto Protocol was held at the 'Langer Eugen' UN Campus in Bonn from June 15 to June 17, 2009. The meeting was convened pursuant to Decision 1/CMP.3 adopted at the third Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP).
2. The full list of the members and alternates, nominated by their respective groups and elected pursuant to Decisions 1/CMP.3, and 1/CMP.4, and present at the meeting, is attached as Annex II to the present report.
3. The meeting was also attended by Ms. Jyoti Mathur-Filipp, Senior Programme Officer, Division of Global Environment Facility (DGEF), United Nations Environment Programme (UNEP), and by Ms. Bo Lim, United Nations Development Programme. A list of all accredited observers present at the meeting can be found on the Adaptation Fund website at <http://www.adaptation-fund.org/documents.html>.
4. The meeting was broadcast live through a link on the websites of the Adaptation Fund and the United Nations Convention to Combat Desertification (UNCCD). The UNCCD secretariat had also provided logistical and administrative support for the hosting of the meeting.

Agenda Item 1: Opening of the Meeting

5. The meeting was opened at 9.20 a.m. on Monday, 15 June 2009, by Mr. Jan Cedergren (Sweden, Western European and Others Group), who greeted the new members and alternates to the Board, and welcomed all the participants at the sixth meeting of the Adaptation Fund Board. The Chair reminded the Board that, prior to the sixth meeting, a number of members and alternates had attended the discussions that had been held in Bonn to address the pending issues to be addressed by the CMP at its fifth Meeting. He reported that progress had been made and that a number of ideas on how to fund climate change adaptation activities had been

circulated. He reminded the Board of the progress that it had made at its fifth meeting and expressed the conviction that the Board would keep up its momentum at the present meeting.

6. The Chair also thanked the Manager of the Adaptation Fund Board Secretariat and the Adaptation Fund Board Secretariat for its work intersessionally in the preparation of documents for the sixth Meeting.

Agenda Item 2: Organizational Matters

(a) Adoption of the Agenda

7. The Board considered the provisional agenda contained in document AFB/B.6/1/Rev. 1, and the provisional annotated agenda contained in document AFB/B.6/2. During the discussion of the provisional annotated agenda, some members suggested that there was a need to restrict the discussion under Agenda Item 9 to an invitation to Eligible Parties to nominate National Implementing Entities and to enlarge the discussion under Agenda Item 7 (b) to include consideration and adoption of both the proposed template in document AFB/B.6/5/Add. 1 and the *draft Provisional Operational Policies and Guidelines for Parties to access Resources from the Adaptation Fund* contained in document AFB/B.6/5. The Board adopted the Agenda as contained in Annex I to the present report.

(b) Organization of Work

8. The Board adopted the organization of work proposed by the Chair. The Chair then reminded the new members and alternates that they would need to sign the Oath of Service contained in Annex III to the present report.

9. The Chair also called upon the members and alternates to orally declare any conflict of interest with any item on the agenda for the meeting. No conflict of interest was declared by any member or alternate present.

(c) Status of Observers

10. The Chair announced the agreement of the Board to admit observers to sit in the room where the Board meets.

11. At the request of the Chair, the Manager of the Adaptation Fund Board Secretariat informed the Board that representatives from UNEP, the UNFCCC and the Governments of Barbados and Japan were present in the meeting room as observers. She also said the observers from the Government of Germany and a non-governmental organization, German Watch, would attend.

Agenda Item 3: Appointment of new Members and Alternates

12. The Manager of the Adaptation Fund Board Secretariat informed the Board that Ms. Medea Inashvili (Georgia, Eastern Europe) and Mr. Ricardo Lozano Picón, (Colombia, Non-Annex I Parties) had joined the Board as Members, and that Mr. Richard Mwendandu (Kenya, Africa) and Mr. Nojibur Rahman (Bangladesh, Least-Developed Countries) had joined the Board as Alternate Members. She also said that the Secretariat had been informed that Mr. Leonard Nurse (Barbados, Small Island Developing States) had resigned from the Board and that his

constituency had nominated Mr. Selwin Hart (Barbados, Small Island Developing States) to replace him.

13. The Adaptation Fund Board decided to appoint Mr. Selwin Hart (Barbados, Small Island Developing States), to replace Mr. Leonard Nurse (Barbados) for the remainder of his mandate.

(Decision B.6/1)

Agenda Item 4: Report of the Chair on Intersessional Activities

14. The Chair reported on his activities during the intersessional period, which had included assisting the Secretariat in preparing the documents for the present meeting. He had also made courtesy calls on Mr. Yvo de Boer, Executive Secretary of the UNFCCC and Ms. Liana Bratasida, Chair of the Subsidiary Body for Implementation of the UNFCCC (SBI). During the intersessional period the Chair had also stayed in contact with the members of the working group on fiduciary standards and with the Trustee regarding the monetization process.

Agenda Item 5: Report on the Activities of the Secretariat

15. The Manager of the Adaptation Fund Board Secretariat reported on the activities of Adaptation Fund Board Secretariat during the intersessional period, which were also described in document AFB/B.6/3. She told the Board that, as mandated by the *Rules of Procedure of the Adaptation Fund Board*, the texts of all intersessional decisions adopted by the Board had been posted in a dedicated section on the Adaptation Fund website. She also thanked the Government of Germany for having agreed to facilitate the attendance of members and alternates at meetings of the Board by issuing visas that would remain valid until the end of the year when their mandates finish.

Agenda Item 6: CER Monetization

16. The Chair introduced the agenda item and said that the discussion would be divided into two parts: one open to the public and one closed. During the open session the Board heard a presentation by the Trustee on current developments in the carbon markets as well as a description of how the carbon markets functioned. The representative of the Trustee also provided the Board with an explanation of the Funds that were available in the Adaptation Fund Trust Fund as a result of the inaugural sale of CERs. He said that as of the close of business on June 12, 2009, the proceeds from the CER sales amounted to approximately US\$ 18.33 million, of which US\$ 10.29 million was in the Adaptation Fund Trust Fund and approximately US\$ 8.04 million would be converted from EUR into US\$. It was expected that once the Adaptation Fund had reimbursed various commitments, some US\$ 10.83 million would remain in the Trust Fund to support additional funding decisions.

17. The representative of the Trustee reported that it had completed the inaugural sales of CERs during the third week of May 2009, which was the first set of transactions carried out as part of the Adaptation Fund's program to monetize CERs. The World Bank Treasury had arranged the sale of 600,000 tons of CERs and those CERs were sold at an average price of EUR 12.17 per ton. He also said that Barclays Capital had been appointed as the dealer for the sale and that the end buyers of the CERs had been widely diversified across sectors and regions and had included those making purchases to comply with the EU ETS. A second sale of CERs had taken place during the week of June 8, 2009. In that second transaction, 500,000 tons of CERs had been sold at an average price of EUR 11.46 per ton with Merrill Lynch acting

as dealer. The sale of the CERs had again widely been distributed across sectors and regions. The representative of the Trustee also informed the Board that, as provided for under the CER Monetization Guidelines, the World Bank Treasury would conduct ongoing sales on carbon exchanges as well as over-the-counter sales of CERs. The report presented by the trustee is attached to this report in annex IV.

18. During the closed session the Board agreed that the Trustee should continue to monetize CERs to keep the Adaptation Fund in the market. The Board also requested the Trustee to provide the Board with an itemized budget for the CER monetization for the year July 1, 2009 to June 30, 2010, and to attach that itemized budget as an annex to the budget estimate for Trustee Services to the Adaptation Fund (AFB/B.6/12/Rev.1). The Chair requested that the budget for Trustee Services to be made part of the overall administrative budget for the Adaptation Fund Board.

Agenda Item 7: Issues remaining from the Fifth Meeting of the Adaptation Fund Board

(a) Report on Fiduciary and Management Standards.

19. The Chair invited the representatives of CA Legal, Mr. Tim Yapp and Mr. Mark Cockburn, to present the report that CA Legal had been asked to prepare on the fiduciary standards for the *Provisional Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund*, as requested by the Board at its fifth meeting. The complete report on their work is contained in document AFB/B.6/4.

20. In response to a number of questions from members and alternates, the consultants stressed that the development of the fiduciary standards for the Board was challenging and that there was no existing model for a fund of that kind. However, the consultants had looked at the fiduciary standards adopted by similar institutions, especially by the Global Alliance for Vaccines and Immunisation (GAVI), the Global Fund to fight AIDS, Tuberculosis and Malaria (GF), and the Global Environment Facility (GEF).

21. The consultants observed that the proposed fiduciary standards for accreditation might evolve with further experience and should not be set too stringently as that might exclude many entities. They also remarked that some entities might be able to engage in smaller projects and build up their capacities gradually. It followed from that, that it was not possible to establish a generic basis for institutional and financial standards and thus accreditation, as requirements might vary significantly for different types of projects.

22. The report had also detailed the use of external service providers and the advantages and disadvantages of out-sourcing services. In response to questions from the Board about the cost of the accreditation process, the consultants said that cost of a single accreditation was estimated at being between US\$ 30,000 and US\$ 60,000 according to the experience of other institutions, while a performance management review would cost between US\$ 20,000 and US\$ 40,000. The consultants recommended the Board develop a risk management system.

23. The Chair also invited a representative of the UNFCCC to give a presentation on the UNFCCC's experience with accreditation under the Clean Development Mechanism (CDM). In his presentation, he said, *inter alia*, that among the lessons learned that might be of interest to the Board were the need for: clarity on the scope of the accreditation being considered, high but level standards, qualified and trained assessors and technical experts, and balance in providing

guidance and interpretation in order to avoid over-communication. He also noted that the role of an oversight mechanism was crucial and that an early implementation period could be highly resource intensive.

24. The Chair thanked the representative of the UNFCCC for his presentation and reminded the Board that the objective of the exercise was to establish good fiduciary standards while at the same time ensuring direct access to the Adaptation Fund. He then asked the Board for its views.

25. With the permission of the Chair, Mr. Richard Muyungi (United Republic of Tanzania, Least-Developed Countries) presented an informal paper on fiduciary standards and the accreditation process that in part drew upon the fiduciary standards outlined in the report of CA Legal, as well as on his own informal discussions with several Board members and alternates. In his intervention, he proposed that the accreditation process should consist of several steps. That would involve registration of applications, an initial screening of applications by the Secretariat and a review of applications by a panel composed of Board members and alternates. Capacity building for identified weaknesses or in other areas would be ongoing and integral to the process. He also stressed that the link between the National Implementing Entity (NIE) and the executing entities had to be defined clearly.

26. Several members supported the concept of the 'learning by doing' which would enable NIEs to build their capacity to implement projects over time. Some members suggested that the national focal points should be the link between the NIE and the executing entities, while other members advocated using the focal points of the Parties under the UNFCCC as an initial communication channel between the Adaptation Fund Board and national governments. It was also suggested that it would be an internal policy decision of the Parties as to who should be the link between the Party and the Adaptation Fund Board.

27. Some members also considered that the accreditation process involved more than the registration of applications, and that there was the need to mention the ultimate objective of the fiduciary standards in the document. It was also suggested that a country might have multiple NIEs for different sectors or projects. However, it was felt that the Board would accredit only one NIE per country, regardless of whether that entity executed the projects directly, or entered into contracts with other executing entities. It was also considered important that the NIEs had sufficient oversight authority over executing entities, including the capacity to impose sanctions.

28. Following the discussion, the Chair distributed an informal document that had been prepared by Mr. Hans Olav Ibrekk (Norway, Western European and Others Group) and which also outlined the framework and elements for fiduciary standards for the Board. The Chair then re-established the Working Group on fiduciary standards and tasked its members to review the two informal papers and, in the light of the discussions, to prepare a revised text containing a framework and basic elements that would serve as a basis for the Secretariat to elaborate a proposal for fiduciary standards which could be included in *the Provisional Operational Policies and Guidelines for Parties to access Resources from the Adaptation Fund*. The members of the Working Group were Mr. Julien Rencki (France, Annex I Parties), Mr. Farrukh Iqbal Khan (Pakistan, Non-Annex I Parties), Mr. Yvan Biot (United Kingdom of Great Britain and Northern Ireland, Annex I Parties), Mr. Jerzy Janota Bzowski (Poland, Eastern Europe), Mr. Luis Santos (Uruguay, Latin America and the Caribbean), Mr. Richard Muyungi and Ms. Merlyn Van Voore (South Africa, Africa).

29. At a subsequent session, the Chair invited Mr. Khan to report on the findings of the working group. The group had elaborated a CRP containing the elements of fiduciary standards, based on the CA Legal's report and on the discussions of the Board, which is attached to this report as Annex V. They had also built up a framework for accreditation that would consist of five steps, the first being the applications submitted to the Secretariat, in which the NIEs or the Multilateral Implementing Entities (MIEs) demonstrate that they meet the fiduciary standards. As a second step, the Board would create an Accreditation Panel, consisting of two Board members and three independent experts. Mr. Khan explained that having a majority of experts on the Panel was important in order to demonstrate the Panel's independence as well as to maintain a high level of expertise. In the third step, the Panel would undertake a desk-review of the application and presents its recommendation to the Board. The Panel might recommend either direct accreditation, or accreditation subject to prior capacity building. Should the Panel need more information, it might also undertake the fourth step, a teleconference or a mission to the country concerned and in exceptional circumstances it might invite an external assessor to resolve the contentious issues. As a fifth and final step, the Board would take a decision and inform the applicant in writing of its decision.

30. Mr. Khan also explained that the framework for accreditation largely copied the CDM accreditation process, while it also minimized costs of sending out experts on missions to every country. It would also contribute to building up in-house experts' capacities, as well as the capacities of Board members and alternates. He, and other members of the Working Group, also explained that their intention had been to ensure that every country had its own NIE or MIE, and that therefore the outright refusal of an application would not be possible: should the applicant need further support in order to receive accreditation, the Board would provide it.

31. In the ensuing discussion, the preference for a majority of Board members and alternates on the Accreditation Panel was expressed by some Board members and alternates. It was also suggested that there was the need to keep in mind an equal and regional representation and balance between developing and developed countries among the experts being selected by the Board. Others proposed to include a further step in the process, which would entail a review of the granted accreditation. Many Board members and alternates supported the idea of capacity building of weaknesses identified during the accreditation process, but there were also some Board members and alternates who expressed concern regarding the resources necessary for such efforts. It was also noted that the adoption of fiduciary standards would make it necessary to revise the *draft Provisional Operational Policies and Guidelines for Parties to access Resources from the Adaptation Fund*.

32. The Chair had thanked the Working Group for their work and the Board members and alternates for their comments. He invited the Board to submit further comments to the Secretariat within two weeks after the closure of the present meeting. The Board decided that

- (a) The Secretariat would prepare a paper on fiduciary standards and the accreditation process for the consideration by the Board at its seventh meeting, which incorporated the CRP.3 presented by the Working Group on fiduciary standards to the Board at its sixth meeting, as well as the comments that had been made during the discussion of that CRP; and
- (b) The Secretariat would then harmonize the *draft Provisional Operational Policies and Guidelines for Parties to access Resources from the Adaptation Fund* with the fiduciary standards, and circulate the text intersessionally for comments by the Board.

- (c) The draft Provisional Operational Policies and Guidelines will be submitted for adoption at the seventh meeting of the Board.

(Decision B.6/2)

(b) *Finalizing the Provisional Operational Policies and Guidelines for Parties to access Resources from the Adaptation Fund*

33. The Chair deferred consideration of the agenda item to the seventh meeting of the Board.

(c) *Legal capacity of the Adaptation Fund Board*

34. The Board heard presentations by the Governments of Germany and Barbados on their offers to host the Adaptation Fund Board. The presentation of the Government of Germany was made by Mr. Frank Fass-Metz, Head of Division 'Climate policy and climate financing' who said that in the event that the Adaptation Fund Board decided to accept the offer by the German Government, the Government would negotiate an agreement to provide, and maintain, furnished rooms to the Adaptation Fund Board at the UN Campus in Bonn, free of charge. He then invited Mr. Ralph Czarnecki to explain the legal implications of the offer being made by Germany.

35. Mr. Czarnecki from the Ecologic Institute, speaking on behalf of the German Government, said that in order to grant legal capacity to the Adaptation Fund Board, the Government of Germany would be required to undertake legal measures within Germany, and would probably need to enact a special law that conferred legal capacity on the Adaptation Fund Board. Such a law would enable the Board to enter into contracts, to acquire and dispose of moveable and immovable property and to institute legal proceedings, with the result that the Adaptation Fund Board would have the same legal capacity and immunities as the UNFCCC Secretariat under German law. Those immunities would include the inviolability of the offices of the Adaptation Fund Board, and its communication facilities, its archives and documents, as well as immunity from legal processes related to its funds, assets and other property.

36. Mr. Czarnecki also explained that there were two options, in Germany, for the grant of such legal capacity: either by the signing of a Headquarters Agreement between the Government of Germany, the United Nations and the Adaptation Fund Board, or by the signing of a Memorandum of Understanding between the Government of Germany and the Adaptation Fund Board. Both processes were similar, and would take from nine months to a year to complete. However, the first option would also require the active involvement of the United Nations, and it was unknown whether the United Nations wished to be involved in such an agreement.

37. He also explained that the members and alternates of the Adaptation Fund Board were already protected in Germany by existing agreements when they were attending meetings of the Board as the representatives of Parties to the Kyoto Protocol. As such, their freedom of speech was protected, and they had immunity from legal processes, from personal arrest and from the seizure of their baggage and interference with their papers and documents. He also said that pursuant to article 5 of the Headquarters Agreement between the Government of Germany and the UNFCCC Secretariat, which protected persons on official business under the Kyoto Protocol, those intersessional decisions taken by the Board by email were also protected, as

rule 59 of the Rules of Procedure of the Adaptation Fund Board deemed that those decisions were taken at the Headquarters of the UNFCCC.

38. In response to questions, Mr. Czarnecki explained that while a Headquarters Agreement had the force of a Treaty, and a Memorandum of Understanding did not, both types of agreement had similar effects: the chief difference being that, under German law, the United Nations had to agree to participate in the process in order for Germany to sign a Headquarters Agreement. He also confirmed that both options would probably require the German Parliament to pass a special law for the Adaptation Fund Board and that it would be possible to undertake preparatory work on that before choosing one or the other option. He also explained that the effect of granting legal capacity under either option would only have normative effects within Germany, and that Germany could not compel other States to recognize the legal effects of such legal capacity.

39. In response to questions about the granting of visas to members of the Board to facilitate their participation at Board meetings, Mr. Fass-Metz said that Germany could do no more than to award the same visa facilities that were already being granted to participants at meetings of the UNFCCC. However, he encouraged the members to apply for multiple entry visas. He also said that although the offer to host the Board was restricted to the Adaptation Fund Board, and was not being made to the Adaptation Fund Board Secretariat, Germany would be open to make an offer to host the Secretariat of the Adaptation Fund Board if invited to do so by the CMP.

40. The Board also watched a video presentation by the Government of Barbados in support of its offer to host the Adaptation Fund Board. A written offer from the Ministry of Foreign Affairs and Foreign Trade of Barbados was also submitted to the Board for its consideration. Following the video presentation, the Board also heard oral presentations by his Excellency, Mr. Christopher Hackett, Permanent Representative of Barbados to the United Nations in New York, and Mr. Hughland Allman, Chief of Protocol, for the Ministry of Foreign Affairs and Foreign Trade.

41. In response to questions about the facilities being offered by Barbados, Mr. Hackett said that Barbados proposed to locate the operations of the Board in United Nations House, and that the United Nations Resident Coordinator had advised the Government that space was available to accommodate a secretariat of twelve and to provide rooms for at least four meetings a year, although more meetings could be accommodated if that proved necessary. Those rooms would be provided free or charge, with minor maintenance to be paid for by the Board and major maintenance by the Government. Further seventy-five per cent of utilities would be paid for by the Government while the remaining twenty-five per cent would be pro-rated among those occupying the United Nations House.

42. Mr. Allman also explained that it would not be necessary to create a special law in order to grant legal capacity to the Adaptation Fund Board as that power, in Barbados, resided with the Government. It would therefore be possible to grant such legal personality within two months. He also explained that the Government of Barbados had made every effort to facilitate the issuance of visas for those on official business and that once the Government was informed by the Adaptation Fund Board that a member or alternate would be attending a meeting, it would make arrangements for a visa to be issued upon arrival in Barbados. The Government would also inform the airlines of that arrangement, as well as the Governments of the United States of America and the United Kingdom of Great Britain and Northern Ireland which were the usual transit countries for those flying to Barbados.

43. The Chair thanked the representatives of the Governments of Germany and Barbados and said that the two offers would be further considered by the ad hoc Working Group dealing with the operationalization of the legal capacity of the Adaptation Fund Board. He asked that Working Group, chaired by Mr. Richard Muyungi, to make a recommendation for the consideration of the Board at its seventh meeting.

(d) *Establishing Board Committees*

44. The Manager of the Adaptation Fund Board Secretariat introduced document AFB/B.6/6 which contained the draft terms of reference for Committees of the Board, which had been initially considered by the Board at its third meeting as document AFB/B.3/12, and which had been reconsidered by the Board at its fourth and fifth meetings as documents AFB/B.4/5 and AFB/B.5/5, respectively. The document had been revised in light of Decision B.5/5, by which the Board had decided to create an Ethics and Finance Committee and a Project and Program Review Committee at its sixth meeting. In that decision, the Board had also requested the Secretariat to revise the terms of reference of those committees, as well as the general terms of reference for Board committees, and to present the revised terms of reference to the Board at its sixth meeting.

45. The Chair invited the Board to comment on the revised terms of reference, asking them to commence with comments related to the Ethics and Finance Committee.

46. In the discussion that followed concern was expressed at the proposal that the Committee be mandated to advise the Board on overall resource mobilization policy. Some felt that to be the role of the Board, while others asked what additional resources were being contemplated. It was also suggested that the Board should retain the right to review the overall performance of the Fund. Others thought that the Committee ought to be composed of a smaller group than was being proposed, while others thought that the Committee should be composed of members, alternates and independent experts.

47. It was also suggested that the Committee need to consider more than just conflicts of interest when drafting a code of conduct for the Board, and that it had to consider the reports of the NIEs when reviewing the overall performance of the Fund. It was also thought that the Committee could oversee the work of the Secretariat and give guidance to the Trustee.

48. Following the discussion the Chair undertook to revise the text of the draft terms of reference for the Ethics and Finance Committee, and to submit the revised text to the Board for its consideration at a subsequent session of the Meeting.

49. The Board considered a revised text, contained in document AFB/B.6/6/Rev.1, and in the discussion that followed, it was suggested that the task of making recommendations to the Board on the accreditation of NIEs was a task of the Accreditation Panel and that task was deleted from the tasks of the Ethics and Finance Committee. It was also thought that it might overload the activities of the Project and Program Review Committee to task it with reviewing the project and program reports to be submitted by the NIEs and MIEs. However, it was observed by the Chair, that it was an essential function of that Committee to perform that task. Finally with respect to the general guidelines for committees, it was thought that any roster of experts needed balanced regional representation, although there was also a need to ensure that the experts met international standards of competence. The terms of reference of the Ethics and Finance Committee and the Project and Program Review Committee, as orally amended,

as well as the General Guidelines for Committees, as orally amended, are contained in Annex VI to the present Report.

50. Following the discussion, the Chair circulated a list of members for the two committees. The membership of the two committees is contained in Annex VII to the present report. The Chair also suggested that the Chair of the Ethics And Finance Committee and the Vice-Chair of the Project and Program Review Committee be selected from among members and alternates from Annex I Parties and that the Chair of the Project and Program Review Committee and the Vice-Chair of the Ethics and Finance Committee be selected from among members and alternates from Non-Annex I Parties.

51. Following a deliberation the Board decided:

- (a) To adopt the Terms of Reference of the Ethics and Finance Committee, the Terms of Reference of the Project and Programme Review Committee and the General Guidelines for Board Committees contained in Annex VI to the present report;
- (b) To appoint:
 - (i) Ms. Dinara Gershinkova as Chair of the Ethics and Finance Committee;
 - (ii) Ms. Merlyn Van Voore as Vice-Chair of the Ethics and Finance Committee;
 - (iii) Mr. Amjad Abdulla as Chair of the Project and Program Review Committee; and
 - (iv) Mr. Hans Olav Ibrekk as Vice-Chair of the Project and Program Review Committee.

(Decision B.6/3)

(e) *Amendments to the Rules of Procedure of the Adaptation Fund*

52. The Chair deferred consideration of the agenda item to the seventh meeting of the Board.

(f) *Logo for the Adaptation Fund*

53. The Chair invited the Vice-Chair, Mr. Farrukh Iqbal Khan, who chaired the Jury selecting the logo for the Adaptation Fund, to report on the results of the logo contest. Mr. Khan said that the Jury, composed of Board members and the Manager of the Adaptation Fund Board Secretariat, received approximately 25 proposals for the logo. The Jury had made the selection according to the pre-defined criteria for the logo: it should be easily reproducible; visually appealing and the acronyms of the Adaptation Fund should be recognizable. After a careful consideration, the group had chosen the design of a sprouting plant in the form of 'af' which symbolizes the hope that the Adaptation Fund is to provide, and whose green color represents the need to nurture it. The selected logo is attached as Annex VIII to the present report. As previously agreed, the winner, Mr. Andrew M. Wee from the Philippines, would be awarded two return tickets to Bonn and provided with a daily subsistence allowance during his stay for the award ceremony.

54. The Board applauded the selected logo and decided to adopt it as the official logo for the Adaptation Fund.

(Decision B.6/4)

Agenda Item 8: Financial Issues**(a) Status of the Administrative Trust Fund**

55. The representative of the Secretariat introduced document AFB/B.6/8/Rev.2 which contained the status of the Administrative Trust Fund Resources as at 15 June 2009, attached as Annex IX. He also said that the Adaptation Fund had received a contribution of EUR 117.90 from a school that had raised that money from among its students.

56. Discussion under the agenda item was held in closed session.

57. The Board discussed the reimbursable contributions received from UNEP, the UK and Australia. Since the repayment of those amounts is governed by the bilateral agreements between the Trustee and the donors, it was agreed that the Trustee would consult with the donors on the matter.

58. Following the discussion, the Adaptation Fund Board decided to repay the loan of US\$ 700,000, which it had borrowed from the Least Developed Countries Fund, out of the remaining resources in the Administrative Trust Fund.

(Decision B.6/5)

(b) Adaptation Fund Board and Secretariat budget for July 1, 2009 – June 30, 2010

59. The representative of the Secretariat introduced document AFB/B.6/9/Rev.2 which contained the revised Budget for the Adaptation Fund Board and Secretariat for the period of July 1, 2009 to June 30, 2010.

60. Discussion under the agenda item was held in closed session.

61. During the discussion, the Board recognized some of the practical benefits of using part-time staff from the Global Environment Facility to provide Secretariat services to the Adaptation Fund Board. However it was also thought that such a policy lead to a practice of the ad hoc employment of staff, which in turn caused the Board to be poorly served by temporary staff that had little knowledge of the Board's activities. Several Board members highlighted the need to hire more dedicated staff at the Secretariat. Concern was also expressed that the revised budget did not provide any figures for the budget line items with respect to the part-time staff being provided by the Global Environment Facility. The revised budget is attached as Annex X.

62. Following the discussion the Board decided:

- (a) To approve the amount of US \$2,288,933 for the budget to cover the costs of the operations of the Board and Secretariat over the period of July 1, 2009 to June 30, 2010, from the resources made available under the newly formed Adaptation Fund Trust Fund. The budget for the Adaptation Fund Board and Secretariat for the period of July 1, 2009 to June 30, 2010, as approved by the Board, is contained in Annex IX to the present report;

- (b) To note the amount of US \$398,370 to cover the costs of the Manager of the Adaptation Fund Board for the two years already approved in the 2008 budget;
- (c) To request the Chair of the Adaptation Fund Board to seek clarification from the Head of the Adaptation Fund Board Secretariat as to the specific amounts being charged to the Adaptation Fund of each of the different part-time staff providing Secretariat activities to the Board and to report back to the Board at its seventh meeting;
- (d) To request the Chair of the Adaptation Fund Board to encourage the Head of the Adaptation Fund Board Secretariat to provide the same part-time staff on an ongoing basis to service the activities of the Board in order to build institutional memory among those providing Secretariat activities to the Board; and
- (e) To request the Chair to communicate to the Head of the Adaptation Fund Board Secretariat the concerns of the Board with respect to the number of part-time positions and to request that the Secretariat consolidate those part-time positions into the equivalent of full-time position, where possible.

(Decision B.6/6)

(c) *Trustee budget for July 1, 2009 – June 30, 2010*

63. The Trustee introduced document AFB/B.6/12/Rev.1 which contained the budget estimate for Trustee Services to the Adaptation Fund from July 1, 2009 to June 30, 2010.

64. Discussion under the agenda item was held in closed session.

65. During the discussion, the Board expressed concern at some of the budget line items contained in the document and noted that there seemed to be different assumptions used for similar budget line items in the budget for the Board and Secretariat, considered under Agenda Item 8 (b) above, and the budget being proposed by the Trustee. The Board also asked for clarification of some of the items under the budget line for CER monetization and requested the Trustee to look for ways to reduce the cost of Trustee Services where possible.

66. Following the discussion, the Board decided to approve the budget estimate for Trustee Services for the Adaptation Fund from July 1, 2009 to June 30, 2010. The estimated budget, as approved by the Board, is contained in Annex XI to the present report.

(Decision B.6/7)

(d) *Work Plan 2009*

67. The Manager of the Adaptation Fund Board Secretariat presented the 2009 Work Plan for the Adaptation Fund Board contained in document AFB/B.6/10. Following a discussion, the Board decided to approve the 2009 Work Plan, as orally amended. The amended text is contained in Annex XII to the present report.

(Decision B.6/8)

Agenda Item 9: Invitation Letter to Eligible parties for accreditation at the Adaptation Fund

68. Following a discussion the Chair deferred consideration of the agenda item to the seventh meeting of the Board.

Agenda Item 10: Report by the United Nations Environment Programme on its Regional Advisors System

69. The Chair invited Ms. Jyoti Mathur-Filipp, Senior Programme Officer, (DGEF-UNEP) to make a presentation on the Regional Advisors System of UNEP. In her presentation, Ms. Mathur-Filipp highlighted UNEP's expertise in the area of adaptation and reminded the Board that the issue of adaptation was regional and ecosystem specific, and that the solutions were also regional. UNEP could support the Adaptation Fund in a number of ways, such as providing technical and policy support to the Adaptation Fund Board, as well as analytic and scientific support, and could help countries to access capacity building and funds through its regional advisors system or by acting as an MIE.

70. Ms. Marthur-Filipp also explained to the Board UNEP's system of regional advisors. Those advisors were neutral experts from client regions who had been trained to provide capacity building for project preparation and implementation, and to advise on the execution of projects. They also engaged in training at a country level and delivery of quality control. She said that UNEP facilitated electronic networking among regional advisors in order to further South-South cooperation.

71. Following the presentation the Board also heard a presentation, by Ms. Bo Lim of UNDP, who introduced an informal paper that contained a letter to the Chair of the Adaptation Fund Board from Mr. Olav Kjørven, Assistant Administrator and Director, Bureau of Development Policy, UNDP, which is attached to this report as Annex XIII.

72. In her presentation Ms. Lim said that the Adaptation Fund was an important development and she assured the Board that UNDP wanted to contribute to its success by assisting in building national and regional capacity for climate change adaptation. UNDP had a large climate change adaptation portfolio, which included national, regional and global interventions. That assistance included supporting institutional financial capacity development, and assisting with the implementation of information management systems. To accomplish that, UNDP had used innovative strategies that promoted South-South cooperation and peer learning.

73. The Chair thanked the representatives of UNEP and UNDP for their presentations and observed that both organizations were actively working to provide capacity building in the field of adaptation. He welcomed those initiatives.

Agenda Item 11: Other Matters

Voluntary Contributions

74. In response to a question as to the names of the students who had made the voluntary contribution to the Fund reported under agenda item 8 (a), the Manager of the Adaptation Fund

Board Secretariat assured the Board that she would inquire into the name of the school involved, and the names of the students, that had made the contribution. The Chair said that the students had demonstrated commendable zeal and were a model for others to follow. The Board unanimously expressed its thanks to the children and decided to request the Chair to send a letter of thanks to the school, once its name was known, and to post a notice of that contribution on the Adaptation Fund website.

(Decision B.6/9)

Ninth Meeting of the Conference of the Parties of the Convention to Combat Desertification

75. Mr. Octavio Pérez Pardo (Argentina, Latin America and the Caribbean) informed the Board of the ninth meeting of the Conference of the Parties of the Convention to Combat Desertification that would take place in Buenos Aires, Argentina, from 21 September to 2 October 2009. The program of that meeting included a high-level segment, which was scheduled for 28 and 29 September 2009, and which would include an interactive dialogue session among high-level officials of the Parties attending the meeting. Part of that session was dedicated to the links between climate change and desertification and the role of the land in the ongoing negotiations for a new climate change regime at Copenhagen. Mr. Pérez Pardo said that the meeting would be important to all those interested in issues of adaptation and he urged the members and alternates of the Board to attend if they could.

Report on the Pilot Programme on Climate Resilience (PPCR)

76. Due to lack of time, the presentation of the report by Ms. Merlyn Van Voore (South Africa, Africa) on the last meeting of the PPCR was deferred to the seventh meeting of the Board.

Agenda Item 12: Date and Venue of the Seventh Meeting of the Adaptation Fund Board

77. The Chair confirmed that the Board would hold its seventh meeting in Bonn, from 14 to 16 September, 2009. Following a discussion which attempted to resolve some of the scheduling difficulties faced by several members and alternates, the Chair confirmed that the eighth meeting would continue to take place in Bonn, from 16 to 18 November, 2009.

Agenda Item 13: Adoption of the Report and Closure of the Meeting

78. In closing the Chair reminded the Board of its accomplishments at the present meeting. The Board had established two Committees, and had established budgets for the year for the Adaptation Fund Board Secretariat and the Trustee. It had chosen a logo and had received its first voluntary contribution of EUR 117.90. The Board had also advanced the issue of fiduciary standards to the point that they could be incorporated into the *draft Provisional Operational Policies and Guidelines for the Parties to Access Resources from the Adaptation Fund*, and he expected that the Board would be able to approve those at its seventh meeting. He also reminded the Board that it had received two offers to host the Adaptation Fund Board and that those offers would be considered by the ad hoc Working Group that had been created at the fourth meeting. The Working Group would evaluate the two offers intersessionally and make a recommendation to the Board for its consideration at its seventh meeting.

79. Following the customary exchange of courtesies, the Chair declared the meeting closed on Wednesday, 17 June 2009 at 5.00 p.m.

Annex I

ADOPTED AGENDA OF THE SIXTH MEETING

1. Opening of the Meeting
2. Organizational Matters
 - (a) *Adoption of the Agenda*
 - (b) *Organization of Work*
 - (c) *Status of Observers*
3. Appointment of New Members and Alternates
4. Report of the Chair on Intersessional Activities
5. Report on the Activities of the Secretariat
6. CER Monetization
7. Issues Remaining from the Fifth Meeting of the Adaptation Fund Board
 - (a) *Report on Fiduciary and Management Standards*
 - (b) *Finalizing the Provisional Operational Policies and Guidelines for Parties to access Resources from the Adaptation Fund*
 - (c) *Legal capacity of the Adaptation Fund Board*
 - (d) *Establishing Board Committees*
 - (e) *Amendments to the Rules of Procedures of the Adaptation Fund Board*
 - (f) *Logo for the Adaptation Fund*
8. Financial Issues
 - (a) *Status of the Adaptation Fund Trust Fund*
 - (b) *Adaptation Fund Board and Secretariat budget for July 1, 2009 – June 30, 2010*
 - (c) *Trustee budget for July 1, 2009 – June 30, 2010*
 - (d) *Work Plan 2009*
9. Invitation Letter to Eligible Parties for accreditation at the Adaptation Fund
10. Report by the United Nations Environment Programme on its Regional Advisors System
11. Other Matters
12. Date and Venue of the Seventh Meeting of the Adaptation Fund Board
13. Adoption of the Report and Closure of the Meeting

Annex II

MEMBERS AND ALTERNATES PRESENT AT THE SIXTH MEETING

| MEMBERS | | |
|---------------------------|-----------------------------|-----------------------------------|
| Name | Country | Constituency |
| Mr. Cheikh Ndiaye Sylla | Senegal | Africa |
| Ms. Merlyn Van Voore | South Africa | Africa |
| Mr. Mahendra Siregar | Indonesia | Asia |
| Mr. Mohammed Al-Maslamani | Qatar | Asia |
| Mr. Jerzy Janota Bzowski | Poland | Eastern Europe |
| Ms. Medea Inashvili | Georgia | Eastern Europe |
| Mr. Jeffery Spooner | Jamaica | Latin America and the Caribbean |
| Mr. Luis Santos | Uruguay | Latin America and the Caribbean |
| Mr. Anton Hilber | Switzerland | Western European and Others Group |
| Mr. Jan Cedergren | Sweden | Western European and Others Group |
| Mr. Selwin Hart | Barbados | Small Island Developing States |
| Mr. Richard Muyungi | United Republic of Tanzania | Least-Developed Countries |
| Mr. Julien Rencki | France | Annex I Parties |
| Mr. Hiroshi Ono | Japan | Annex I Parties |
| Mr. Ricardo Lozano Picón | Colombia | Non-Annex I Parties |
| Mr. Farrukh Iqbal Khan | Pakistan | Non-Annex I Parties |

| ALTERNATES | | |
|---------------------------------|--|-----------------------------------|
| Name | Country | Constituency |
| Mr. Richard Mwendandu | Kenya | Africa |
| Mr. Elsayed Sabry Mansour | Egypt | Africa |
| Mr. Damdin Davgadorj | Mongolia | Asia |
| Ms. Tatyana Ososkova | Uzbekistan | Asia |
| Ms. Dinara Gershinkova | Russian Federation | Eastern Europe; |
| Ms. Iryna Trofimova | Ukraine | Eastern Europe |
| Mr. Octavio Pérez Pardo | Argentina | Latin America and the Caribbean |
| Mr. Luis Paz Castro | Cuba | Latin America and the Caribbean |
| Mr. Hans Olav Ibrekk | Norway | Western European and Others Group |
| Mr. Markku Kanninen | Finland | Western European and Others Group |
| Mr. Amjad Abdulla | Maldives | Small Island Developing States |
| Ms. Vanessa Alvarez Franco | Spain | Annex I Parties |
| Mr. Yvan Biot | United Kingdom of Great Britain and Northern Ireland | Annex I Parties |
| Mr. William Kojo Agyemang-Bonsu | Ghana | Non-Annex I Parties |
| Mr. Bruno Sekoli | Lesotho | Non-Annex I Parties |

Annex III

OATH OF SERVICE

I, _____,

Member/Alternate of the Adaptation Fund Board, hereby sign and agree to respect the below written oath of service before assuming/continuing my service for the Board:

“I solemnly declare that I will perform my duties and exercise my authority as member or alternate of the Adaptation Fund Board honorably, faithfully, impartially and conscientiously.”

“I further solemnly declare that, subject to my responsibilities within the Adaptation Fund Board, I shall not disclose, even after the termination of my functions, any information marked confidential coming to my knowledge by reason of my duties in the Adaptation Fund Board.”

“I shall disclose immediately to the Adaptation Fund Board any interest in any matter under discussion before the Adaptation Fund Board which may constitute a conflict of interest or which might be incompatible with the requirements of independence and impartiality expected of a member or alternate of the Adaptation Fund Board and I shall refrain from participating in the work of the Adaptation Fund Board in relation to such matter.”

Bonn, 15th of June, 2009

Signature

Print name

Annex IV

FUNDS AVAILABLE IN THE ADAPTATION FUND TRUST FUND FOLLOWING INAUGURAL SALES OF CERS

PREPARED BY THE WORLD BANK AS TRUSTEE FOR THE ADAPTATION FUND

1. The purpose of this report is to provide the Adaptation Fund Board with the status of funds available in the Adaptation Fund Trust Fund, resulting from the first sales of Certified Emission Reductions. At the close of business on June 12, 2009, the proceeds from CER sales amounted to approx. **USD 18.33 million** comprising: (i) USD 10.29 million in the Adaptation Fund Trust Fund account, and (ii) an additional USDeq. 8.04 million to be converted into US dollars and applied to the Adaptation Fund Trust Fund in the coming days.
2. The Adaptation Fund Board has approved commitments totaling USD 3.75 million related to reimbursement of: (i) the loan from the Least Developed Countries Fund to the Administrative Trust Fund¹ (USD 700,000), (ii) contributions to the Administrative Trust Fund by donors that have requested reimbursement of such contributions (USD 1.68 million), and (iii) Trustee services from July 2008 to June 2009, as approved by the Adaptation Fund Board (USD 1.36 million). Commitments of an additional USD 3.75 million are pending approval by the Adaptation Fund Board, comprised of: (i) the FY09 budget estimate for Trustee services (USD 1.46 million), and (ii) the FY09 budget for Secretariat and Board expenses (USD 2.29 million).
3. The balance in the Adaptation Fund Trust Fund after disbursement of the amounts detailed above and available to support additional funding decisions amounts to approximately USD 10.83 million.
4. Table 1 provides detail on the current status of resources available in the Adaptation Fund Trust Fund.

¹ The Multi Donor Trust Fund for the Secretariat of the Adaptation Fund Board

Table 1.

| Adaptation Fund Trust Fund Schedule of Funds Available as of June 12, 2009 (in USDeq. millions) | | |
|---|--------|----------------|
| <u>1. Funds held in Trust</u> | | 18.33 * |
| a. CER Monetization a/ | 10.29 | |
| b. CER Monetization Proceeds being processed b/ | 8.04 * | |
| <u>2. Committed amounts pending disbursement</u> | | 3.75 |
| a. LDCF Loan | 0.70 | |
| b. Reimbursement of donor contributions to Administrative Trust Fund c/ | 1.68 | |
| c. FY09 Budget for Trustee Services | 1.37 | |
| <u>3. Proposed amounts pending approval of the Adaptation Fund Board</u> | | 3.75 |
| a. FY10 Proposed Budget Estimate for Trustee Services | 1.46 | |
| b. FY10 Proposed Budget for AF Board and Secretariat | 2.29 | |
| <u>4. Funds Available to support Adaptation Fund Board funding decisions (4 = 1-2-3)</u> | | 10.83 * |
| <hr/> | | |
| a/ Actual United States dollar cash proceeds from CER monetization held in the AF Trust Fund. | | |
| b/ Estimated CER monetization proceeds pending exchange into United States dollars as at June 12, 2009. | | |
| c/ Contributions to the Multi-Donor Trust Fund for the Secretariat of the Adaptation Fund Board by Australia, UNEP and the United Kingdom that, according to the terms of the Trust Fund agreements and approval by the AF Board at it's 5th meeting, are to be reimbursed. | | |
| * Subject to confirmation of actual exchange rates applied to CER monetization proceeds. | | |

The AF Board's Recommended Fiduciary Standards

NIEs and MIEs bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring and reporting responsibilities. [para 26 - operational procedures]

At its 7th meeting, in September 2009, the Adaptation Fund Board will adopt the following fiduciary standards governing the use, disbursement and reporting on funds issued by the Adaptation Fund.

- **Financial Integrity and Management**
Financial statements must be prepared in accordance with [internationally agreed] accounting standards
- Ensure that external audits are conducted. The work of the external audit firm or organization must be consistent with recognized international auditing standards such as International Standards on Auditing (ISA).
- Demonstrated capability for internal auditing
- Adequate administrative mechanisms to prevent conflict of interest must be in place

A. Institutional Capacity

- Have procurement systems and policies in place, in accordance with generally accepted procurement principles.
- Capacity to monitor and evaluate project/programme progress
- Capacity and procedures to deal with financial mis-management and other forms of malpractice
- All fiduciary arrangements, including audits should be fully transparent to stakeholders

Registration/Accreditation of Entities

The registration/ accreditation process consists of the following steps:

- STEP 1: Countries submit application to the Secretariat demonstrating that they meet the fiduciary requirements
- STEP 2: The Board will constitute an accreditation panel consisting of 2 Board members and 3 experts. Panel will be assisted and supported by the Secretariat
- STEP 3: The Accreditation Panel undertakes a desk-review of the application for accreditation and will present its recommendation
- STEP 4: Should the Panel need additional information to make its recommendation, a Mission / teleconference can be undertaken to the country concerned
- STEP 5: Board makes a decision and informs (written notification) the entity of the outcome

Note: In exceptional circumstances, an external assessor will be used to help resolve especially difficult / contentious issues

Note: The Accreditation Panel's recommendations fall into categories:

- (a) Applicant meets requirements, and accreditation is recommended
- (b) Applicant needs to address certain requirements. Panel may recommend that technical support be provided to the applicant addressing the areas requiring further work.

Annex Table

Fiduciary risk management Standards to be met and other requirement as per Decisions

Key Fiduciary standards to be met:
Competencies and Specific Capabilities

| Required competency | Specific capability required | Illustrative means of verification |
|---|--|---|
| I Financial Management and Integrity | The ability to accurately and regularly recorded transactions and balances to an appropriate standard as attested to by an independent external audit firm or organisation | <ul style="list-style-type: none"> • Production of reliable financial statements /annual audited accounts • Audited accounts • Production of detailed departmental accounts • Use of accounting packages that are recognised and familiar to accounting procedure in developing countries • Demonstrate capability for internal auditing |
| | The ability to safeguard, manage and disburse funds efficiently to recipients on a timely basis | <ul style="list-style-type: none"> • Financial projections demonstrating financial solvency • Demonstration of proven payment / disbursement systems |
| | The competency to produce forward-looking financial plans and budgets | <ul style="list-style-type: none"> • Evidence of preparation of corporate , project or departmental / ministry budgets • Demonstration of ability to spend against budgets |
| | Legal status to contract with AF and third parties | <ul style="list-style-type: none"> • Demonstration of necessary legal personality in case it is not government department/institution. • Demonstrated legal capacity/authority and the ability to directly receive funds |
| II Requisite Institutional Capacity | | |
| | Procurement procedures which provide for transparent competition | <ul style="list-style-type: none"> • Evidence of procurement policies and procedures at national levels consistent with recognized international practice (including dispute resolution procedures) |

| Required competency | Specific capability required | Illustrative means of verification |
|---|---|--|
| | Capacity to undertake monitoring and evaluation | <ul style="list-style-type: none"> ▪ Demonstration of existing capacities for monitoring and evaluation |
| | Ability to identify, develop and appraise project | <ul style="list-style-type: none"> • Availability of/ Access to resources and track records of conducting appraisal activities |
| | Competency to manage or oversee the execution of the project/programme including ability to manage sub-recipients and to support project /programme delivery and implementation | <ul style="list-style-type: none"> • Understanding of and capacity to address the technical, financial, economic, social, environmental and legal aspects of the project and their implications • Demonstrated competence to execute or oversee execution of projects / programmes of the same nature as intended project or programme |
| III Transparency and self - investigative powers | Competence to deal with financial mis-management and other forms of malpractice | <ul style="list-style-type: none"> • Demonstration of capacity and procedures to deal with financial mismanagement and other forms of malpractice |

Annex VI

Ethics and Finance Committee

Terms of Reference

1. The Ethics and Finance Committee (EFC) shall be responsible for providing advice to the Board on issues of conflict of interest, ethics, finance and audit.
2. In this regard, the EFC shall:
 - a) Develop, for approval by the Board, a draft Code of Conduct for the implementation of section VII of the Rules of Procedure in order to protect Board members and alternates and the staff of the secretariat from conflict of interest in their participation, identifying cases of conflict of interest and the related procedures;
 - b) Oversee the implementation of the Code of Conduct and address differences in its interpretation as well as consequences of breach of the Code of Conduct;
 - c) Review and provide advice on the budget for the operating expenses of the Board, secretariat and trustee;
 - d) Advise the Board on overall resource mobilization policy and approach, including recommendations from the trustee with respect to monetization of CERs and receipt of contributions from other sources;
 - e) Review the financial statements of the Fund;
 - f) Review the performance of the Fund and NIEs and MIEs making use of both internal and external evaluations and reports from NIEs, MIEs and other sources as appropriate;
 - g) Address issues concerning monitoring and evaluation of projects and programmes; including *inter alia*, annual status reports, Annual Monitoring Reports and other matters in accordance with paragraphs 42 to 45 of the Operational Policies and Guidelines;
 - h) Oversee the activities of the Secretariat involving recruitment and procurement of services and other activities related to the area of responsibility of the Committee ;
 - i) Oversee the activities of the trustee in areas relevant to the responsibility of the Committee;

- j) Consider any other matter the Board deems appropriate.
-
3. The EFC, in consultation with the Board Chair, may require assistance and/or advice from experts in the performance of its functions;
 4. When the matter under discussion so requires, the trustee will attend the meetings of the EFC.

Project and Programme Review Committee

Terms of Reference

1. The Project and Programme Review Committee (PPRC) shall be responsible for assisting the Board in tasks related to project/programme review in accordance with the *Provisional Operational Policies and Guidelines for Parties to access resources of the Adaptation Fund* (the Operational Policies and Guidelines), and for providing recommendations and advice to the Board thereon.
2. In this regard, the PPRC shall:
 - a) Consider and review projects and programmes submitted to the Board by eligible Parties in accordance with the Operational Policies and Guidelines;
 - b) Address issues arising from projects and programmes submitted to the Board, including outstanding policy issues;
 - c) Review the project and programme reports submitted by National Implementing Entities (NIEs) and Multilateral Implementing Entities (MIEs) in accordance with paragraph 46 of the Operational Policies and Guidelines, with the support of the Secretariat; Report and make recommendations to the Board on project and programme approval, cancellation, termination, suspension and on any other matter under its consideration; and
 - d) Consider any other matter the Board deems appropriate.
3. Representatives from NIEs and MIEs may be invited by the Chair of the PPRC to attend the meetings in order to explain details of the projects and programmes before the PPRC and provide information to assist in the deliberations.
4. The PPRC, in consultation with the Board Chair, may require assistance and/or advice from experts in the performance of its functions;

General Guidelines for Committees

I. Membership

1. The Committees shall consist of Board members and alternates.
2. The members of the Committees shall serve for a term of 1 year and shall be eligible to serve a maximum of two consecutive terms. Rotation of members will be made so as to ensure continuity.
3. If a member is not able to carry out her or his functions, or ceases to be a member, a new member shall be appointed by the Board for the remainder of the term.

II. Chairmanship

4. The Chair and Vice-Chair of the Board, in consultation with the Board, will nominate a Chair and a Vice-Chair for each Committee.
5. The Board shall elect the Chair and Vice-Chair of each Committee, with one being a member from an Annex I Party and the other being from a non-Annex I Party. The position of Chair and Vice-Chair shall alternate annually between a member from an Annex I Party and a member from a non-Annex I Party.
6. If the Chair or Vice-Chair is not able to carry out her or his functions, or ceases to be a member, a new Chair or Vice-Chair shall be appointed by the Board for the remainder of the term.

III. Accountability

7. The decisions and work plan of the Board shall clearly state the scope of the issues to be addressed by each Committee and determine which Committee bears primary responsibility on each matter.
8. The Committees shall forward any issues related to their mandate to the Board for discussion and decision-making.

IV. Operating procedures

9. The Committees shall be bound by their terms of reference as adopted by the Board, and these General Guidelines. The Board will revise the terms of reference and these General Guidelines as necessary, following the recommendations by the Committees.
10. The *Rules of Procedure of the Adaptation Fund Board* (the Rules of Procedure) shall apply *mutatis mutandi* to the meetings of the Committees.

11. The Committees shall convene their meetings as decided by the Board, and shall meet simultaneously and back to back to the Board meetings.
12. The Committee meetings will be closed, unless otherwise decided by the Board.
13. The working language of the Committees shall be English.
14. The Secretariat will establish a secure link for each Committee on the Fund website to facilitate the above consultations and to provide Board members with access to the working documents of the Committees.
15. The Chairs of the Committees shall endeavor to reach consensus regarding proposed recommendations to the Board. In circumstances where a Committee cannot reach consensus, it shall forward the different views of the members to the Board.
16. The recommendations of the Committees shall be made publicly available, unless otherwise decided by the Board.
17. The Committees shall report annually to the Board on their performance, including meeting attendance and effectiveness.

V. Experts

18. The Committees, in consultation with the Board Chair, may require assistance and/or advice from experts in the performance of their functions;
19. The Board shall approve terms of reference for the experts, including a mechanism for reporting to the Committee and the criteria for selection.
20. The secretariat will issue a call for experts at international level and will prepare a roster of experts with demonstrated and recognized capacity in their field of work, taking into account the terms of reference for experts as approved by the Board. Consideration will be given to a balanced regional representation. The Committee Chair and Vice-Chair will choose experts from the roster mentioned above.
21. The experts will be subject to the Code of Conduct as approved by the Board and related decisions and policies;
22. The experts who are providing advice to the Committee on a particular issue will be allowed to attend the discussion of the relevant agenda item at Board meetings, unless otherwise decided by the relevant Committee.

VI. Role of the secretariat

23. The secretariat shall coordinate and support the work of the Committees;

24. The Secretariat shall appoint one qualified officer as the secretariat focal point for each Committee.
25. The secretariat's Committee focal point will provide secretarial assistance and support to the work of the Committee, attend its meetings, and assist the Chair and the Vice-Chair in order to prepare, facilitate and coordinate its work and meetings. The focal points will be subject to the guidance of the Chairs and Vice-Chairs, and will be responsive to the tasks assigned to them by the Committee.

Annex VII

ETHICS AND FINANCE COMMITTEE

Mr. Richard MWENDANDU
Ms. Merlyn VAN VOORE (Vice-Chair)
Mr. Damin DAVGADORJ
Mr. Mahendra SIREGAR
Ms. Dinara GERSHINKOVA (Chair)
Ms. Iryna TROFIMOVA
Mr. Luis PAZ CASTRO
Mr. Octavio PEREZ PARDO
Mr. Anton HILBER
Mr. Selwin HART
Mr. Nojibur RAHMAN
Ms. Vanesa ALVAREZ FRANCO
Mr. Julien RENCKI
Mr. William Kojo AGYEMANG-BONSU
Mr. Bruno SEKOLI

PROJECT AND PROGRAM REVIEW COMMITTEE

Mr. Cheikh Ndiaye SYLLA
Mr. Elsayed Sabry MANSOUR
Mr. Mohammed AL-MASLAMANI
Ms. Tatyana OSOSKOVA
Mr. Jerzy JANOTA BZOWSKI
Ms. Medea INASHVILI
Mr. Jeffery SPOONER
Mr. Luis SANTOS
Mr. Hans Olav IBREKK (Vice-Chair)
Mr. Markku KANNINEN

Mr. Amjad ABDULLA (Chair)

Mr. Richard MUYUNGI

Mr. Hiroshi ONO

Mr. Yvan BIOT

Mr. Ricardo LOZANO PICON

Annex VIII

ADAPTATION FUND LOGO AS APPROVED BY THE ADAPTATION FUND BOARD AT ITS SIXTH MEETING



ADAPTATION FUND



ADAPTATION FUND

Annex IX

STATUS OF THE ADMINISTRATIVE TRUST FUND RESOURCES

Introduction

1. Decision 1/CMP.3, in paragraphs 24-26 provides for the financial framework of the Adaptation Fund, which includes the establishment of a trust fund to meet the costs of adaptation, as well as administrative expenses for operating the Fund. That decision, in paragraph 27, invites Parties to finance the administrative expenses for operating the Fund in an interim phase, pending monetization of CERs, by making contributions to the administrative trust fund for the Board and the Secretariat of the Adaptation Fund, hereinafter called the Administrative Trust Fund.

2. This document is prepared by the Secretariat to inform the Board of the status of the resources available to, and expenditures incurred by, the Adaptation Fund as of June 15, 2009.

Status of Contributions to the Administrative Trust Fund

3. As of June 15, 2009, the Governments of: Denmark, Finland, France, Japan, Norway, Sweden and Switzerland have made contributions for the administrative expenses for operating the Fund and paid in donations of **\$1.467 million**.

4. As of June 15, 2009, the Governments of Australia, U.K. and UNEP have made contributions of **\$1.681 million** for the administrative expenses for operating the Fund. These funds are reimbursable, upon request of the donors.

5. In addition, a loan of **\$ 700,000** has been received from the Least Developing Country Fund (LDCF) to cover costs of the operation of the Adaptation Fund Board and Secretariat, and this loan is due to be repaid to the LDCF. These contributions are detailed in Table 1.

Table 1: Contributions to the Administrative Trust Fund for the Board and Secretariat of the Adaptation Fund as of June 15, 2009

| Paid in contributions to the Administrative Trust Fund for the Board and Secretariat of the Adaptation Fund | | | |
|--|-----------------|----------------|-----------------------|
| Donor | Currency | Amount | USD Equivalent |
| <u>Grants</u> | | | |
| Denmark | DKK | 3,000,000 | \$544,030.18 |
| Finland | EUR | 100,000 | \$155,340.00 |
| France | EUR | 95,000 | \$122,692.50 |
| Japan | USD | 13,094 | \$13,093.97 |
| Norway | NOK | 1,000,000 | \$201,726.78 |
| Sweden | SEK | 2,100,000 | \$251,154.11 |
| Switzerland | CHF | 200,000 | <u>\$178,651.18</u> |
| <u>sub-total Grants</u> | | | \$1,466,688.72 |
| <u>Loan and reimbursable grants</u> | | | |
| LDCF loan | USD | 700,000 | \$700,000.00 |
| Australia* | AUD | 200,000 | \$191,340.00 |
| U.K.* | GBP | 500,000 | \$990,300.00 |
| UNEP* | USD | 500,000 | \$500,000.00 |
| <u>sub-total Loan and reimbursable grants</u> | | | \$1,681,640.00 |
| Less fees given to Trustee and Legal Department for set-up and maintenance | | | (\$97,966.58) |
| TOTAL | | | \$3,750,362.14 |

*At the request of the donor, these contributions are repayable to the donors or transferrable to a different fund once the CERs have been monetized.

Budget of the Adaptation Fund Board Secretariat from January 1 to December 31, 2008

6. During the course of 2008, the Adaptation Fund Board approved a series of budgets that totalled **\$2,379,811** for the activities of the Secretariat for the period January 1 to December 31, 2008. These costs were for: (i) costs to research and prepare documentation for four meetings of the Adaptation Fund Board; (ii) travel costs of Board Members to participate in four meetings of

the Board; (iii) travel costs of Board Members to participate in three Committee meetings and (iv) travel costs of Secretariat staff to organize and manage the first four meetings of the Board and three Committee meetings.

Expenditures of the Adaptation Fund Secretariat from January 1 to December 31, 2008

7. It is estimated that the Secretariat has incurred **\$1,885,743** in expenses for the period January 1 to December 31, 2008, for the following costs: (i) costs to research and prepare documentation for the four meetings of the Board; (ii) travel costs of Board Members to participate in four meetings of the Board; and (iii) travel costs of Secretariat staff to organize, manage and follow up activities from the meetings of the Adaptation Fund Board.

Budget of the Adaptation Fund Secretariat from January 1 to June 30, 2009

8. The approved budget for the Adaptation Fund and Secretariat for the period January 1 to June 30, 2009, as agreed by the Adaptation Fund Board on March 26, 2009 is **\$754,760**

Status of Resources in the Administrative Trust Fund as of June 15, 2009

9. The net value of the cumulative funds made available for the Administrative Trust Fund is **\$3,750,362**.

10. After having covered the costs of operation of the Adaptation Fund Board and Secretariat for the period up to July 1, 2009, the remaining available funds are **\$1,109,859**.

11. Further to decision AFB/B.5/6/, it is proposed to repay the loan of **\$ 700,000** received from the Least Developing Country Fund to the Least Developing Country Fund from the remaining available resources in the **Administrative Trust Fund**.

12. As approved by the Board at its fifth meeting, **\$ 1,681,640** will be repaid by the Trustee, after consultation with donors, in accordance with the terms of the agreement with the Governments of Australia, U.K. and UNEP, from resources available in the new "**Adaptation Fund Trust Fund**", given the lack of available resources in the **Administrative Trust Fund**.

13. It is further proposed that the costs of the proposed budget of the Adaptation Fund Board and Secretariat from July 1, 2009 to June 30, 2010 (see document AFB/B.6/9/Rev.2) would be covered by the new "**Trust Fund for the Adaptation Fund**", given the lack of available resources in the **Administrative Trust Fund**.

14. The remaining available funds in the Administrative Trust Fund are **\$409,859**.

Table 2: Status of the Resources in the Adaptation Fund Administrative Trust Fund as of June 15, 2009

| | |
|--|------------------|
| Cumulative Funds made available through Funds as of June 15, 2009 | 3,750,362 |
| January 1 - December 31, 2008 expenses | 1,885,743 |
| January 1 - June 30, 2009 approved budget | 754,760 |
| Repayment of loan of \$ 700,000 to the Least Developed Country Fund | 700,000 |
| Available funds as of June 15, 2009 | 409,859 |
| Pending receipts as of June 15, 2009 | 152,233 |

Additional Donor pledges

15. The Administrative Fund has received pledges of additional contributions from the government of the Netherlands (100,000 Euros). These sums had not yet been fully paid into the Administrative Fund as of June 15, 2008. In addition, a proportion of the charges made on receipt of funds by the invited Trustee (US\$4,660.20) are due to be returned to the Administrative Fund. These sums are detailed in Table 3.

Table 3: Pending Receipts to the Adaptation Fund Administrative Trust Fund as of June 15, 2009

| Pledges not yet paid in to the administrative trust fund for the Board and Secretariat of the Adaptation Fund | | | |
|--|-----|---------|---------------------|
| Netherlands | EUR | 100,000 | \$155,340.00 |
| Less fees to be given to Trustee and Legal Department for maintenance (5%) | | | (\$7,767.00) |
| 60% of 5% to be returned from pending pledges | | | \$4,660.20 |
| Total not yet paid in | | | \$152,233.20 |

Annex X

REVISED BUDGET FOR THE ADAPTATION FUND BOARD AND SECRETARIAT FOR JULY 1, 2009 – JUNE 30, 2010

INTRODUCTION

1. At the Fifth meeting of the Adaptation Fund Board a revised budget was agreed for supporting all activities of the Secretariat and the Board for the period January 1, 2009 to June 30, 2009, including (i) costs to research and prepare documentation for the Fifth and Sixth meetings of the Adaptation Fund Board in March and June 2009; (ii) costs of Secretariat staff to manage and follow up on Board decisions during the period January 1 to June 30, 2009; (iii) costs of Board Members and Alternates to participate in the Fifth and Sixth meetings of the Board in March and June 2009; (iv) travel costs of Secretariat staff to organize the Fifth and Sixth meetings of the Board in March and June 2009; and (v) consultancy costs to prepare a report fiduciary standards in accordance with decision B.5/3.

2. The following tables provide information related to the budgeting of Adaptation Fund resources for the period January 1, 2009 to June 30, 2010.

- a) The estimated expenses against the approved budget for the period January 1 to June 30, 2009, as agreed by the Adaptation Fund Board on March 26, 2009 (see Table 1).
- b) The proposed budget for the period from July 1, 2009 to June 30, 2010 for the Adaptation Fund Secretariat and Board (see Table 2).

ESTIMATED EXPENSES INCURRED AGAINST APPROVED BUDGET OF THE ADAPTATION FUND BOARD AND SECRETARIAT: JANUARY 1 – JUNE 30, 2009

3. It is estimated that in the first six months of 2009, the Adaptation Fund has incurred **US\$762,482** in expenses to cover the following costs: (i) costs to research and prepare documentation for the Adaptation Fund Board; (ii) travel costs of Board Members and Alternates to participate in the Fifth meetings of the Board; and (iii) travel costs of Secretariat staff to organize and manage the Fifth meetings of the Board; and (iv) costs of Secretariat staff to manage and follow-up on Board decisions;

4. Details of the expenses against the approved budget are shown in Table 1, indicating that the rate of expenditure has been within normal ranges; however, there was no official launch ceremony for the monetization of CERs, and so this budget item was not utilized.

5. As agreed in the *Rules of Procedure of the Adaptation Fund Board*, revised rules for travel and subsistence will be applied for the Seventh and subsequent meetings of the AFB, contingent on the establishment of the AF. An adjustment will be made to increase the average travel budget for each AFB member or alternate from US\$4,500 to US\$7,500 per mission.

6. Interpretation of Board meetings in 6 UN languages is allowed under the approved *Rules of Procedure of the Adaptation Fund Board*, depending on the language requirements of Adaptation Fund Board members at any meeting. Interpretation in five languages is currently being offered at meetings, and costs are reflected in the amount budgeted for all future AFB meetings.

7. As directed by the Fifth AFB meeting, a specific consultancy has been carried out to draft a report on fiduciary standards (see document AFB/B6/4) in order to provide practical inputs for the establishment of Board-approved Fiduciary Standards for the Adaptation Fund.

TABLE 1: ESTIMATED EXPENSES AGAINST APPROVED BUDGET OF THE ADAPTATION FUND BOARD AND SECRETARIAT: JANUARY 1 TO JUNE 30, 2009

| Estimated Expenses Against Approved Budget of the Adaptation Fund Board and Secretariat: January 1 to June 30, 2009 | | |
|--|---|--|
| Expense Category | Approved Budget for 1 Jan to 30 Jun 2009 | Estimated Expenses 1 Jan to 30 Jun 2009 |
| <u>Staff Costs (Salaries and Benefits)</u> | 147,368 | 148,656 |
| 2 months/year 10 GEF staff | 147,368 | 148,656 |
| Adaptation Fund Board Sec Manager - charged to Jul-Dec plan | 0 | 0 |
| <u>Travel for AF Members/Alternates and AFSec</u> | 363,000 | 321,718 |
| 5 AF Sec staff to attend 2 meetings | 75,000 | 77,387 |
| 24 eligible members to attend March 09 meeting under WB rules | 108,000 | 64,331 |
| 24 eligible members to attend June meeting under UN rules | 180,000 | 180,000 |
| Support provided to launch of monetization of CERs | 0 | 0 |
| <u>Consultancy costs</u> | 32,000 | 32,000 |
| Report on fiduciary standards | 32,000 | 32,000 |
| <u>General Operations Costs</u> | 42,392 | 34,556 |
| Office Space, Equipment, and Supplies | 34,892 | 34,556 |
| Support to the Chair for January to March 2009 viz: | 7,500 | 0 |

| | | |
|--|------------------|------------------|
| (Mobile phone calls, computer loan, internet service provider, secretariat support, photocopies, paper etc.) | | |
| <u>Cost of Meeting with Interpretation in 5 UN Languages</u> | 170,000 | 225,552 |
| - | | |
| Total | \$754,760 | \$762,482 |

PROPOSED BUDGET FOR THE ADAPTATION FUND BOARD AND SECRETARIAT: JULY 1, 2009 TO JUNE 30, 2010

8. In preparation for the Sixth Meeting of the Board, a budget is proposed for the activities of the Adaptation Fund Board and Secretariat from July 1, 2009 to June 30, 2010 for the amount of **US\$2,288,933** to cover the following costs: (i) costs to research and prepare documentation for the Seventh, Eighth, Ninth and Tenth meetings of the Adaptation Fund Board in September and November, 2009 and March and June, 2010; (ii) costs of Secretariat staff to manage and follow up on Board decisions; (iii) travel costs of Board Members and Alternates to participate in the four meetings of the Board between July 2009 and June 2010; and (iv) travel costs of Secretariat staff to organize all the meetings of the Board. This budget is being circulated to the Board for a decision in the Sixth meeting of the Adaptation Fund Board.

9. The staff costs for the proportion of the time of staff in the GEF Secretariat that service the Adaptation Fund Board have been included. This has been estimated at 2 months per year for each of the staff members/functions. The staff titles and functions are shown in Table 2, and a particular function may be handled by more than one individual. From July 1, 2009, it is proposed that the charge will be reduced from 2 months per year for ten staff down to 2 months per year for eight staff. The reduced support from the GEF Secretariat will be covered by the full-time Adaptation Fund Secretariat staff.

10. Costs for attendance of the Adaptation Fund Secretariat Manager at the Meeting of the Kyoto Protocol in Copenhagen in December 2009 have been included to provide the necessary level of support to the Adaptation Fund Board Chair, Vice-Chair and other members and alternates during the relevant discussions.

11. As decided upon by the Sixth meeting, a competition has been launched to design a suitable logo for the Adaptation Fund, and all costs, including the launch and the costs of travel and subsistence for the winners in Bonn for one week.

1. TABLE 2: REVISED BUDGET FOR ACTIVITIES OF THE ADAPTATION FUND SECRETARIAT AND BOARD: JULY 1, 2009 TO JUNE 30, 2010

APPROVED FY08, APPROVED FY09 and PROPOSED FY10 BUDGETS OF THE BOARD & THE SECRETARIAT OF THE ADAPTATION FUND

| | Approved FY08 (6 mos.) | Actual FY08 (6 mos.) | Approved FY09 | Estimated FY09 | Proposed FY10 |
|--|------------------------------|----------------------------|------------------|-------------------|------------------|
| PERSONNEL COMPONENT | | | | | |
| Full-time staff: | | | | | |
| 01 Program Manager (GG) | | | 398,370 | 398,370 | 0 |
| 02 Program Manager (GF) (vacant) | | | 0 | 0 | 306,961 |
| 03 Program Assistant @ (vacant) | | | 0 | 0 | 151,348 |
| sub-total AFB staff | | | 398,370 | 398,370 | 458,309 |
| 2/months/year GEF staff: | | | | | |
| 01 Head of the Secretariat (GJ) | | | | | |
| 02 Legal Counsel (D1) | | | | | 0 |
| 03 Operations Advisor (GH) | | | | | |
| 04 Communications Advisor (GH) | | | | | |
| 05 Program Manager (GG) | | | | | 0 |
| 06 Monitoring Officer (GF) | | | | | |
| 07 Information Officer (GF) | | | | | |
| 08 Finance & Admin Officer (GF) | | | | | |
| 09 Human Resources Assistant (GD) | | | | | |
| 10 Executive Assistant (GD) | | | | | |
| sub-total GEF staff | 135,802 | 122,438 | 294,737 | 296,025 | 241,240 |
| Consultants | | | | | |
| 01 AFB Secretariat Support | 32,000 | 75,080 | 67,000 | 37,000 | 37,500 |
| 02 Design and Operation of dedicated Web site | 0 | 0 | 0 | 0 | 50,000 |
| 03 Adaptation Fund Logo competition | 0 | 0 | 0 | 0 | 600 |
| sub-total Consultants | 32,000 | 75,080 | 67,000 | 37,000 | 88,100 |
| SUB-TOTAL PERSONNEL COMPONENT | 167,802 | 197,518 | 760,107 | 731,395 | 787,649 |
| TRAVEL COMPONENT | | | | | |
| 01 Consultants | 36,000 | 38,870 | 15,000 | 0 | 0 |
| 02 AFB participation at Poznan | 0 | 0 | 18,750 | 12,212 | 0 |
| 03 GEF CEO to attend 4th meeting | 0 | 0 | 2,000 | 1,995 | 0 |
| 04 Professional-level staff to attend 4th meeting | 0 | 0 | 7,500 | 0 | 0 |
| 05 AF Secretariat staff - 5 staff | 108,000 | 71,924 | 150,000 | 133,232 | 150,000 |
| 06 Board - 24 eligible members | 432,000 | 191,525 | 648,000 | 460,121 | 720,000 |
| 07 Committee meetings (2 experts to attend 3 meetings) | 72,000 | 0 | 0 | 0 | 135,000 |
| 08 AF Mgr. travel to Kyoto Protocol | 0 | 0 | 0 | 0 | 7,500 |
| 09 Logo Competition Prize winner travel | 0 | 0 | 0 | 0 | 9,000 |
| 10 Experts to attend 3 committee meetings | 0 | 0 | 0 | 0 | 45,000 |
| SUB-TOTAL TRAVEL COMPONENT | 648,000 | 302,319 | 841,250 | 607,560 | 1,066,500 |
| GENERAL OPERATIONS COMPONENT | | | | | |
| 01 Office Space, Equipment and Supplies | 27,908 | 23,162 | 101,504 | 101,168 | 69,784 |
| 02 Support to Chair (communications) | 0 | 0 | 22,500 | 15,000 | 0 |
| SUB-TOTAL GENERAL OPERATIONS COMPONENT | 27,908 | 23,162 | 124,004 | 116,168 | 69,784 |
| MEETINGS COMPONENT | | | | | |
| 01 Logistics, translation, interpretation, etc. | 239,500 | 216,143 | 326,000 | 453,959 | 340,000 |
| AUDIT COMPONENT | | | | | |
| 01 Trust Fund audit fees | 0 | 0 | 0 | 0 | 25,000 |
| GRAND TOTAL ALL COMPONENTS | 1,083,210 | 739,142 | 2,051,361 | 1,909,082 | 2,288,933 |

Annex XI

Budget Estimate for Trustee Services to the Adaptation Fund July 1, 2009 – June 30, 2010

Presented to the Adaptation Fund Board for Mutual Agreement June 15-17, 2009

1. In its decision 1/CMP.4, the CMP adopted the Legal Arrangements between the CMP and the World Bank as the Trustee for the Adaptation Fund on an interim basis. These arrangements specify that the Trustee will perform two core functions for the Adaptation Fund: (a) monetization of CERs for the Adaptation Fund, and (b) trust fund management, including financial management of the resources of the Trust Fund; investment management; and accounting and financial reporting. The arrangements also specify that the Trustee will perform its functions consistent with its Articles of Agreement, by-laws, policies and procedures. Decision 1/CMP.3 further provides that the Trustee shall be accountable to the Adaptation Fund Board for the performance of its fiduciary responsibilities and in particular for the monetization of certified emission reductions (CERs) in accordance with guidance provided by the Adaptation Fund Board.
2. The Adaptation Fund Board, at its meeting of June 15-17, 2009 approved the Budget Estimate of US\$ 1,365,000 for Trustee Services for the period July 1, 2008 – June 30, 2009. The final actual amounts for the 2008-2009 fiscal year will be provided to the Adaptation Fund Board after the close of the Trustee fiscal year (June 30, 2009) and will be used to finally adjust the 2009 estimate amount.
3. This paper presents to the Adaptation Fund Board:
 - An update of the estimate of actual expenses for the fiscal year ending June 30, 2009. This is still in the form of an estimate. Actual fees and expenses will be confirmed once all fees and expenses are known after the closing of the Bank's fiscal year on June 30, 2009. The Bank will provide this information not later than the September 2009 Adaptation Fund Board meeting.
 - A proposed budget for the period July 1, 2009 – June 30, 2010 for services to be provided to the Adaptation Fund, for mutual agreement with the Adaptation Fund Board. As stipulated in the Legal Arrangements regarding the services to be provided by the Trustee to the Adaptation Fund, and in the Roles and Responsibilities of the Trustee, the Trustee is required to submit a budget estimate to the Adaptation Fund Board, for mutual agreement and approval by the Board. This estimate reflects the Trustee's best estimate of the fees, costs and expenses for the year, on a cost-recovery basis. It will be subject to review and adjustment at the end of the period, based upon actual fees, costs and expenses incurred during the period July 1, 2009 – June 30, 2010.

4. **The Adaptation Fund Board is hereby requested to approve an estimated budget comprising US\$ 787,500 for Trustee services and US\$ 675,000 for CER Monetization services (for a total of US\$ 1,462,500) for the period July 1, 2009 to June 30, 2010.**
5. The budget estimate for FY10 of US\$ 1,462,500 represents an increase of US\$97,500 (or 7.1%) over the estimate for FY09. The increase in the overall estimate is due entirely to increased activity related to monetization of CERs, as this will be a constant activity in FY10. The amount of US\$ 787,500 for Trustee services represents a decrease of US\$ 92,500 (or -10.5%) from the FY09 estimate. These estimates will be subject to adjustment at the end of the period to reflect full cost recovery, as well as any realized savings.
6. The proposed budget reflects the following components:
 - i. ***CER Monetization (US\$ 675,000)***: The CER Monetization budget estimate is based on: cost measures of the resources, including staff costs, system development changes, travel, and expenses deployed by the World Bank as Trustee of the AF to prepare and execute the CER Monetization Program. The budget estimate comprises costs for the preparation, execution, and settlement of transactions. The tasks associated with the settlement of transactions may be outsourced by the Trustee to a specialized provider, or “Settlement Agent”, recruited through a competitive selection process as per the rules applicable by the World Bank for its procurement.
 - ii. ***Financial management (US\$150,000)***: Final FY10 costs will depend on the level of financing and the number of funding initiatives approved by the Adaptation Fund Board, and the complexity of operational procedures ultimately developed for recording allocations, commitments and making cash transfers. This is expected to be higher in FY10 as the Adaptation Fund Trust Fund becomes operational, proceeds from CER monetization are received, and disbursements begin for programs and projects.
 - iii. ***Investment management (US\$17,500)***: Investment management fees are calculated based on a cost of 3.5 basis points (ie. 0.035%) on the average annual balance of the portfolio. The projected average portfolio size for the Adaptation Fund Trust Fund is estimated to be \$50 million over the period (ie. the balance equals net inflows from CER monetization, less all disbursements).
 - iv. ***Program management (US\$180,000)***: These costs include staff time related to participation in Adaptation Fund Board and related meetings; work in collaboration with the Adaptation Fund Board and the Secretariat to develop policies relating to financial transactions; and development and maintenance of robust and efficient systems for reporting and transactional processes and procedures for the Trust Fund. These costs are estimated to be lower in FY10 than the previous year.

- v. **Accounting and reporting (US\$55,000):** As a large portion of the systems and Trust Fund related start-up fees will be charged against the FY09 budget, estimated costs for FY10 are expected to be significantly lower than in FY09.
- vi. **Legal services (US\$ 190,000):** Costs include (a) the legal costs related to establishment of the CER monetization program and making the Adaptation Fund Trust Fund operational; (b) costs of contractual services for outside legal counsel on the issues of legal capacity for the Adaptation Fund Board and selling CERs under security trading regulations; and travel expenses relating to Board meetings.
- vii. **External audit (US\$90,000):** This covers the external audit of the financial statements of the Trust Fund during FY10.
- viii. **Travel (US\$105,000):** Travel costs are expected to lower in FY10 than in FY09. This includes the cost of three staff (in addition to legal advisor) to attend four Board meetings each; and three staff to attend the COP/MOP meeting in December 2009, if required.

**Table 1: Budget Estimate for Services Provided by the Trustee
1 July 2009 to 30 June 2010
(USD)**

| Trustee Services | FY09 Approved Budget Estimate | FY09 Current Indicative Estimate* | FY10 Proposed Budget Estimate |
|--------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| Financial Management | 140,000 | 140,000 | 150,000 |
| Investment Management | 10,500 | 500 | 17,500 |
| Program Management** | 198,600 | 198,600 | 180,000 |
| Accounting and Reporting | 147,500 | 147,500 | 55,000 |
| Legal Services | 170,400 | 170,400 | 190,000 |
| External Audit | 90,000 | 90,000 | 90,000 |
| Travel | 133,000 | 133,000 | 105,000 |
| Sub-Total | <u>890,000</u> | <u>880,000</u> | <u>787,500</u> |
| CER Monetization | 475,000 | 475,000 | 675,000 |
| Total | <u>1,365,000</u> | <u>1,355,000</u> | <u>1,462,500</u> |

* pending final accounting after close of IBRD fiscal year (June 30, 2009).

** "Relationship Management" heading used in the FY09-10 approved Budget Estimate

Table 2.

**Additional Detail on budget line item: CER Monetization
AFB/B.6/12**

| | <u>FY09 approved</u> | <u>FY10 estimate</u> |
|---------------------------------|----------------------|----------------------|
| Trustee Budget Estimate | \$475,000 | \$675,000 |
| Front office staff time | | \$360,000 |
| Back office, systems staff time | | \$108,000 |
| Exchange Fees | | \$67,000 |
| Legal costs | | \$140,000 |
| Dealer fees | | \$0 |
| CERs Sold* | 1,100,000 | |
| CER Sales Proceeds* | \$18,300,000 | |
| Cost per tonne | \$0.43 | |
| Cost as % of Sales | 2.6% | |

* assumptions related to CERs sold and proceeds are indicative only as sales are still underway and FY09 actual expenses will be confirmed after fiscal year closing June 30, 2009.

Annex XII

2009 WORK PLAN FOR THE ADAPTATION FUND BOARD

Seventh meeting: September 2009

- (a) Review and finalize the Provisional Operational Policies and Guidelines for Parties to access resources from the Adaptation Fund;
- (b) Review and approve the draft report of the Adaptation Fund Board to the CMP in response to decision 1/CMP.3, paragraph 5.1);
- (c) Consider the working group recommendation on the offers to confer legal capacity and to host the Board and take a final decision for endorsement by the CMP;
- (d) Host the award ceremony for the winner of the Adaptation Fund logo contest;
- (e) Consider a proposal for a communication strategy for the Adaptation Fund Board and the design of a new website for the Adaptation Fund;
- (f) Consider and approve the 2009 work plan of the Adaptation Fund Board;
- (g) Review and approve the invitation letter to eligible Parties for accreditation at the Adaptation Fund Board;
- (h) Consider the need to amend the Rules of Procedure of the Adaptation Fund Board and make a recommendation to the CMP;

Eighth meeting

- (a) Consider arrangements for the monetization of Certified Emissions Reductions;
- (b) Review and approve the 2010 work plan of the Adaptation Fund Board;
- (c) Start the process of accreditation of National Implementing Entities and the consideration of offers by Multilateral Implementing Entities.

Annex XIII

NOTE FROM UNDP

Dear Jan,

Adaptation is a key priority for developing countries, particularly the most vulnerable and least developed. We see the Adaptation Fund as critical to helping developing countries meet the financing needs for successful adaptation under the United Nations Framework Convention on Climate Change and its current Protocol. UNDP has been following with great interest the deliberations of the Adaptation Fund Board, at its previous meetings.

At its Sixth Meeting during 15-17 June 2009, in Bonn, we understand that the Adaptation Fund Board, will be considering the elaboration of fiduciary standards for national implementing entities, as part of the “direct access” modality. We have reviewed the consultant report prepared for the meeting, which we find innovative. One of UNDP’s major thrusts over the last two decades has been to build national institutional capacities to develop, implement, monitor and evaluate national projects and programmes. This is precisely why UNDP has been promoting its “national execution” modality.

Our national, regional and global capacity development advisers provide policy advice, support assessments and undertake capacity development initiatives in Africa (18 countries), Arab States (8 countries), Asia/Pacific (12 countries), Latin America/Caribbean (7 countries), and Eastern Europe and CIS (10 countries). This assistance includes support to institutional financial capacity development at central government and local levels, including sectoral level, support for national coordination and accountability mechanisms, and assistance with the implementation of information management systems. This capacity development support is provided through a blend of headquarters policy and regional service centre expertise and backstopping, as well as through the network of experts at UNDP Country Office level. UNDP has used innovative strategies, combining traditional in-house advisory support with strong knowledge management tools, and promoted South-South cooperation and peer learning.

Further, UNDP has a large Climate Change Adaptation portfolio which includes national, regional and global interventions. UNDP currently supports 70 projects in climate change adaptation in 66 countries, with 70% in Africa and SIDS. In collaboration with specialized agencies and partners, we support incorporation of climate issues into the development planning process and pilot adaptation measures in agriculture and food security, water resources and quality, coastal zone development, public health, and climate-related disaster management. UNDP has been helping countries to access sources of multilateral and bilateral funds amounting to \$208 million. In addition, we have raised over \$172 million in co-financing for developing countries through this adaptation portfolio. In its work, UNDP works with its Country Offices and UN Country Teams to support developing countries in enhancing their long-term adaptive capacity.

Through its core competences in capacity development, poverty reduction and environment, UNDP stands ready to strengthen national institutions and their capacities to coordinate and manage external financial assistance, and develop, implement, monitor and evaluate adaptation projects and programmes following principles of national ownership, and alignment with national strategies and systems. UNDP would be pleased to make our above capacity development expertise available on a cost-reimbursement basis to potential national implementing entities under the Adaptation Fund, which may request assistance not only on the institutional capacity development aspect, but also on issues related to

financial integrity, transparency and self-evaluation. If so requested by the Adaptation Board, the UNDP could prepare a proposal for consideration at its next meeting. To develop this proposal, UNDP would invest its own resources to prepare the materials, as well as conduct scoping missions and carry out consultations in full collaboration with in-country and other partners.

Dr. Bo Lim, who is the Special Climate Change Adviser for Adaptation, Human Development and Strategic Partnerships, to the Director of Environment of UNDP, will be attending Adaptation Fund Board meeting on the 15-17 June 2009, as the UNDP Observer. She can provide further details as required.

With warm regards.

Olav,

Olav Kjørven

Assistant Administrator and Director

Bureau of Development Policy
304 East 45th Street, 10th Floor
New York, NY, 10017
Tel: 1-212-906-5705
Fax: 1-212-906-6754
<http://www.undp.org/policy>