



## ADAPTATION FUND

AFB/B.7/13/Rev.1  
October 26, 2009

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### **ADAPTATION FUND BOARD**

Seventh Meeting

Bonn, June 14 to 16 September, 2009

### **REPORT OF THE SEVENTH MEETING OF THE ADAPTATION FUND BOARD**

#### **INTRODUCTION**

1. The seventh meeting of the Board of the Adaptation Fund of the Kyoto Protocol was held at the 'Langer Eugen' UN Campus in Bonn from September 14 to 16, 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 alternate members, 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 I to the present report.
3. The meeting was also attended by Ms. Monique Barbut, Head of the Adaptation Fund Board Secretariat, and Mikko Ollikainen in his capacity as a new staff member of the AFB secretariat. 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 9:15 a.m. on Monday, 14 September 2009, by Mr. Jan Cedergren (Sweden, Western European and Others Group), who greeted the members and alternate members to the Board, and welcomed all the participants at the seventh meeting of the Adaptation Fund Board. The Chair reminded the Board of the important meetings to be held in the near future, such as the meetings of the General Assembly of the United Nations and the G-

20 Summit in Pittsburgh. The participants at those meetings would be discussing the difficulties that lay ahead of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol that would take place in Copenhagen, Denmark, in December 2009. The success of the current meeting of the Adaptation Fund Board in resolving its outstanding issues, and in particular the legal capacity of the Adaptation Fund Board, the provisional operational policies and guidelines for Parties to access resources from the Adaptation Fund, and the nomination of implementing entities, would be a major step forward for the Adaptation Fund and would provide a good example for the negotiations that would take place in Copenhagen.

## **Agenda Item 2: Organizational Matters**

### *(a) Adoption of the Agenda*

6. The Board considered the provisional agenda contained in document AFB/B.7/1/Rev.1, and the provisional annotated agenda contained in document AFB/B.7/2. One member stated that it was important to go beyond only inviting Parties to nominate their national implementing entities and suggested that Parties also be asked to submit project proposals at the present meeting. The Chair agreed to consider that issue under the Agenda Item 12 'Other Matters'. The Board adopted the Agenda as contained in Annex II to the present report.

### *(b) Organization of Work*

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

8. The Chair called upon the members and alternates to orally declare any conflict of interest with any item on the agenda for the meeting. Mr. Selwin Hart (Barbados, Small Island Developing States) said that he would have a conflict of interest when discussing document AFB/B.7/7, given the offer by the Government of Barbados to confer legal capacity on, and to host, the Adaptation Fund Board. No other conflict of interest was declared by any member or alternate present.

## **Agenda Item 3: Appointment of new Members and Alternates**

9. The Manager of the Adaptation Fund Board Secretariat informed the Board of the resignation of Mr. Nojibur Rahman (Bangladesh, Least-Developed Countries) which had been formally received on August 20, 2009. On August 19, 2009, the UNFCCC secretariat communicated the information that the Chair of the Least-Developed Countries regional group (Lesotho) had communicated the decision of that constituency to nominate Mr. Rabindanath Roy Chowdhury (Bangladesh) to replace Mr. Rahman. However, the Government of Bangladesh had announced the nomination of Mr. Mirza Shawkat Ali, Deputy Director of the Department of Environment, Ministry of Environment and Forests, instead. The Manager of the Adaptation Fund Board Secretariat informed the Board that the Least-Developed Countries regional group had agreed on September 9, 2009 to name Mr. Shawkat Ali as its nominee to replace Mr. Rahman. She thanked Mr. Bruno Sekoli (Lesotho, Non-Annex I Parties) for his help in resolving that issue.

10. The Chair expressed his concern that since the inception of the Board, Bangladesh had presented four Board members, only one of whom had ever sat at a meeting. He noted that for the Board to function effectively it needed consistency in its membership.

11. The Adaptation Fund Board decided to appoint Mr. Mirza Shawkat Ali (Bangladesh, Least-Developed Countries), to replace Mr. Nojibur Rahman (Bangladesh) for the remainder of his mandate.

**(Decision B.7/1)**

#### **Agenda Item 4: Report of the Chair on Intersessional Activities**

12. The Chair reported on his activities during the intersessional period, which had included a number of presentations on the work of the Adaptation Fund Board at meetings of the European Union, the Presidency of which is presently being held by Sweden. He also said that he had written to the Head of the Adaptation Fund Board Secretariat, as requested by the Board, and had been assured that there would be consistency in the staff assigned to support the activities of the Adaptation Fund Board. He noted with pleasure that two persons had been recruited, one of whom, Mr. Mikko Ollikainen, who was also present at the meeting, had already been confirmed as the Adaptation Officer.

13. The Chair had also asked the Trustee for further details on the Trustee's budget and he said that the document AFB/B.7/Inf.6 (*Reconciliation of Budget for the Trustee Services*) had provided additional information. During the intersessional period, the Chair had worked with the ad hoc Working Group which had considered the offers to confer legal capacity on, and to host, the Adaptation Fund Board. He had also worked with the Vice-Chair on the operationalization of the Accreditation Panel, and expressed his regret that the Board had been unable to adopt a decision on that issue during the intersessional period.

#### **Agenda Item 5: Report on the Activities of the Secretariat**

14. The Manager of the Adaptation Fund Board Secretariat reported on the activities of the Secretariat during the intersessional period, which are fully described in document AFB/B.7/3. She informed the Board that Mr. Ollikainen, who was joining the Secretariat as the Adaptation Officer, was currently employed as a Carbon Finance Specialist in the Carbon Finance Unit of the World Bank and had, *inter alia*, worked for two years in Indonesia implementing adaptation related projects, following the tsunami disaster of 2004. An intern has also been hired to help upgrade the website of the Adaptation Fund, as well as to help to prepare for the present meeting. The Manager of the Adaptation Fund Board Secretariat personally thanked Mr. Sven Harmeling of Germanwatch for facilitating contact with those Marienschule students who had been the first to make a private donation to the Adaptation Fund.

#### **Agenda Item 6: CER Monetization**

15. The Chair informed the Board that the discussion of the Agenda Item would be divided into two parts: one open to the public and one closed. During the open session, the Board heard a presentation by representatives of the World Bank serving as the Trustee on the situation in the carbon markets. The Trustee explained that the current CER price of approximately EUR 13 per

ton represented an increase of approximately 80 per cent from lows of approximately EUR 7 per ton that had been reached in February 2009. The Trustee stressed that although there had been an increase in economic activity in Europe, as represented by increased orders for cement and steel, analysts were generally unsure of how quickly the developed economies would recover; however, many analysts expected that European carbon purchasers would not be required to purchase large amounts of carbon credits to meet their compliance obligations in the near future. The Trustee also pointed out that EUAs represented a larger market than CERs and that they tended to be more volatile. The spread between the prices of EUAs and CERs also varied, generally increasing with rising EUA prices and falling when carbon prices declined. However, there is the possibility that the spread could be minimized and even be negative (CER prices being higher than EUAs) if the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol decided in Copenhagen to continue the operation of the Clean Development Mechanism (CDM), and the United States of America decided to join the CDM. The Trustee also noted that, in addition to the two inaugural over-the-counter sales, three additional exchange sales had been executed to test the operation of the BlueNext Carbon Exchange for spot transactions of CERs for the Adaptation Fund.

#### **Agenda Item 7: Issues remaining from the Sixth Meeting of the Adaptation Fund Board**

##### ***(a) Draft Provisional Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund***

16. The representative of the Secretariat introduced document AFB/B.7/4 which contained the *Draft Provisional Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund*, previously circulated to the Board as documents AFB/B.3/8, AFB/B.4/4, AFB/B.5/4 and AFB/B.6/5. He said that the document had been revised in light of discussions at the meetings of the Board and comments received during the intersessional periods. Most of the document had already been discussed and most of the text had previously been approved by the Board. However, the Secretariat had adjusted some of the text in order to consolidate the sections on *Monitoring, Evaluation and Review* and on *Fiduciary Standards* in order to simplify the text in those sections.

17. The Chair asked the Board for comments on the document.

18. Following the initial round of discussions, the Chair circulated the Secretariat's revised text for the sections on *Monitoring, Evaluation and Review*, and on *Fiduciary Standards*. The Chair also asked Mr. Yvan Biot, (The United Kingdom of Great Britain and Northern Ireland, Annex I Parties), Mr. Anton Hilber (Switzerland, Western European and Others Group), Mr. Farrukh Iqbal Khan (Pakistan, Non-Annex I Parties) and Ms. Merlyn Van Voore (South Africa, Africa) to consult together and to propose consensus text that would clarify parts of the document relating to operational and funding priorities.

19. Following presentations by Mr. Biot and Mr. Khan of suggested text on operational and funding priorities, and other suggestions for revisions by members and alternate members, the Board decided to adopt the *Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund* on the understanding that the Chair would work with the Secretariat to refine the wording of the document. The *Operational Policies and Guidelines for Parties to*

*Access Resources from the Adaptation Fund*, as orally amended and as refined by the Chair, are contained in Annex III to the present report.

**(Decision B.7/2)**

20. The Board also considered the *Terms of Reference for the Establishment of the Adaptation Fund Board Accreditation Panel*, contained in document AFB/B.7/5. In her introduction to the document, the Manager of the Adaptation Fund Board Secretariat said that the document detailed the mandate of the Accreditation Panel and the tasks that it should perform, as well as its membership, the competence requirements of the external experts serving as Panel members and the modalities of the Panel's operations. She thanked the UNFCCC secretariat for its help, and particularly Mr. Bilal Anwar, the CDM Accreditation Team Leader, for his insights into the accreditation process to the CDM.

21. Following a discussion of the terms of reference, the Board decided to adopt the *Terms of Reference for the Establishment of the Adaptation Fund Board Accreditation Panel*, as orally amended. The *Terms of Reference for the Establishment of the Adaptation Fund Board Accreditation Panel*, as orally amended, are contained in Annex IV to the present report.

**(Decision B.7/3)**

22. At a subsequent session of the Meeting the Chair asked the Board nominate to the Accreditation Panel a member or alternate member of the Board to represent non-Annex I Parties and a member or alternate member of the Board to represent Annex I Parties. Following consultations, the Board decided:

- a) To appoint Mr. William Kojo Agyemang-Bonsu (Ghana, Non-Annex I Parties) and Mr. Jerzy Janota Bzowski (Poland, Eastern Europe) to the Accreditation Panel; and
- b) To request the Secretariat to issue a call for experts for the Adaptation Fund Board Accreditation Panel in accordance with the adopted Terms of Reference, and to submit a short list of experts to the Board at its eighth meeting.

**(Decision B.7/4)**

***(b) Invitation Letter to Eligible Parties to Submit Proposals for Accreditation to the Adaptation Fund Board***

23. The Manager of the Adaptation Fund Board Secretariat introduced the document AFB/B.7/6, *Invitation Letter to Eligible Parties to Submit Proposals for Accreditation to the Adaptation Fund Board*, which had been originally presented to the Board as document AFB/B.6/11, but which had not been considered by the Board at the sixth meeting. She also said that the revised document now contained, as an attachment, a template for an application form for the accreditation of national implementing entities (NIEs). The template provided sections on background and contact information, the standards for financial management and integrity, as well as the description of how an applicant had met those standards. Upon request of a Board member, the Board also considered the invitation to multilateral development agencies and banks

to serve the Board as Multilateral Implementing Entities (MIEs) as contained in section II to document AFB/B.6/11.

24. Following a discussion of the letter of invitation, and suggestions to improve the text of the letter, the Board decided

- a) To adopt the *Invitation Letter to Eligible Parties to Submit Proposals for Accreditation to the Adaptation Fund Board*, as orally amended, on the understanding that the attachment would also be revised by the Chair to reflect the changes that had been made to the text of the letter, and on the understanding that the Chair would revise the letter of invitation so that it would inform Parties that they should submit their documentation to the Board in English. The *Invitation Letter to Eligible Parties to Submit Proposals for Accreditation to the Adaptation Fund Board*, as orally amended and revised by the Chair, is contained in Annex V to the present report.
- b) To adopt the *Invitation to Serve the Adaptation Fund Board as Multilateral Implementing Entity*, as revised by the Chair, which is contained in Annex VI to the present report.

**(Decision B.7/5)**

***(c) Consideration of Offers to Confer Legal Capacity, and to host, the Adaptation Fund Board***

25. The Chair recalled that its sixth meeting the Board had established an ad hoc Working Group, chaired by Mr. Richard Muyungi, to consider the offers to confer legal capacity and to make a recommendation for consideration by the Board at its seventh meeting. Due to circumstances beyond his control, Mr. Muyungi had been unable to attend the present meeting and he asked the Manager of the Adaptation Fund Board Secretariat to present the report of the ad hoc Working Group in his place.

26. The Manager of the Adaptation Fund Board Secretariat introduced the report of the ad hoc Working Group. She said that during the intersessional period, the ad hoc Working Group had worked in close contact with the Chair of the Adaptation Fund Board on the two proposals, and additional information had been requested from both Barbados and Germany. Further, the ad hoc Working Group had requested legal advice from the UNFCCC secretariat on the process to follow in order to select the host country. In accordance with that advice, it was agreed to take into account three additional criteria: the convenience of access by delegations to the premises offered to the Board, the economies that might be derived for the administrative budget of the Board and Secretariat by its being in the same location as other UN offices, and the contributions being offered by the perspective Governments to reduce the overall charges for the Board and Secretariat.

27. While the members of the ad hoc Working Group considered that Barbados had an undisputed symbolic value as a host country that was also highly vulnerable to climate change, most members considered that Germany, and in particular Bonn, presented the advantage of also being the location of headquarters of both the UNFCCC and the UNCCD. The ad hoc Working

Group also noted the better connections and more frequent flights, and that fewer transit visas would be required to attend meetings in Bonn. After due consideration, the ad hoc Working Group had recommended that the Board accept the offer put forward by Germany.

28. When expressing his support for the Working Group recommendation, a Board member highlighted the fact that Germany was a neutral country which was not eligible for funding under the Adaptation Fund as an asset for a host country.

29. A group of members, however, expressed their preference to defer taking a decision on that recommendation until the eighth meeting of the Board and the Chair was asked what the practical effects would be of that action. The Chair explained that it was of utmost importance that the Board be granted legal capacity as soon as possible in order to engage in its work effectively, and that the process of granting legal capacity would take time. The Chair asked the members whether they could take a decision by consensus or whether they wished to put the question to a vote.

30. Members expressed grave reservations at taking a decision by any method other than consensus as they felt that such a procedure would set an unfortunate precedent for future deliberations of the Board. The Chair was also informed that Barbados and Germany had entered into bilateral discussions on the issue. Taking that into consideration, the Chair suggested that the Board await the results of those discussions, and take a decision on the offers intersessionally, once the Board had been informed of the results of those bilateral discussions. The notification of the results of the bilateral discussions would be received by the Board on or before October 16, 2009.

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

31. The Manager of the Adaptation Fund Board Secretariat introduced the *Amendment Proposal to the Rules of Procedure of the Adaptation Fund Board*, contained in document AFB/B.7/8 which had been requested by the Board in its decision B.5/9. The proposal refers to the definitions of implementing and executing entities (paragraph 2 (j) and 2 (k)), for consistency with the text of the operational policies and guidelines, and to the definition of Secretariat (paragraph 2 (h)).

32. The Board decided to recommend to the CMP-5 the adoption of the *Amendment Proposal to the Rules of Procedure of the Adaptation Fund Board*, as contained in Annex VII to the present report.

**(Decision B.7/6)**

***(e) Report of the last meeting of the Pilot Programme on Climate Resilience (PPCR)***

33. The Board heard a presentation by Ms. Van Voore on the third meeting of the Pilot Programme on Climate Resilience (PPCR) Sub-Committee who reminded the Board that she was not making an official report on the operations of the PPCR but was only speaking as a member of that Sub-Committee. She provided an update on the nine countries selected to participate in the PPCR and said that in addition, the PPCR had decided to institute regional projects for both the Caribbean and the Pacific. She also informed the Board that both Denmark and the United

States had joined the PPCR's Sub-Committee as contributors, and that the Sub-Committee had taken a decision on grants and concessional loans with respect to programming and financing modalities. While no country would be required to accept concessional loans, the limited funding available meant that funds might not be sufficient if some countries chose to undertake a third stage of scaling up their projects. Although the funds pledges amounted to US\$ 546 million, as of May 2009, the funds received only amounted to US\$ 90.9 million.

34. She also said that at its third meeting, the PPCR Sub-Committee had also heard a presentation that recommended that a results framework should be organized on three levels that took into account immediate, intermediate and ultimate outcomes. Indicators were required for each level and it was also important to distinguish between the outcomes at the country level and the programme level. Ms. Van Voore also recommended that the Adaptation Fund Board also start developing its own results-oriented evaluation framework. She also mentioned that the PPCR Sub-Committee had allocated four of its seats to representatives of civil society and two seats to representatives of the private sector. Although those members sat as observers they could request permission to speak or to request that items be added to the provisional agenda of the Sub-Committee. The representatives from civil society were chosen through a self-selection process.

35. In the discussion that followed, one member suggested that it was important that actions by the Adaptation Fund Board be in line with those of the PPCR. However, another member observed that the activities of the PPCR appeared to be mainly strategies related to information management and planning and he asked how it was relevant to a fund that was supposed to fund concrete adaptation projects and programmes. Members would also welcome a presentation on the issue of vulnerability to climate change, and Mr. Saleem Huq who had been lead author of the chapter on adaptation and mitigation in the fourth assessment report of the Intergovernmental Panel on Climate Change was suggested as a possible candidate for such a presentation. In order to address the issue of risks and levels of vulnerability to climate change, it was necessary to have sound scientific information on the nature of those risks as well as on the levels of vulnerability to climate change faced by some Parties.

36. Following the discussion, the Board decided to request Ms. Van Voore to continue representing the Board at the PPCR Sub-Committee and to request the Secretariat to organize a presentation on vulnerability, at one of its meetings, by Mr. Saleem Huq, Senior Fellow at the International Institute for Environment and Development, if possible.

**(Decision B.7/7)**

### **Agenda Item 8: Draft Report of Adaptation Fund Board to the CMP**

37. The Manager of the Adaptation Fund Board Secretariat introduced the *Draft Report of the Adaptation Fund Board to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol*, contained in document AFB/B.7/9, and reminded the Board that it had to report on its activities at each session of the CMP, as required by decision 1/CMP.3. The Chair said that the report covered the activities of the Board from the last report of the Board to the CMP up to and including the work of the Board at the present meeting. He said that he would



also make an oral report to the CMP of any supplementary work done, or decisions taken intersessionally by the Board, up to the fifth session of the CMP.

38. In discussion that followed, a number of members made suggestions for improving the text of the report. The Board decided:

- a) To allow the Chair and the Vice-Chair, with the assistance of the Secretariat, to refine the text, as orally amended; and
- b) To forward the report to the UNFCCC secretariat for submission to the fifth session of the Conference of the Parties serving as the meeting of Parties to the Kyoto Protocol. The report of the Board, as orally amended, is attached to the present report as Annex VIII.

**(Decision B.7/8)**

## **Agenda Item 9: Financial Issues**

### ***Report on the Status of Resources of the Adaptation Fund Trust Fund***

39. The representative of the Trustee introduced the *Status of Resources of the Adaptation Fund Trust Fund*, as at 31 August, 2009, contained in document AFB/B.7/10 which was an information document that presented the status of receipts and disbursements from the Adaptation Fund Trust Fund, the cumulative funding decisions that had been made by the Board, the funds available for new funding decisions, as well as the balance in the Multi-donor Trust Fund for the Secretariat of the Adaptation Fund Board. The Trustee also presented an analysis that demonstrated that resources available to the Adaptation Fund could vary widely, depending on the assumptions being used for CER issuance, CER prices and the EUR-US\$ exchange rate.

40. The Trustee confirmed that funds had been received into the Adaptation Fund Trust Fund only in May 2009, and that the first audit of the Adaptation Fund Trust Fund would take place during 2010. The Trustee also confirmed that, in addition to annual reports on the status of resources of the Adaptation Fund Trust Fund, the Trustee would provide an information document similar to document AFB/B.7/10 prior to each meeting of the Adaptation Fund Board. Taking into account that funding decisions could only be made against the uncommitted cash held in the Adaptation Fund Trust Fund, the Board also requested that the Trustee provide an estimate of the net annual potential resources available to it.

41. The Trustee also said that in order to minimize the transaction costs associated with voluntary donations to the Adaptation Fund Trust Fund, the Trustee would prepare criteria for the acceptance of such donations and would distribute them at the eighth meeting of the Adaptation Fund Board.

42. Further discussion on the status of resources of the Adaptation Fund Trust Fund including guidance from the Board with respect to the pace of CER sales was held in closed session.

**Agenda Item 10: Proposals for communication strategy for the Adaptation Fund Board and the design of a new website for the Adaptation Fund**

43. The Manager of the Adaptation Fund Board Secretariat presented the draft communication strategy for the Adaptation Fund Board (AFB/B.7/11/Rev.1) which included the issuance of publications to be launched at a side-event during the fifth session of the CMP, as well as the development of a broader communication strategy by a consultant, that would include communications materials such as a power-point presentation, newsletter, a communications action-plan.

44. She proposed that two publications be considered for presentation at the side-event: a handbook comprising relevant decisions and documents, essential for the proponents of projects and programmes, as well as a brochure containing general information on the Adaptation Fund for a wider audience. It was stressed that it would be important to keep the handbook simple and to follow a step by step approach. It was also thought useful to develop a common power point presentation that could be used by the Board members to explain the activities of the Adaptation Fund and the Adaptation Fund Board when asked to do so by their respective constituencies.

45. In the discussion that followed, it was suggested that the core documents to be included in the handbook were those dealing with strategic priorities, policies and guidelines, operational policies, as well as relevant CMP decisions. It was also thought useful to include the descriptions of the Ethics and Finance Committee, the Project and Programme Review Committee and the Accreditation Panel. It was also proposed that the Chair and Vice-chair participate in a questions and answers sessions during the side-event.

46. One member also asked whether it would be possible to have the video records of all meetings of the Adaptation Fund Board made available on the website of the Adaptation Fund. The Manager of the Adaptation Fund Board Secretariat said that the video records of the meetings of the Adaptation Fund Board existed and that they could be made available through the Adaptation Fund website, once it was upgraded according to the new design proposed (document AFB/B.7/12). She also explained that the handbook would be translated into all UN languages.

47. Several Board members expressed their concern at developing a communications strategy at the present time, when a number of issues related to the full operationalization of the Adaptation Fund Board were still pending. It was also suggested that discussion of the strategy was premature because decisions taken at the fifth session of the CMP might lead to new developments that would not be in line with a communications strategy that had been developed at the present time.

48. Following a discussion, the Board decided

- a) To authorize the Secretariat to prepare a side-event to be held on the margins of the fifth session of the Conference of the Parties serving as the meeting of Parties to the Kyoto Protocol, and to develop a brochure and a handbook for presentation at that side-event;

- b) To postpone further discussion of the communication strategy for the Adaptation Fund until the ninth meeting of the Adaptation Fund Board; and
- c) To amend the budget adopted by decision B.6/6 in order to incorporate the amount of U\$S 72,750 estimated to develop the publications above and to organize the side-event during CMP-5.

**(Decision B.7/9)**

### **Agenda Item 11: Ceremony for Logo Contest Winner and Marienschule Students**

49. The Chair invited Mr. Andrew Wee from the Philippines, the logo contest winner, and his guest, to take a seat at the meeting. He said that Mr. Wee had developed a great logo to symbolize growth from below and then gave the floor to Mr. Khan, Vice-Chair of the Board, who had also been in charge of the group that had evaluated the logos that had been received. Mr. Khan said that while a number of logos had been very good, Mr. Wee's had stood out as a logo that had a sense of growth, and that could grow into something stronger. Mr. Wee was then invited to make a comment and he said that it was a great honor for his design to be chosen as the logo of the Adaptation Fund. His design had been conceived of as a growing plant, a plant that nurtures but also needs to be nurtured, and so it was with the Adaptation Fund. As the legendary graphic designer Paul Rand had said, a logo was less important than the product it signified. And so Mr. Wee hoped that the Adaptation Fund logo would represent an essential and important organization. The Chair thanked Mr. Wee for his statement and presented him with a diploma which contained a copy of his design and a legend that indicated that he had been the winner of the contest for selection of the logo of the Adaptation Fund.

50. The Chair then introduced the representatives of the Marienschule located in Euskirchen, Germany, whose contribution to the Adaptation Fund had been previously noted at the sixth meeting of the Adaptation Fund Board. Mr. Nico Gomez, on behalf of the other students, said that following a presentation on the climate crisis at their school, the students had decided to collect money to contribute to the fight against climate change. He then presented the Chair with a further contribution by the students of the Marienschule of EUR 120.74.

51. The Chair thanked the students for their continued support and invited both them and Mr. Wee, and his guest, to have lunch with the Board.

### **Agenda Item 12: Other Matters**

#### *Project Proposals*

52. In view of the discussions that had taken place at the meeting, the Board agreed to defer consideration of an invitation to submit project proposals until the eighth meeting of the Adaptation Fund Board.

### **Agenda Item 13: Date and Venue of the Eighth Meeting of the Adaptation Fund Board**

53. Following a discussion which attempted to resolve some of the scheduling difficulties faced by several members and alternate members, the Chair confirmed that the eighth meeting of the Board would take place in Bonn, from 16 to 18 November, 2009.

**Agenda Item 14: Adoption of the Report and Closure of the Meeting**

54. The Chair invited Ms. Monique Barbut, the Head of the Adaptation Fund Board Secretariat, to address the Board. In her statement, Ms. Barbut congratulated the Board on its work and in particular on finalizing its operational guidelines. She assured the Board of her continued support and that she would work tirelessly to ensure that the Board would continue to receive all the assistance required to support its activities.

55. In closing the Chair congratulated the members for working together and achieving consensus on a number of difficult issues. He reminded the Board that two members had been appointed to the Accreditation Panel and it was now important to look for independent experts to make that Panel operational. The Board would also make a decision intersessionally on the offers to grant the Board legal capacity and host it. The work of the Board at the present meeting had made an important contribution on the road to Copenhagen.

56. Following the customary exchange of courtesies, the Chair declared the meeting closed on Wednesday, 16 September 2009 at 4.30 p.m.

**MEMBERS AND ALTERNATES PRESENT AT THE SEVENTH MEETING**

<b>MEMBERS</b>		
<b>Name</b>	<b>Country</b>	<b>Constituency</b>
Mr. Cheikh Ndiaye Sylla	Senegal	Africa
Ms. Merlyn Van Voore	South Africa	Africa
Mr. Mahendra Siregar	Indonesia	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. Hiroshi Ono	Japan	Annex I Parties
Mr. Ricardo Lozano Picon	Colombia	Non-Annex I Parties
Mr. Farrukh Iqbal Khan	Pakistan	Non-Annex I Parties

<b>ALTERNATES</b>		
<b>Name</b>	<b>Country</b>	<b>Constituency</b>
Ms. Tatyana Ososkova	Uzbekistan	Asia
Ms. Dinara Gershinkova	Russian Federation	Eastern Europe;
Ms. Iryna Trofimova	Ukraine	Eastern Europe
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
Mr. Mirza Shawkat Ali	Bangladesh	Least-Developed Countries
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

**ADOPTED AGENDA OF THE SEVENTH MEETING**

1. Opening of the Meeting
2. Organizational Matters
  - (a) *Adoption of the Agenda*
  - (b) *Organization of Work*
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 Sixth Meeting of the Adaptation Fund Board
  - (a) *Draft Provisional Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund*
  - (b) *Invitation Letter to Eligible Parties to Submit Proposals for Accreditation to the Adaptation Fund Board*
  - (c) *Consideration of Offers to Confer Legal Capacity and to Host the Adaptation Fund Board*
  - (d) *Amendments to the Rules of Procedures of the Adaptation Fund Board*
  - (e) *Report on the last meeting of the Pilot Programme on Climate Resilience (PPCR)*
8. Draft Report of Adaptation Fund Board to the CMP
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11. Ceremony for Logo Contest Winner and Marienschule Studentsl
12. Other Matters
13. Date and Venue of the Eighth Meeting of the Adaptation Fund Board
14. Adoption of the Report and Closure of the Meeting



ADAPTATION FUND

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Adaptation Fund Board

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



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## INTRODUCTION

1. The Kyoto Protocol (KP), in its Article 12.8, states that “The Conference of the Parties serving as the meeting of the Parties to this Protocol shall ensure that a share of the proceeds from certified project activities is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.”<sup>1</sup> This is the legal basis for the establishment of the Adaptation Fund.
2. At the seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), held in Marrakech, Morocco, from October 29 to November 10, 2001 (COP7), the Parties agreed to the establishment of the Adaptation Fund (the Fund).<sup>2</sup>
3. In Montreal, Canada in November 2005<sup>3</sup> and in Nairobi, Kenya in December 2006,<sup>4</sup> the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), decided on specific approaches, principles and modalities to be applied for the operationalization of the Fund.
4. In Bali, Indonesia, in December 2007, the CMP decided that the operating entity of the Fund would be the Adaptation Fund Board (the Board), serviced by a Secretariat and a Trustee.<sup>5</sup> Parties invited the Global Environment Facility to provide secretariat services to the Adaptation Fund Board (the Secretariat), and the World Bank to serve as the trustee (the Trustee) of the Fund, both on an interim basis.
5. In particular, Decision 1/CMP.3, paragraph 5(b), lists among the functions of the Board is the development and decision on specific operational policies and guidelines, including programming guidance and administrative and financial management guidelines, in accordance with decision 5/CMP.2, and to report to the CMP.
6. In Poznan, Poland, in December 2008, through Decision 1/CMP.4, the Parties adopted:
  - (a) the *Rules of Procedures of the Adaptation Fund Board*;
  - (b) the *Memorandum of Understanding between the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and Council of the Global Environmental Facility regarding secretariat services to the Adaptation Fund Board*, on an interim basis;

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<sup>1</sup> See FCCC/KP/Kyoto Protocol.

<sup>2</sup> See Decision 10/CP.7, “Funding under the Kyoto Protocol”.

<sup>3</sup> See Decision 28/CMP.1, “Initial guidance to an entity entrusted with the operation of the financial system of the Convention, for the operation of the Adaptation Fund” in Annex I to this document.

<sup>4</sup> See Decision 5/CMP.2, “Adaptation Fund”, in Annex I to this document.

<sup>5</sup> See Decision 1/CMP.3, “Adaptation Fund”, in Annex I to this document.

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

### **DEFINITIONS OF ADAPTATION PROJECTS AND PROGRAMMES**

9. The Adaptation Fund established under decision 10/CP.7 shall finance concrete adaptation projects and programmes.
10. A concrete adaptation project is defined as a set of activities aimed at addressing the adverse impacts of and risks posed by climate change. Adaptation projects can be implemented at the community, national, and transboundary level. Projects concern discrete activities with a collective objective(s) and concrete outcomes and outputs that are more narrowly defined in scope, space, and time.
11. An adaptation programme is a process, a plan, or an approach for addressing climate change impacts that is broader than the scope of an individual project.

### **OPERATIONAL AND FINANCING PRIORITIES**

12. The overall goal of all adaptation projects and programmes financed under the Fund will be to support concrete adaptation activities that reduce the adverse effects of climate change facing communities, countries, and sectors.
13. Provision of funding under the Fund will be based on, and in accordance with, the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* adopted by the CMP, attached as Annex 1.
14. Funding will be provided on full adaptation cost basis of projects and programmes to address *the adverse effects of climate change*.<sup>6</sup> *Full cost of adaptation* means the costs associated with implementing concrete adaptation activities that address the adverse effects of climate change. The Fund will finance projects and programmes whose principal and explicit aim is to adapt and increase climate resilience. The project proponent is to provide justification of the extent to which the project contributes to

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<sup>6</sup> Decision 5/CMP.2, paragraph 1 (d).

adaptation and climate resilience. The Board may provide further guidance on financing priorities, including through the integration of information based on further research on the full costs of adaptation and on the lessons learned.

15. In developing projects and programmes to be funded under the Fund, eligible developing country Parties may wish to consider the guidance provided in Decision 5/CP.7. Parties may also consult information included in reports from the Intergovernmental Panel on Climate Change (IPCC) and information generated under the Nairobi Work Programme (NWP) on Impacts, Vulnerability and Adaptation to Climate Change.<sup>7</sup>
16. Decisions on the allocation of resources of the Fund shall take into account the criteria outlined in the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund*, adopted by the CMP, specifically:
  - (a) Level of vulnerability;
  - (b) Level of urgency and risks arising from delay;
  - (c) Ensuring access to the fund in a balanced and equitable manner;
  - (d) Lessons learned in project and programme design and implementation to be captured;
  - (e) Securing regional co-benefits to the extent possible, where applicable;
  - (f) Maximizing multi-sectoral or cross-sectoral benefits;
  - (g) Adaptive capacity to the adverse effects of climate change.
17. Resource allocation decisions will be guided by paragraphs 9 and 10 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund*.
18. The Board will review its procedures for allocating resources of the Fund among eligible Parties at least every three years, and/or as instructed by the CMP.

#### **PROJECT/ PROGRAMME PROPOSAL REQUIREMENTS**

19. To access Fund resources, a project/programme will have to be in compliance with the eligibility criteria contained in paragraph 15 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* and using the relevant templates (templates attached as Annex 2).

#### **COUNTRY ENDORSEMENT**

20. Every proposal for funding must be endorsed by the requesting government.

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<sup>7</sup> IPCC Assessment Report 4, see <http://www.ipcc.ch/ipccreports/assessments-reports.htm> and NWP see [http://unfccc.int/adaptation/sbsta\\_agenda\\_item\\_adaptation/items/3633.php](http://unfccc.int/adaptation/sbsta_agenda_item_adaptation/items/3633.php).

21. Each Party shall designate and communicate to the Secretariat the authority that will endorse on behalf of the national government the projects and programmes proposed by the implementing entities.

## **FINANCING WINDOWS**

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

## **ELIGIBILITY CRITERIA**

### **Country Eligibility**

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

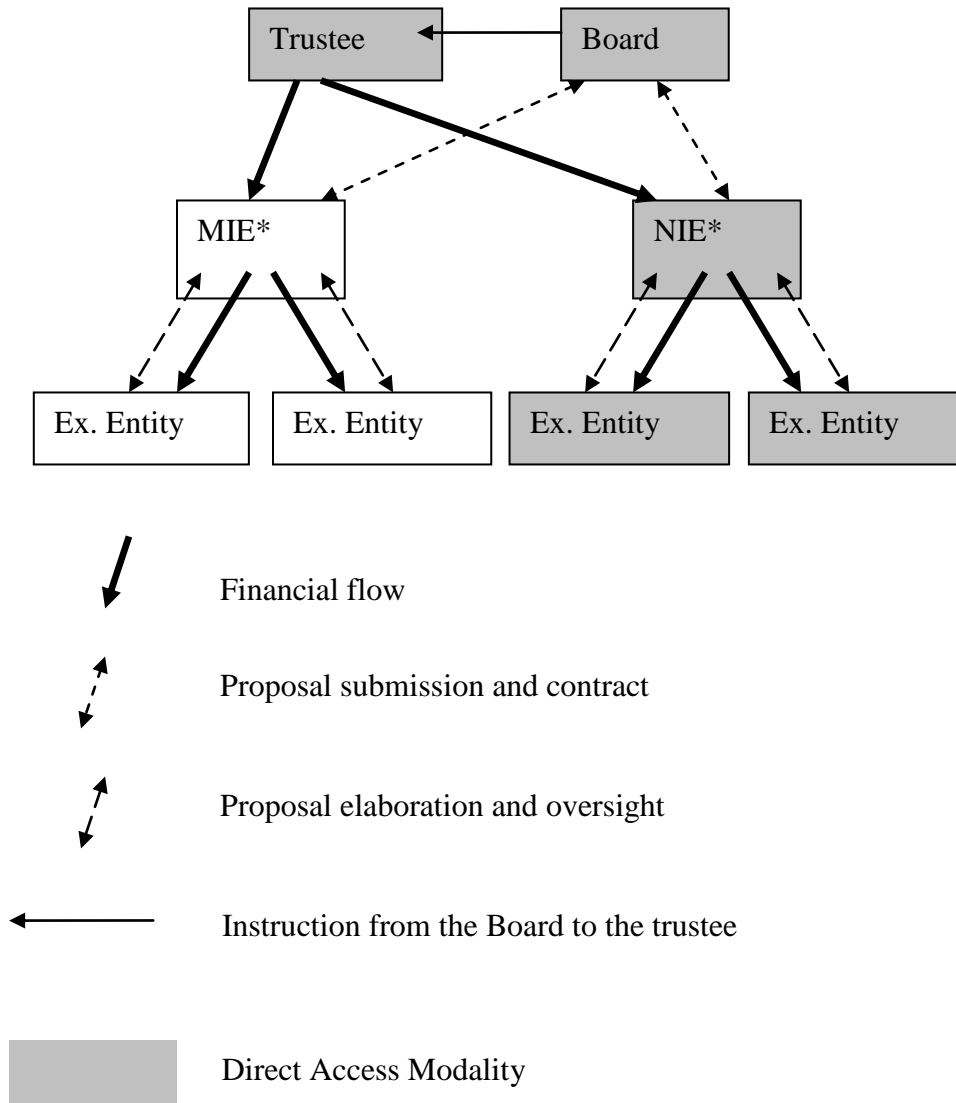
### **Implementing and Executing Entities**

26. Eligible Parties who seek financial resources from the Adaptation Fund shall submit proposals directly through their nominated National Implementing Entity (NIE).<sup>8</sup> They may, if they so wish, use the services of Multilateral Implementing Entities (MIE). The implementing entities shall obtain an endorsement from the government.<sup>9</sup> The modalities for accessing resources of the Adaptation Fund are outlined in Figure 1.

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<sup>8</sup> They may include *inter alia*, ministries, inter-ministerial commissions, government cooperation agencies.

<sup>9</sup> As laid out in paragraph 21: "Each Party shall designate and communicate the authority that will endorse on behalf of the national government the projects and programmes proposed by the implementing entities."

**Figure 1: Modalities for Accessing Resources of the Adaptation Fund**

\* A Party nominates a National Implementing Entity or it may also nominate a Multilateral entity.

27. National Implementing Entities (NIE) are those national legal entities nominated by Parties that are recognized by the Board as meeting the fiduciary standards established by the Board. The NIEs will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring, and reporting responsibilities.
28. A group of Parties may also nominate regional and sub-regional entities as implementing entities, in which case provisions of paragraph 27 will apply.

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

## ACCREDITATION OF IMPLEMENTING ENTITIES

### Fiduciary Standards

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



## Accreditation Process

33. Accreditation for the implementing entities would follow a transparent and systematic process through an Adaptation Fund Accreditation Panel supported by the Secretariat. The Accreditation Panel will consist of two Board Members and three experts. The different steps for accreditation are as follows:
- (a) The Board will invite each Party<sup>10</sup> to nominate a national implementing entity; the Board will issue a call to potential multilateral implementing entities to express interest in serving as a MIE;
  - (b) Potential implementing entities will submit their accreditation applications to the Secretariat together with supporting documentation to verify how they meet the fiduciary standards;
  - (c) The Secretariat will review the documentation to ensure that all the necessary information is provided, and will follow-up with the potential implementing entities to ensure that the application package is complete. The Secretariat will forward the complete package to the Accreditation Panel within 15 (fifteen) working days following receipt of a candidate implementing entity's submission;
  - (d) The Panel will undertake a desk-review of the application and forward its recommendation to the Board; should the Panel require additional information prior to making its recommendation, a mission and/or a teleconference may be undertaken with regard to the country concerned.<sup>11</sup> The Board will provide further guidance on the required information in the future on the basis of lessons learned; and
  - (e) The Board will make a decision and in writing will notify the entity of the outcome, which could fall into one of the following categories:
    - (i) Applicant meets requirements and accreditation is recommended; or
    - (ii) Applicant needs to address certain requirements prior to full accreditation.
34. In case the nominated NIE does not meet the criteria, an eligible Party may resubmit its application after addressing the requirements of the Board. In the meantime, eligible Parties are encouraged to use the services of an MIE, if they so wish, to submit project proposals for funding by the Adaptation Fund.
35. Accreditation will be valid for a period of 5 years. The Board will develop guidelines for renewal of an implementing entity's accreditation based on simplified procedures that will be established at a later date.

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<sup>10</sup> The designated authority referred to in paragraph 21 above shall endorse the application for accreditation on behalf of the Party.

<sup>11</sup> The Panel will specify areas requiring further work to meet the requirements and may provide technical advice to address such areas. In exceptional circumstances, an external assessor may be used to help resolve especially difficult/contentious issues.

36. The Board reserves the right to evaluate the performance of implementing entities at any time during an implementing entity's accreditation period. A minimum notification of 6 months will be given to an implementing entity if they have been identified by the Board as being the object of such an evaluation.
37. The Board may also consider suspending or cancelling the accreditation of an implementing entity if the entity made false statements or provided intentionally incomplete information to the Board both at the time of accreditation to the Board or in submitting a project or programme proposal.
38. Before the Board makes its final decision on whether to suspend or cancel the accreditation of an implementing entity, the entity concerned will be given a fair chance to present its views to the Board.

## **PROJECT CYCLE**

39. The project cycle of the Adaptation Fund for any project or programme size begins with a proposal submission to the Secretariat by the NIE/MIE chosen by the government of the recipient country/ies. The submission is followed by an initial screening, project review and approval.<sup>12</sup>

## **Review and Approval of Small-size Projects and Programmes**

40. In order to expedite the process of approving projects and reduce unnecessary bureaucracy, it is proposed that small-size projects undergo a one-step approval process by the Board. The proposed project cycle steps are as follows:
  - (a) The project proponent submits a fully developed project document<sup>13</sup> based on a template approved by the Board (Annex 3, Appendix A for the case of projects and Appendix B for the case of programmes<sup>14</sup>). Proposals can be submitted to the Board through the Secretariat three times per year or as may be decided at any time by the Board depending on the flow of requests and the available resources. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board to the extent possible.
  - (b) The Secretariat will screen all proposals for consistency and provide a technical review. It will then forward the proposals with the technical reviews to the Projects and Programmes Review Committee for review, based on the criteria approved by the Board (Annex 3). Screening by the Secretariat will be conducted as soon as possible, and within fifteen (15) working days.
  - (c) The Secretariat will send all project proposals received with technical reviews to the Project and Programmes Review Committee four weeks prior to the Adaptation Fund

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<sup>12</sup> The designated authority referred to in paragraph 21 above shall endorse the proposal submission.

<sup>13</sup> A fully developed project is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation.

<sup>14</sup> Appendix B, a template for programmes to be completed at a future date

Board meeting. The Project and Programmes Review Committee will review the proposals and give its recommendation to the Board for a decision at the Meeting. The Committee may use services of independent adaptation experts to provide input into the review process if needed. The Board can approve or reject a proposal with a clear explanation to the implementing entities. Rejected proposals can be resubmitted after consideration of the reasons for rejection.

- (d) The proposals approved by the Board will be posted on the Adaptation Fund website. The Secretariat in writing will notify the proponent of the decision of the Board.

## **Review and Approval of Regular Projects and Programmes**

41. Regular adaptation projects are those that request funding exceeding \$1 million. It is proposed that these proposals undergo either a one-step or a two-step<sup>15</sup> approval process. To reduce the time needed to get a project funded, proponents are encouraged to submit a fully-developed project document<sup>16</sup> for a one-step approval. The proposed project cycle steps for a one-step approval are as follows:
- (a) The project proponent submits a fully-developed project document based on a template approved by the Board (Annex 3, Appendix A for the case of projects and Appendix B for the case of programmes<sup>17</sup>). Proposals can be submitted to the Board through the Secretariat three times per year or in any other schedule to be decided by the Board. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board as much as possible.
  - (b) The Secretariat will screen all proposals for consistency and provide a technical review. It will forward the proposals and the technical reviews to the Projects and Programmes Review Committee for review based on the criteria approved by the Board (Annex 3). Screening by the Secretariat will be conducted as soon as possible, and within fifteen (15) working days.
  - (c) The Secretariat will send all project proposals with technical reviews to the Project and Programmes Review Committee four weeks before the Adaptation Fund Board meeting. The Project and Programme Review Committee will review the proposals and give its recommendation to the Board for a decision at the Meeting. The Committee may use services of independent adaptation experts to provide input into the review process if needed. The Board can approve or reject a proposal with a

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<sup>15</sup> A brief project concept is approved in the first step followed by the review and approval of a fully-developed project/document in the second-step. A two-step process, while time consuming minimizes the risk that a proponent does not invest time and energy in fully developing a project or program document that fails to meet the criteria of the Fund. Funding will only be reserved for a project after the approval of a fully-developed project document in the second step.

<sup>16</sup> A fully developed project is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation.

<sup>17</sup> To be completed

clear explanation to the implementing entities. Rejected proposals can be resubmitted after consideration of the reasons for rejection.

- (d) All proposals approved by the Board will be posted on the Adaptation Fund website. The Secretariat in writing will notify the proponent of the decision of the Board.

### **Disbursement**

42. The Secretariat will draft contracts, memoranda of understanding and/or other necessary agreements with implementing entities and provide these agreements for signature by the Chair or any other Member designated to sign these documents. The Board may, at its discretion, review any of the proposed agreements. A template approved by the Board will be used to prepare such agreements.
43. The Trustee will disburse funds on the written instruction of the Board, signed by the Chair, or any other Board Member designated by the Chair, and report to the Board on the disbursement of funds.
44. The Board will ensure a separation of functions between the review and verification of disbursement requests, and the issuance of instructions to the Trustee to disburse.
45. The Board may instruct the Trustee to disburse funds for programmes in tranches based on time specific milestones, and may require a progress review from the Implementing Entity prior to each tranche disbursement.

### **Monitoring, Evaluation and Review**

46. The Board is responsible for the strategic oversight of projects and programmes implemented with resources from the Fund. The Ethics and Finance Committee, with support of the Secretariat, will monitor the Adaptation Fund portfolio of projects and programmes.
47. The Adaptation Fund Board will develop a results framework to support the *Strategic Priorities, Policies, and Guidelines of the Adaptation Fund*. The framework will take into consideration existing good practices and lay out an approach that: (i) incorporates measuring results with widely recognized tools; (ii) assesses risk on an ongoing basis; and (iii) incorporates learning into strategies, projects, and programmes.
48. The Board will oversee results at the fund-level. Implementing entities shall ensure that capacity exists to measure and monitor results of the Executing Entities at the country-level. The Board requires that projects and programmes under implementation submit annual status reports to the Ethics and Finance Committee. The Committee, with the support of the Secretariat, shall provide an annual report to the Board on the overall status of the portfolio and progress towards results.
49. All regular projects and programmes that complete implementation will be subject to terminal evaluation by an independent evaluator selected by the Implementing Entity. The Board reserves the right to submit small projects and programmes to terminal evaluation when deemed appropriate. Terminal evaluation reports will be submitted to

the Board within a reasonable time after project termination, as stipulated in the project agreement. .

50. The Adaptation Fund Board will consider the process for developing a results framework to support projects and programmes and outline its main components with the aim of ensuring that the framework is in place before projects are approved.
51. The Adaptation Fund Board reserves the right to carry out independent reviews or evaluations of the projects and programmes as and when deemed necessary. The costs for such activities will be covered by the Adaptation Fund.
52. This project cycle will be kept under review by the Board.

### **Procurement**

53. Procurements by the Implementing Entities or any of their attached organizations shall be performed in accordance with internationally accepted procurement principles, good procurement practices and the procurement regulations as applicable to a given Party. Implementing Entities shall observe the highest ethical standards during the procurement and execution of the concrete adaptation projects.
54. The project proposal submitted to the Board shall contain adequate and effective means to punish and prevent malpractices. The Implementing Entities should promptly inform the Board of any instances of such malpractices.

### **Project Suspensions and Cancellations**

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

## **Reservations**

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

## **Dispute Settlement**

60. In case of a dispute as to the interpretation, application, or implementation of the project/programme, the implementing entity shall first approach the Secretariat with a written request seeking clarification. In case the issue is not resolved to the satisfaction of the implementing entity, the case may be put before the Board at its next meeting, to which a representative of the implementing entity could also be invited.
61. Subject to development on the legal status of the Board, the Board will draw more comprehensive dispute settlement provisions.

## **Management Fees**

62. Every project proposal submitted to the Board shall state the management fee requested by the Implementing Entity, if any. The reasonability of the fee will be reviewed on a case by case basis.

## **Where to send a Request for Funding**

63. All requests shall be sent to:

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

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

## **Review of the Operational Policies and Guidelines**

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

## **ANNEX 1: STRATEGIC PRIORITIES, POLICIES, AND GUIDELINES OF THE ADAPTATION FUND ADOPTED BY THE CMP**

### **I. Background**

1. The Conference of the Parties decided by its decision 10/CP.7 to establish an adaptation fund (the Adaptation Fund) to finance concrete adaptation projects and programmes in developing country Parties that are Parties to the Kyoto Protocol, as well as activities identified in decision 5/CP.7, paragraph 8. The decision was further endorsed by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) through its decision 28/CMP.1.
2. In decision 5/CMP.2, Parties agreed on guiding principles and modalities. Parties further agreed in decision 1/CMP.3 that the Adaptation Fund Board shall be established as the operating entity of the Adaptation Fund.
3. This document sets out the strategic priorities, policies and guidelines for the Adaptation Fund, developed by the Adaptation Fund Board as requested by Parties in decision 1/CMP.3, paragraph 5 (a).
4. The strategic priorities, policies and guidelines set out in this document form the basis upon which the operational policies and guidelines shall be developed to enable eligible Parties to access resources from the Adaptation Fund.

### **II. Strategic priorities**

5. In accordance with decision 1/CMP.3, paragraphs 1 and 2, the Adaptation Fund shall:
  - (a) Assist developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation;
  - (b) Finance concrete adaptation projects and programmes that are country driven and are based on the needs, views and priorities of eligible Parties.
6. In accordance with decision 5/CMP.2, paragraph 2 (c), projects and programmes funded under the Adaptation Fund should also take into account, inter alia, national sustainable development strategies, poverty reduction strategies, national communications and national adaptation programmes of action and other relevant instruments, where they exist.
7. In developing projects and programmes to be funded under the Adaptation Fund, eligible Parties should consider the guidance provided in decision 5/CP.7, paragraph 8, and, where necessary, further information included in reports from the Intergovernmental Panel on Climate Change and information generated under the Nairobi work programme on impacts, vulnerability and adaptation to climate change.
8. In developing projects and programmes, special attention shall be given by eligible Parties to the particular needs of the most vulnerable communities.

### III. Strategic policies and guidelines

9. The operational principles and modalities that shall guide the provision of assistance by the Adaptation Fund to eligible Parties shall be consistent with decision 5/CMP.2, paragraphs 1 and 2.
10. Eligible Parties to receive funding from the Adaptation Fund are understood as developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change including low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems.
11. Eligible Parties can submit project proposals directly to the Adaptation Fund Board and implementing or executing entities chosen by governments that are able to implement the projects funded under the Adaptation Fund can approach the Adaptation Fund Board directly.
12. Funding for projects and programmes will be on a full adaptation cost basis to address the adverse effects of climate change.
13. Funding for projects and programmes will be available for projects and programmes at national, regional and community levels.
14. Short and efficient project development and approval cycles and expedited processing of eligible activities shall be developed.
15. In assessing project and programme proposals, the Adaptation Fund Board shall give particular attention to:
  - (a) Consistency with national sustainable development strategies, including, where appropriate, national development plans, poverty reduction strategies, national communications and national adaptation programmes of action and other relevant instruments, where they exist;
  - (b) Economic, social and environmental benefits from the projects;
  - (c) Meeting national technical standards, where applicable;
  - (d) Cost-effectiveness of projects and programmes;
  - (e) Arrangements for management, including for financial and risk management;
  - (f) Arrangements for monitoring and evaluation and impact assessment;
  - (g) Avoiding duplication with other funding sources for adaptation for the same project activity;
  - (h) Moving towards a programmatic approach, where appropriate.



16. The decision on the allocation of resources of the Adaptation Fund among eligible Parties shall take into account:
  - (a) Level of vulnerability;
  - (b) Level of urgency and risks arising from delay;
  - (c) Ensuring access to the fund in a balanced and equitable manner;
  - (d) Lessons learned in project and programme design and implementation to be captured;
  - (e) Securing regional co-benefits to the extent possible, where applicable;
  - (f) Maximizing multi-sectoral or cross-sectoral benefits;
  - (g) Adaptive capacity to the adverse effects of climate change.
17. The Adaptation Fund Board may wish to review elements of this strategic priority based on lessons learned.

## ANNEX 2: FIDUCIARY RISK MANAGEMENT STANDARDS TO BE MET BY IMPLEMENTING ENTITIES

### Competencies and Specific Capabilities

Required competency	Specific capability required	Illustrative means of verification
<b>I Financial Management and Integrity</b>	Accurately and regularly record transactions and balances in a manner that adheres to broadly accepted good practices, and are audited periodically by an independent firm or organization	<ul style="list-style-type: none"> <li>• Production of reliable financial statements prepared in accordance with internationally recognized accounting standards.</li> <li>• Annual external audited accounts that are consistent with recognized international auditing standards.</li> <li>• Production of detailed departmental accounts</li> <li>• Use of accounting packages that are recognised and familiar to accounting procedure in developing countries</li> <li>• Demonstrate capability for functionally independent internal auditing in accordance with internationally recognized standards.<sup>18</sup></li> </ul>
	Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;	<ul style="list-style-type: none"> <li>• A control framework that is documented with clearly defined roles for management, internal auditors, the governing body, and other personnel.</li> <li>• Financial projections demonstrating financial solvency</li> <li>• Demonstration of proven payment / disbursement systems</li> </ul>
	Produce forward-looking financial plans and budgets	<ul style="list-style-type: none"> <li>• Evidence of preparation of corporate , project or departmental / ministry budgets</li> <li>• Demonstration of ability to spend against budgets</li> </ul>
	Legal status to contract with the Adaptation Fund and third parties	<ul style="list-style-type: none"> <li>• Demonstration of necessary legal personality in case it is not government department/institution.</li> <li>• Demonstrated legal capacity/authority and the</li> </ul>

<sup>18</sup> Such as International Standards on Auditing (ISA).

Required competency	Specific capability required	Illustrative means of verification
		ability to directly receive funds
<b>II Requisite Institutional Capacity</b>		
	Procurement procedures which provide for transparent practices, including competition	<ul style="list-style-type: none"> <li>• Evidence of procurement policies and procedures at national levels consistent with recognized international practice (including dispute resolution procedures)</li> </ul>
	Capacity to undertake monitoring and evaluation	<ul style="list-style-type: none"> <li>▪ Demonstration of existing capacities for monitoring and independent evaluation consistent with the requirements of the Adaptation Fund.</li> <li>▪ Evidence that a process or system, such as project-at-risk system, is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond accordingly to redress the problems.</li> </ul>
	Ability to identify, develop and appraise project	<ul style="list-style-type: none"> <li>• Availability of/ Access to resources and track records of conducting appraisal activities</li> <li>• Evidence of institutional system for balanced review of projects, particularly for quality-at-entry during design phase.</li> <li>• Risk assessment procedures are in place.</li> </ul>
	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"> <li>• Understanding of and capacity to oversee the technical, financial, economic, social, environmental and legal aspects of the project and their implications</li> <li>• Demonstrated competence to execute or oversee execution of projects / programmes of the same nature as intended project or programme</li> </ul>

Required competency	Specific capability required	Illustrative means of verification
<b>III Transparency, self - investigative powers, and anti- corruption measures</b>	Competence to deal with financial mis-management and other forms of malpractice	<ul style="list-style-type: none"> <li>• Demonstration of capacity and procedures to deal with financial mismanagement and other forms of malpractice.</li> <li>• Evidence of an objective investigation function for allegations of fraud and corruption.</li> </ul>

## ANNEX 2: TEMPLATES APPROVED BY THE ADAPTATION FUND BOARD

### Approval and Operations Procedures

1. **Adaptation Fund Project Approval Process:** There are two approval processes under the Adaptation Fund project cycle: (i) a one-step approval process; and (ii) a two-step approval process. Eligible developing country Parties to the Kyoto Protocol may submit project proposals directly to the Adaptation Fund Board Secretariat (AFBS) via its National Implementing Entities (NIEs) or via Multilateral Implementing Entities (MIEs). NIEs/MIEs have to be accredited by the Adaptation Fund Board (AFB) to be eligible as an implementing entity for the purpose of submitting projects to the Adaptation Fund. They should also meet the fiduciary standards and other qualifications provided by the Board. All small-size projects will follow the one-step approval process, while regular projects may follow either the one-step approval or the two-step approval process, depending on the stage of project preparation, and at the discretion of the project proponent. The following section outlines the steps of the approval processes.

2. **Single Approval Process:** This process may be used for small-size projects or regular projects with proposals that are already fully-prepared. Approval process includes the following steps:

- (a) Eligible Parties submit a fully-prepared project document to the AFBS seven weeks before the next AFB meeting.
- (b) The AFBS will screen all proposals and prepare a [Technical Review](#) for each project/programme. The AFBS will submit a collection of proposals consisting of technical reviews of all projects to the Project and Program Review Committee (PPRC) four (4) weeks prior to the next AFB meeting.
- (c) The PPRC will review and prepare recommendations for the Board using a [Recommendation Template](#). The PPRC will convene back-to-back to the Adaptation Fund Board (AFB) meeting to finalize its recommendation and submit its recommendation the next day to the AFB.
- (d) AFB approves/rejects the recommendations during the meeting.
- (e) All approved projects will be posted on the AF website following the conclusion of its meeting.

3. **Two-Step Approval Process:** The two-step approval process may be used for regular projects if it is so decided by the proponent Party: (i) project concept approval; and (ii) final project document approval. Each of these steps is subject to the same approval process as the single approval process, i.e., the project is subjected to the single approval process twice. The rationale for choosing such a process is for a country to receive feedback or guidance from the AFB upstream before a project has been fully prepared. The following two documentations are required to be submitted at each step following the same procedures as the single approval process:

- (f) 1<sup>st</sup> step: Regular Project Concept.

(g) 2<sup>nd</sup> step: Regular Project Final Project Document.

4. **Documentation required in the submission:**

- (h) *Regular Project Concept*: used for the first step of the two-step approval process (only for regular projects that have not been fully developed);
- (i) *Small-sized Project Document Template*: for use when submitting small-sized projects;
- (j) *Regular Project Document Template*: for use when submitting regular projects (for regular projects that have been fully developed);
- (k) *Full Project Document* prepared by NIEs/MIEs for both small-sized and regular projects;
- (l) Endorsement Template endorsed by the country's designated authority for the Adaptation Fund.<sup>19</sup>

5. **Categories of projects under the Adaptation Fund:**

- (m) Small-Sized projects (SPs): defined as project proposals requesting up to \$1.0 million.
- (n) Regular-Sized projects (RPs): project proposals requesting more than \$1.0 million
- (o) Programme: a series of projects which could include small-size projects or regular projects aimed at achieving an outcome that is otherwise not achievable by a single project. Projects under a programme would have synergies in their objectives and implementations.

6. **Definitions of Terms:**

- (p) Projects: A concrete adaptation project is defined as a set of activities aimed at addressing the adverse impacts of and risks posed by climate change.
- (q) Programme: An adaptation program is a process, a plan or an approach for addressing climate change impacts which are broader than the scope of an individual project. The Board will provide further guidance on the adaptation programmes, its aims and objectives in the future on the basis of lessons learned.

7. **Financing and Disbursement:**

- (r) Financing: funding for projects and programs will be on a full adaptation cost basis to address the adverse effects of climate change.<sup>20</sup>

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<sup>19</sup> The designated authority referred to in paragraph 21 of the operational guidelines.

- (s) Disbursement: The Trustee will disburse funds on the written instruction of the Board, signed by the Chair and the Vice-Chair, or any other Board Member designated by the Chair and the Vice-Chair, and report to the Board on the disbursement of funds.

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<sup>20</sup> Para. 14 of the *“Provisional Operational Policies and Guidelines for Parties to Access Resources from the Adaption Fund,”*  
and para. 12 of the *“Strategic Priorities, Policies, and Guidelines of the Adaptation Fund.”*

### Adaptation Fund Project Review Criteria

1. The following review criteria for Adaptation Fund projects are applicable to both the small-size projects and regular projects under the single-approval process. For regular projects using the two-step approval process, only the first four criteria will be applied when reviewing the 1<sup>st</sup> step for regular project concept. In addition, the information provided in the 1<sup>st</sup> step approval process with respect to the review criteria for the regular project concept could be less detailed than the information in the request for approval template submitted at the 2<sup>nd</sup> step approval process. Furthermore, a final project document is required for regular projects for the 2<sup>nd</sup> step approval, in addition to the approval template.

Review Criteria	
1. Country Eligibility	<ul style="list-style-type: none"> <li>• Is the country party to the Kyoto Protocol?</li> <li>• Is the country a developing country particularly vulnerable to the adverse effects of climate change?<sup>21</sup></li> </ul>
2. Project Eligibility	<ul style="list-style-type: none"> <li>• Has the government endorsed the project?<sup>22</sup></li> <li>• Does the project support concrete adaptation actions to assist the country in addressing the adverse effects of climate change?</li> <li>• Does the project provide economic, social and environmental benefits, with particular reference to the most vulnerable communities?</li> <li>• Is the project cost-effective?</li> <li>• Is the project consistent with national sustainable development strategies, national development plans, poverty reduction strategies, national communications or adaptation programs of action, or other relevant instruments?</li> <li>• Does the project meet the relevant national technical standards, where applicable?</li> <li>• Is there duplication of project with other funding sources?</li> <li>• Does the project have a learning and knowledge management component to capture and feedback lessons?</li> <li>• Has the project provided justification for the funding requested on the basis of the full cost of adaptation?</li> </ul>
3. Resource Availability	<ul style="list-style-type: none"> <li>• Is the requested project funding within the cap of the country?</li> </ul>
4. Eligibility of NIE/MIE	<ul style="list-style-type: none"> <li>• Is the project submitted through an eligible NIE/MIE that has been accredited by the Board?</li> </ul>

<sup>21</sup> Further reference to the eligibility of country can be found in the document: “*Strategic Priorities, Policies, and Guidelines of the Adaptation Fund*”

<sup>22</sup> Each Party shall designate and communicate to the Secretariat the authority that will endorse on behalf of the national government the projects and programmes proposed by the implementing entities.



5. Implementation Arrangement	<ul style="list-style-type: none"> <li>• Is there adequate arrangement for project management?</li> <li>• Are there measures for financial and project risk management?</li> <li>• Are arrangements for monitoring and evaluation clearly defined, including a budgeted M&amp;E plan?</li> <li>• Is a project results framework included?</li> </ul>
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Attached with this note are the following:

Appendix A: Request for Project Funding from Adaptation Fund

Appendix B: Government Endorsement Letter Template (submitted through NIEs/MIEs)

Appendix C: Adaptation Fund Secretariat Technical Review for Adaptation Fund Projects

Appendix D: PPRC Recommendation for Project Approval



**ADAPTATION FUND**

**REQUEST FOR PROJECT FUNDING FROM THE  
ADAPTATION FUND**

The annexed form should be completed and transmitted to the Adaptation Fund Board Secretariat by email or fax.

Please type in the responses using the template provided. The instructions attached to the form provide guidance to filling out the template.

Please note that a project must be fully prepared (i.e., fully appraised for feasibility) when the request is submitted. The final project document resulting from the appraisal process should be attached to this request for funding.

Complete documentation should be sent to

The Adaptation Fund Board Secretariat  
Room G-6  
1818 H Street NW  
Washington, DC. 20433  
U.S.A  
Fax: (202) 522-3240/5  
Email: [secretariat@adaptation-fund.org](mailto:secretariat@adaptation-fund.org)



# PROJECT PROPOSAL

## ■ PART I: PROJECT INFORMATION

PROJECT CATEGORY:  
COUNTRY/IES:  
TITLE OF PROJECT:  
TYPE OF IMPLEMENTING ENTITY:  
IMPLEMENTING ENTITY:  
EXECUTING ENTITY/IES:  
AMOUNT OF FINANCING REQUESTED: (in U.S Dollars Equivalent)

■ **PROJECT BACKGROUND AND CONTEXT:**  
*Provide brief information on the problem the proposed project is aiming to solve. Outline the economic and social development context in which the project would operate.*

■ **PROJECT OBJECTIVES:**  
*List the main objectives of the project.*

■ **PROJECT COMPONENTS AND FINANCING:**  
*Fill in the table presenting the relationships among project components, activities, expected concrete outputs, and the corresponding budgets. If necessary, please refer to the attached instructions for a detailed description of each term.*

PROJECT COMPONENTS	ACTIVITIES	EXPECTED CONCRETE OUTPUTS	AMOUNT (US\$)
1.			
2.			
3.			
4.			
5.			
6. Project Execution cost			
7. Total Project Cost			
8. Project Cycle Management Fee charged by the Implementing Entity (if applicable)			
<b>Amount of Financing Requested</b>			

**PROJECTED CALENDAR:**

*Indicate the dates of the following milestones for the proposed project*

<b>MILESTONES</b>	<b>EXPECTED DATES</b>
Start of Project Implementation	
Mid-term Review (if planned)	
Project Closing	
Terminal Evaluation	

**PART II: PROJECT JUSTIFICATION**

- A. Describe the project components, particularly focusing on the concrete adaptation activities of the project, and how these activities contribute to climate resilience.
- B. Describe how the project provides economic, social and environmental benefits, with particular reference to the most vulnerable communities.
- C. Describe or provide an analysis of how the proposed project is cost-effective?
- D. Describe how the project is consistent with national sustainable development strategies, including, where appropriate, national development plans, poverty reduction strategies, national communications, or national adaptation programs of action, or other relevant instruments, where they exist.
- E. Describe how the project meets relevant national technical standards, where applicable.
- F. Describe if there is duplication of project with other funding sources, if any.
- G. If applicable, describe the learning and knowledge management component to capture and disseminate lessons learned.

- H. Describe the consultative process, including the list of stakeholders consulted, undertaken during project preparation.
- I. Provide justification for funding requested, focusing on the full cost of adaptation reasoning.

### **PART III: IMPLEMENTATION ARRANGEMENTS**

- A. Describe the arrangements for project implementation.
- B. Describe the measures for financial and project risk management.
- C. Describe the monitoring and evaluation arrangements and provide a budgeted M&E plan.
- D. Include a project results framework for the project proposal.

**■ PART IV: ENDORSEMENT BY GOVERNMENT AND CERTIFICATION BY THE IMPLEMENTING ENTITY**

**A. RECORD OF ENDORSEMENT ON BEHALF OF THE GOVERNMENT<sup>23</sup>** *Provide the name and position of the government official and indicate date of endorsement. If this is a regional project, list the endorsing officials all the participating countries. The endorsement letter(s) should be attached as an annex to the project proposal. Please attach the endorsement letter(s) with this template; add as many participating governments if a regional project:*

<i>(Enter Name, Position, Ministry)</i>	<i>Date: (Month, day, year)</i>
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**B. IMPLEMENTING ENTITY CERTIFICATION** *Provide the name and signature of the Implementing Entity Coordinator and the date of signature. Provide also the project contact person’s name, telephone number and email address*

I certify that this proposal has been prepared in accordance with guidelines provided by the Adaptation Fund Board, and prevailing National Development and Adaptation Plans (.....list here.....) and subject to the approval by the Adaptation Fund Board, understands that the Implementing Entity will be fully (legally and financially) responsible for the implementation of this project.	
<i>Name &amp; Signature</i> Implementing Entity Coordinator	
<i>Date: (Month, Day, Year)</i>	<i>Tel. and email:</i>
<i>Project Contact Person:</i>	
<i>Tel. And Email:</i>	

<sup>23</sup>. Each Party shall designate and communicate to the Secretariat the authority that will endorse on behalf of the national government the projects and programmes proposed by the implementing entities.

# **INSTRUCTIONS FOR PREPARING A REQUEST FOR PROJECT FUNDING FROM THE ADAPTATION FUND**

**DATE OF RECEIPT.** Please leave this space on the top right of the page blank. The Adaptation Fund Board Secretariat will fill in the date on which the proposal is received at the Secretariat.

**ADAPTATION FUND PROJECT ID.** Please leave this space on the top right of the page blank. The Adaptation Fund Board Secretariat will assign a number to your project internally.

## **PART I: PROJECT INFORMATION**

**PROJECT CATEGORY:** Please specify which type of project you are proposing. The two options are:

- A) SMALL-SIZED PROJECT.** Proposals requesting grants up to \$1 million.
- B) REGULAR PROJECT.** Proposals requesting grants of more than \$1 million.

**COUNTRY/IES:** Please insert the name of the country requesting the grant. Please note that regional projects should mention all the participating countries.

**TITLE OF PROJECT:** Please enter the title of the proposed project.

**TYPE OF REQUESTING ENTITY:** Please specify which type of Implementing Entity the project will be managed by. The two options are:

- A) NATIONAL IMPLEMENTING ENTITY**
- B) MULTILATERAL IMPLEMENTING ENTITY**

**NAME OF IMPLEMENTING ENTITY:** Please specify the name of the Implementing Entity

**EXECUTING ENTITY(IES).** Please specify the name of the organisation(s) that will execute(s) the project funded by the Adaptation Fund under the oversight of the Implementing Entity.

**AMOUNT OF FINANCING REQUESTED.** Please fill the grant amount (in US Dollars equivalent) requested from the Adaptation Fund for this proposal.

**PROJECT BACKGROUND AND CONTEXT.** *Provide brief information on the problem the proposed project is aiming to solve. Outline the economic and social development context in which the project would operate.*

**PROJECT OBJECTIVES.** *List the main objectives of the project.*

**PROJECT COMPONENTS AND FINANCING.** Please fill out the table presenting the relationships among project components, activities, expected concrete outputs, and their corresponding budgets to accomplish them. The aforementioned terms are defined below to facilitate the process of completing the table:

**PROJECT COMPONENTS.** The division of the project into its major parts; an aggregation of set of activities

**ACTIVITIES.** Actions taken or work performed through which inputs, such as funds, technical assistance and other types of resources are mobilized to produce specific outputs.

**EXPECTED CONCRETE OUTPUTS.** The product, capital goods and services which result from a development intervention relevant to the achievement of outcomes.

**AMOUNT (\$).** Indicate grant amounts in US dollars by project components.

**PROJECT EXECUTION COST.** The main items supported by the Adaptation Fund for project management including consultant services, travel and office facilities, etc.

**TOTAL PROJECT COST.** This is the sum of all project components requesting Adaptation Fund Board approval.

**IMPLEMENTING ENTITY PROJECT CYCLE MANAGEMENT FEE.** This is the fee that is requested by an Implementing Entity for project cycle management services.

**AMOUNT OF FINANCING REQUESTED.** This amount includes the total project cost plus the project cycle management fee.

**PROJECTED CALENDAR.** Please indicate the dates of the following milestones for the proposed project.

**START OF PROJECT IMPLEMENTATION** The date on which project becomes effective and disbursement can be requested. This is also the trigger date for the Adaptation Fund Trustee to allow the Implementing Entities to request for disbursement

**MID-TERM REVIEW.** The date on which the Implementing Entity intends to complete its mid-term review of the project.

**PROJECT CLOSING.** Project closing is set as six months after Project Completion. This is the date on which Implementing Entity completes disbursement from the grant and may cancel any undisbursed balance in the grant account.

**TERMINAL EVALUATION.** The date on which the Implementing Entity completes the terminal evaluation report, normally two months after project completion but in any case, no later than twelve months after project completion.



## **PART II: PROJECT JUSTIFICATION**

- A.** Describe the project components, including details of activities in each component, regarding how the components will meet project objectives. Describe how the activities will help with adaptation to climate change and improve climate resilience.
- B.** Describe how the outputs and outcomes of the project will provide economic, social and environmental benefits, particularly to the most vulnerable communities in the project area.
- C.** How is the project cost-effective. Compare to other possible interventions that could have been taken to achieve similar project objectives.
- D.** Describe how the project is located in the framework of national development strategies, plans, action plans, etc.
- E.** Describe how the project design meets national technical standards.
- F.** Describe if the project overlaps or duplicates similar activities from other funding sources.
- G.** Describe the activities included in the project to gather lessons learned from project design and implementation and for their dissemination.
- H.** Describe the consultative process undertaken during project design. List the stakeholders consulted and the methods of consultation.
- I.** Provide the full cost of adaptation reasoning for the funding requested for the project.

**PART III: IMPLEMENTATION ARRANGEMENTS.** Describe the various elements of project implementation as enumerated below:

- a. Adequacy of project management arrangements.
- b. Measures for financial and project risk management.
- c. Monitoring and evaluation arrangements including budgeted M&E plan.
- d. Results framework for the project.

## **PART IV: ENDORSEMENT BY THE DESIGNATED GOVERNMENT AUTHORITY FOR ADAPTATION FUND AND CERTIFICATION BY THE IMPLEMENTING ENTITY**

- 9. RECORD OF ENDORSEMENT BY DESIGNATED GOVERNMENT AUTHORITY.** Provide the name, position, and government office of the designated government authority and indicate date of endorsement. If this is a regional project, list the designated government authorities of all

participating countries endorsing the project. The endorsement letter(s) should be attached as an annex to the project proposal.

- 10. IMPLEMENTING ENTITY CERTIFICATION.** Provide the name and signature of the Implementing Entity Coordinator and the date of signature. Provide also the project contact person's name, telephone number and email address.



ADAPTATION FUND

## Letter of Endorsement by Government

[Government Letter Head]

[Date of Endorsement Letter]

To: The Adaptation Fund Board  
c/o Adaptation Fund Board Secretariat  
Email: Secretariat@Adaptation-Fund.org  
Fax: 202 522 3240/5

Subject: Endorsement for [Title of Project]

In my capacity as designated authority for the Adaptation Fund in [country], I confirm that the above (select national or regional) project proposal is in accordance with the government's (select national or regional) priorities in implementing adaptation activities to reduce adverse impacts of, and risks, posed by climate change in the (select country or region).

Accordingly, I am pleased to endorse the above project proposal with support from the Adaptation Fund. If approved, the proposal will be coordinated and implemented by [national or local executing entity].

Sincerely,

[Name of Designated Government Official]  
[Position/Title in Government]



## ADAPTATION FUND BOARD SECRETARIAT TECHNICAL REVIEW OF PROJECT PROPOSAL

PROJECT CATEGORY: (select)

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Country/Region:

Project Title:

AF Project ID:

NEI/MEI Project ID:

Regular Project Concept Approval Date (if applicable):

AFB Secretariat Screening Manager:

Requested Financing from Adaptation Fund (US Dollars):

Anticipated Submission of final RP document (if applicable):

NIE/MIE Contact Person:

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Review Criteria	Questions	Comments
Country Eligibility	1. Is the country party to the Kyoto Protocol?	
	2. Is the country a developing country particularly vulnerable to the adverse effects of climate change?	
Project Eligibility	1. Has the designated government authority for the Adaptation Fund endorsed the project?	
	2. Does the project exhibit adaptive capacity to the adverse effects of climate change and build in climate resilience?	
	3. Does the project provide economic, social and environmental benefits, particularly to vulnerable communities?	
	4. Is the project cost effective?	
	5. Is the project consistent with national sustainable development strategies, national development plans, poverty reduction strategies, national communications and adaptation programs of action and other relevant instruments?	

	6. Does the project meet the relevant national technical standards, where applicable?	
	7. Is there duplication of project with other funding sources?	
	8. Does the project have a learning and knowledge management component to capture and feedback lessons?	
	9. Is the requested financing justified on the basis of full cost of adaptation reasoning?	
Resource Availability	1. Is the requested project funding within the cap of the country?	
Eligibility of NIE/MIE	2. Is the project submitted through an eligible NIE/MIE that has been accredited by the Board?	
Implementation Arrangement	1. Is there adequate arrangement for project management?	
	2. Are there measures for financial and project risk management?	
	3. Are arrangements for monitoring and evaluation clearly defined, including budgeted M&E plans?	
	4. Is a results framework included?	

Technical Summary	
Date:	



**Project and Program Review Committee  
Recommendation for Projects Submitted for the  
[DATE] AFB Meeting**

Project Title	AF Grant Amount (\$)	Implementing Entity project cycle management fee	Total AF Resources Used (\$)	Recommendation		Justification
				Yes	No	
1.						
2.						
Subtotal						
Total AF Resources Approved						

## TERMS OF REFERENCE FOR THE ESTABLISHMENT OF THE ADAPTATION FUND BOARD ACCREDITATION PANEL

### Background and Context

1. The Adaptation Fund has been established by the Parties to the Kyoto Protocol of the UN Framework Convention on Climate Change to finance concrete adaptation projects and programmes in developing countries that are Parties to the Kyoto Protocol.
2. The Adaptation Fund is considered an innovative mechanism for three particular reasons:
  - a) It is funded by an international levy from the Clean Development Mechanism of the Kyoto Protocol.
  - b) It is governed by a body—the Adaptation Fund Board (the Board)—which has majority representation from developing countries.
  - c) It provides eligible developing countries an opportunity to directly access its funds.
3. In order to provide direct access to its funds, the Adaptation Fund requires national legal entities nominated by eligible countries to meet the fiduciary standards adopted by the Board and to be accredited as National Implementing Entities (NIE). For the purpose of accreditation, the Board has decided to establish an Accreditation Panel that will review applications for accreditation and make recommendations to the Board.
4. The Board is therefore seeking external experts to serve on its Accreditation Panel (the Panel).

### Mandate of the Panel

5. In accordance with the *Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund* (hereafter “the operational policies and guidelines”), the Panel shall make recommendations to the Board regarding:
  - (a) The accreditation of an implementing entity;
  - (b) The conditional accreditation of an implementing entity;
  - (c) The suspension of accreditation of an implementing entity;
  - (d) The cancellation of accreditation of an implementing entity; and
  - (e) The re-accreditation of an implementing entity.
6. The tasks identified in the paragraph above imply that, *inter alia*, the following activities are to be carried out by the Panel:
  - (a) Review and consideration of applications for accreditation of implementing entities, based on *i.e.* information provided in the Application Form.  
In case an application is not immediately approved the following considerations may be taken:
  - (b) Determination of whether technical support needs to be provided to an applicant implementing entity to improve its capacities in order to attain accreditation, and the extent of the required support;
  - (c) Determination of the existence of exceptional circumstances that would justify the use of an external assessor to help resolve difficult/contentious issues;
  - (d) Determination of the need to require additional information or resubmission of an application from an applicant implementing entity;
  - (e) Determination of whether an on-site visit and/or observation of the designated implementing entity is required;
  - (f) Make recommendations to the Board on the issues above, as applicable.

## Membership

7. The Panel shall be composed of five (5) members selected by the Board. The five Panel members will be comprised of two (2) Board members or alternates and (3) three external experts with demonstrated and recognized capacity in their field of work.
8. The two members of the Panel who are Board members will be designated by the Board as Chair and Vice-chair of the Panel.
9. The Secretariat shall invite and compile a list of experts for consideration by the Board. The Board shall select the expert members of the panel from this list, taking fully into account considerations of regional balance and competence/expertise. In addition, the Board may draw on the advice, as necessary, of experts identified by the International Accreditation Forum (IAF).
10. Panel members shall be designated to serve on the panel for two (2) calendar years.
11. Panel members who are also Board members shall be eligible to serve a maximum of two consecutive terms. However, in order to ensure continuity in the work of the Panel after its inaugural period, only one of these two members shall be replaced after his or her first term.
12. Panel members who are external experts may be reelected for two consecutive terms, as the Board deems appropriate, taking into account the performance of the expert.
13. The Board shall oversee the performance of the panel and its members, as necessary.

## Competence requirements

14. The panel members who are external experts shall have:
  - (t) Demonstrated relevant work experience in accounting, auditing, public finance or project management of at least 5 years in a national, regional or international capacity. Experience with any national or international accreditation body would be an advantage;
  - (u) An understanding of government and nongovernmental financial reporting systems. Knowledge of forensic accounting and internal control mechanisms would be desirable;
  - (v) Ability to communicate fluently, both in writing and orally, in English. Working knowledge of other UN languages would be desirable;
  - (w) Excellent drafting skills, strong operational and analytical skills, and an ability to work as a member of a team; and
  - (x) A university degree in economics, accounting, or any related discipline.
15. The Board shall require members of the Panel to commit in writing to comply with the rules defined by the Board, in particular with regard to confidentiality and to independence from commercial and other conflict of interests, including any existing or prior association with an implementing entity to be assessed.

## Modalities of work

16. The Panel shall operate under the guidance and authority of the Board and shall be



bound by these terms of reference, as well as by the operational policies and guidelines and the code of conduct, as adopted by the Board. The *General Guidelines for Board Committees*<sup>24</sup> shall apply *mutatis mutandi* to the Panel.

17. The mandate of the Panel may be revised or terminated by the Board if necessary.

18. Panel meetings can be held with panel members being either physically or electronically present. The dates and modalities of panel meetings shall be determined by the Chair and Vice-chair of the Panel, bearing in mind resources available and the need for accreditation review.

### **Compensation**

19. Travel costs and daily subsistence allowance shall be paid to those panel members who are Board members and attending a meeting of the panel or undertaking any official site visit as approved by the Board, in accordance with UN rules.

20. Members of the Panel who are external experts shall be paid fees for their services and travel expenses.

### **Revision of the TORs**

21. The Board will revise these terms of reference as necessary.

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<sup>24</sup> Report of the Sixth meeting of the Adaptation Fund Board, annex VI.

To the Permanent Representatives to the UN of Developing Country Parties to the Kyoto Protocol

Sub: Starting up the Adaptation Fund - Invitation to nominate National Implementing Entities for accreditation to the Adaptation Fund Board

The Adaptation Fund Board (AFB) wishes to invite Kyoto Protocol Parties to nominate a potential National Implementing Entity (NIE) for accreditation with the Adaptation Fund Board (AFB) in order to directly access the Adaptation Fund's financial resources for undertaking adaptation projects or programmes at the national or regional levels.

The Adaptation Fund (AF), established by the Parties to the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC), is mandated to finance concrete adaptation projects and programmes in developing countries that are Parties to the Kyoto Protocol and allow direct access to the Fund by those Parties.

The AFB has recently approved its Operational Policies and Guidelines that allows eligible Parties, seeking financial resources from the Adaptation Fund, to submit proposals *either* directly through their nominated NIE *or* using the services of Multilateral Implementing Entities (MIEs).<sup>25</sup>

Groups of Parties may also nominate regional and subregional entities as implementing entities to function as their NIE. An accreditation process has been established and requires these NIEs to meet the Fund's fiduciary and management standards as contained in its Operational Policies and Guidelines, a copy of which is attached. These Guidelines are also available on the AFB's website ([http://www.adaptation-fund.org/images/AFB.Operational\\_Policies\\_and\\_Guidelines.pdf](http://www.adaptation-fund.org/images/AFB.Operational_Policies_and_Guidelines.pdf)).

It is expected that applications for accreditation of potential NIEs will be accompanied by documentary evidence on how such entities meet the Fund's fiduciary and management standards. The attached application includes examples of the types of supporting documentation that would provide evidence for these standards (Annex 2). The NIE will be accountable to the AFB for all funds received from the Fund for projects and programmes. The NIE may appoint executing entities to execute projects and programmes under its oversight.

The AFB requests that the application for accreditation, including supporting documents, be submitted and written in English.

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<sup>25</sup> NIEs are national legal entities with the capacity to implement projects. MIEs are international organizations, including, among others, UN agencies, the World Bank and regional multilateral banks.

Kindly address your applications to the AFB Secretariat, [secretariat@adaptation-fund.org](mailto:secretariat@adaptation-fund.org). If necessary, Parties can also request further information by phone at: +1 202 473-6390, fax, +1 202 522-3240.

Sincerely

Jan Cedergren  
Chair, Adaptation Fund Board

Farrukh I. Khan  
Vice-Chair, Adaptation Fund Board

Cc: UNFCCC Focal Point

Annex 1. Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund

Annex 2. Accreditation Application Form - Example

## Accreditation Application Form - Example

Please fill out all of the background and contact information contained in Section I.

For Sections II-IV, provide a description of how the organization meets the specific required capabilities and attach supporting documentation. Examples of the types of supporting documentation that would provide evidence of meeting the Fund's fiduciary and management standards are included at the end of each of these sections.

### SECTION I: Background/Contact

Nominated Entity (if NIE):
Invited Entity (if MIE):
Address:
Country:
Postal Code:
Telephone:
Fax:
Web Address:
Contact Person:
Telephone:
Email:

## SECTION II: Financial Management and Integrity

### Specific Capability Required

- a) Accurately and regularly record transactions and balances in a manner that adheres to broadly accepted good practices, and are audited periodically by an independent firm or organization;
- b) Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;
- c) Produce forward-looking financial plans and budgets
- d) Legal status to contract with Adaptation Fund Board

### Description of how entity meets capabilities required

Inventory of Current Organizational Environment	Document References

**■ Examples of Supporting Documentation**

Required Competency	Verification	Supporting documentation that may be provided
<i>Financial Management and Integrity</i>		
a.	Production of reliable financial statements that are prepared in accordance with internationally recognized accounting standards	Audited Financial Statements
b.	Production of annual external audited accounts that are consistent with recognized international auditing standards	i) Audit Committee's Terms of Reference and ii) External Auditor Reports (if possible)
c.	Production of detailed departmental accounts	Sample of departmental account
d.	Demonstration of use of accounting packages that are recognised and familiar to accounting procedures in developing countries	Description of accounting package used
e.	Demonstration of capability for functionally independent internal auditing in accordance with internationally recognized standards	Policy or other published document that outlines the entity's internal auditing function

f.	Demonstration of use of a control framework that is documented with clearly defined roles for management, internal auditors, the governing body, and other personnel	Policy or other published document that outlines the entity's control framework
g.	Production of financial projections demonstrating financial solvency	Business plan/corporate budgets for the next fiscal year
h.	Demonstration of proven payment/disbursement systems	Procedures describing the payment/disbursement system
i.	Evidence of preparation of corporate, project or departmental/ministry budgets	(same documentation as for g will provide the necessary verification)
j.	Demonstration of ability to spend against budgets	End of calendar year/fiscal year budget report
k.	Demonstration of necessary legal personality if not government department/institution	Documentation of legal status
l.	Demonstration of legal capacity/authority and the ability to directly receive funds	(same documentation as for k will provide the necessary verification)

## SECTION III: Requisite Institutional Capacity

### Specific Capability Required

- a) Ability to manage procurement procedures which provide for transparent practices, including in competition
- b) Capacity to undertake monitoring and evaluation
- c) Ability to identify, develop and appraise projects
- d) Competency to manage or oversee the execution of projects/programmes, including ability to manage sub-recipients and to support project/programme delivery and implementation

### Description of how entity meets capabilities required

Inventory of Current Organizational Environment	Document References



■ **Examples of Supporting Documentation**

Required Competency	Verification	Supporting documentation that may be provided
<i>Requisite Institutional Capacity</i>		
a.	Evidence of procurement policies and procedures at the national level that are consistent with recognized international practice (including dispute resolution procedures)	: Procurement policy, procedures, or guidelines
b.	Demonstration of existing capacities for monitoring and independent evaluation that are consistent with the requirements of the Adaptation Fund	Policy or other published document that outlines monitoring and evaluation requirements
c.	Evidence of a process or system, such as a project-at-risk system, that is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond to redress the problems	Procedures for project-at-risk system or similar process/system
d.	Demonstration of availability of/access to resources for and track records of conducting appraisal activities	Sample of appraisals undertaken
e.	Evidence of institutional system for balanced review of projects, particularly for quality-at-entry during design phase	Operational manual or written procedures for project review system
f.	Evidence of risk assessment procedures in place	Policy or other published document that outlines the risk assessment procedures
g.	Demonstration of an understanding of and capacity to oversee the technical, financial, economic, social, environmental, and legal aspects of	Sample of project documents and criteria used to monitor project implementation

	projects and their implications	
h.	Demonstration of competence to execute or oversee execution of projects/programmes	Independent evaluation reports of completed projects/programmes

## SECTION IV: Transparency, self-investigative powers, and anti-corruption measures

### ■ Specific Capability Required

a) Competence to deal with financial mis-management and other forms of malpractice

### ■ Description of how entity meets capabilities required

Inventory of Current Organizational Environment	Document References

**■ Examples of Supporting Documentation**

Required Competency	Verification	Supporting documentation that may be provided
<i>Requisite Institutional Capacity</i>		
a.	Demonstration of capacity and procedures to deal with financial mismanagement and other forms of malpractice	Documentation, if existing, supporting avenues for reporting compliance/other business conduct concerns
b.	Evidence of an objective investigation function for allegations of fraud and corruption	Procedures describing the role and authority of the ethics or related administrative support function

### **MIE Invitation**

#### **Sub: Starting up the Adaptation Fund – Application to serve the Adaptation Fund Board as a Multilateral Implementing Entity.**

The Adaptation Fund Board (AFB) is hereby inviting applications from interested organizations for possible accreditation as Multilateral Implementing Entities (MIE) in order to undertake concrete adaptation projects and programmes, funded by the Adaptation Fund (AF) in the developing countries that are Parties to the Kyoto Protocol.

As already approved by the AFB at its seventh meeting, the AF resources can be accessed by the Parties either directly through their designated National Implementing Entity (NIE) that meet the accreditation criterion of the AFB or through their chosen MIEs which possess full accreditation status under the AFB. The Operational Policies and Guidelines, which details the pre-requisites and fiduciary standards for NIEs and MIEs to access resources from the Adaptation Fund, are attached. These can also be accessed through the AFB website ([http://www.adaptation-fund.org/...](http://www.adaptation-fund.org/)).

The AFB wishes to underline that applications for accreditation with the AFB should first and foremost identify comparative advantage and experience in undertaking and executing concrete adaptation projects in the developing countries. They must also demonstrate their ability to meet the administrative and financial management standards approved by the AFB.

Eligible Parties can choose a particular MIE to submit proposals to the Board. These MIEs will bear full responsibility for the overall management of the proposed projects and/or programmes financed by the AF, as well as all financial, monitoring and reporting responsibilities.

Please address all questions and applications to the AFB Secretariat, to [secretariat@adaptation-fund.org](mailto:secretariat@adaptation-fund.org).

Sincerely,

Jan Cedergren  
Chair, Adaptation Fund Board

Farrukh I. Khan  
Vice-Chair, Adaptation Fund Board

Annex . Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund

## **AMENDMENT PROPOSAL TO THE RULES OF PROCEDURE OF ADAPTATION FUND BOARD**

### **Note by the Secretariat**

1. Decision 1/CMP.4, paragraph 2 *encourages the Adaptation Fund Board to keep its rules of procedure under review and, if necessary, make recommendations concerning any amendments aimed at enabling the Adaptation Fund Board to function in an efficient, cost-effective and transparent manner.*
2. The Board at its fifth meeting discussed the need to amend the definitions of implementing and executing entities (paragraph 2 (j) and 2 (k)) for consistency with the text of the operational policies and guidelines being negotiated. It was also felt that the definition of Secretariat (paragraph 2 (h)) should be amended.
3. It was decided that the Board would make any necessary changes to rules of procedure, and any consequential changes to other documents, and to inform the CMP by letter of those changes (decision B.5/9). At its sixth meeting the Board postponed consideration of this issue to the seventh meeting.
4. The secretariat proposes the draft amendments contained in the annex to the present document in accordance with the comments made by Board members at the fifth meeting.

### **Recommendation**

5. The Board may wish to recommend to the CMP the adoption of the draft proposal of amendments as contained in the annex to the present document, in the context of the report by the Chair to the CMP.

**Draft proposal of amendment to the Rules of Procedure of the Adaptation Fund Board**

...

**II. Definitions**

2. For the purpose of these rules:

...

(h) “Secretariat” is a body appointed by the CMP to provide secretariat services to the Board ~~and to the Fund~~, consistent with decision 1/CMP.3, paragraphs 3, 18, 19 and 31;

...

(j) “Implementing entities” means the **national legal entities and multilateral** organizations that have been identified ex ante by the Board as meeting the criteria adopted by the Board, in accordance with decision 1/CMP.3, paragraph 5 (c), to access funding to implement concrete adaptation projects and programmes supported by the Fund;

(k) “Executing entities” are organizations that ~~meet the criteria set by the Board to access funding to implement concrete adaptation projects and programmes supported by the Fund, subject to such audit mechanisms and due diligence criteria as established by the Board~~ **execute adaptation projects and programmes supported by the Fund under the oversight of Implementing Entities;**

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CONFERENCE OF THE PARTIES SERVING AS THE  
MEETING OF THE PARTIES TO THE KYOTO PROTOCOL  
Fifth session  
Copenhagen, 7–18 December 2009

Item XX of the provisional agenda  
Report of the Adaptation Fund Board

**Report of the Adaptation Fund Board****Note by the Chair of the Adaptation Fund Board***Summary*

This report has been prepared in response to decision 1/CMP.3 requesting the Adaptation Fund Board to report on its activities at each session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, and covers the period from December 2008 to December 2009. The Chair will report orally to the CMP5 on activities carried out from September 2009 to December 2009. It provides information on progress made with respect to the Adaptation Fund, in particular on the implementation of tasks mandated by the CMP to the Adaptation Fund Board, and recommends actions to be taken by the CMP, as appropriate. This report contains, inter alia, draft documents prepared for approval by the CMP in accordance with decision 1/CMP.3, as well as documents, decisions and actions taken by the Adaptation Fund Board to be noted by the



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## I. Introduction

### A. Mandate

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

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

### B. Scope of the note

3. This report provides information on progress made with respect to the Adaptation Fund, in particular on the implementation of the mandate received from the CMP, and recommends actions to be taken by the CMP, as appropriate. The report covers the period from December 2008 to September 2009.

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

4. The CMP may wish to take note of the information contained in this report and consider the following actions:

**Amendments to the Rules of procedure of the Adaptation Fund Board.** In accordance with decision 1/CMP.4, paragraph 2, the Adaptation Fund Board reviewed its rules of procedure and is submitting to the CMP for approval the proposal to amend the rules of procedure; as regards the definitions of the “secretariat” and of the “implementing entities” and “executing entities” (paragraphs 5 (h), 5 (j) and 5 (k)) as contained in Annex I.

## II. Decisions or actions by the Adaptation Fund Board to be noted by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its fifth session

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

- (a) **Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund.** In accordance with decision 1/CMP.3, paragraphs 5 (b) and (c) and decision 1/CMP.4, paragraphs 8 and 9, the Adaptation Fund Board adopted the operational policies and guidelines, including the project cycle, fiduciary standards that implementing entities shall meet in order to access the aforementioned resources and the accreditation process for those entities.
- (b) **Monetization of certified emission reductions.** In accordance with decision 1/CMP.3, paragraph 5 (k), the Adaptation Fund Board monetization programme commenced during the third week of May, 2009. The World Bank as trustee carried out the inaugural set of

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

sales upon instruction of the Adaptation Fund Board and has since then continued sales according to instructions from the Board.

- (c) **Approval of the Memorandum of Understanding between the Conference of the Parties serving as meeting of the Parties of the Kyoto Protocol and the Council of the Global Environment Facility (GEF) regarding secretariat services to the Adaptation Fund Board, by the GEF Council.** At its 35<sup>th</sup> meeting held on June 22 to 24, 2009 in Washington, D.C., the GEF Council approved the aforementioned memorandum of understanding and authorized the GEF secretariat to provide all secretariat services to the Adaptation Fund Board.
- (d) **Approval of the Terms and Conditions of Services to be provided by the International Bank for Reconstruction and Development as Trustee for the Adaptation Fund.** The Executive Directors of the World Bank adopted the aforementioned terms and conditions, effective February 27, 2009.

### III. Work undertaken during the reporting period

6. The Adaptation Fund Board has held four meetings during the reporting period, each of which was convened at the UNCCD premises in Bonn, Germany. The agendas and annotations (including background documentation on the agenda items) and detailed reports of the meetings have been made publicly available on the Adaptation Fund website.<sup>2</sup>

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

#### 1. Election of the Chair and Vice-Chair of the Adaptation Fund Board

8. In accordance with decision 1/CMP.3, paragraph 13, the Adaptation Fund Board, at its fourth meeting, elected, by consensus, Mr. Jan Cedergren (Sweden) as Chair and Mr. Farrukh Iqbal Khan (Pakistan) as Vice-Chair of the Adaptation Fund Board.

#### 2. Changes in Composition of the Adaptation Fund Board

9. During the reporting period, a number of members and alternate members have been replaced at the Adaptation Fund Board. Among the members of the Board, the following changes took place: Mr. Enele Sopoaga (Tuvalu, Small Island Developing States) was replaced by Mr. Leonard Nurse (Barbados, Small Island Developing States), who was subsequently replaced by Mr. Selwin Hart (Barbados, Small Island Developing States). Mr. Naoya Tsukamoto (Japan, Annex I Parties) was replaced by Mr. Hiroshi Ono (Japan, Annex I Parties). Mr. Carlos Rufino Costa (Colombia, Non-Annex I Parties) was replaced by Mr. Ricardo Lozano Picon (Colombia, Non-Annex I Parties). Ms. Ermira Fida (Albania, Eastern Europe) was replaced by Ms. Medea Inashvili (Georgia, Eastern Europe). Mr. Frank Fass-Metz (Germany, Western European and Others Group) was replaced by Mr. Jan Cedergren (Sweden, Western European and Others Group).

10. The following changes took place among the alternate members of the Board: Ms. Emily Ojoo-Massawa (Kenya, Africa) was replaced by Mr. Richard Mwendandu (Kenya, Africa). Mr. Alejandro Nieto (Spain, Annex I Parties) was replaced by Ms. Vanessa Alvarez Franco (Spain, Annex I Parties). Mr. Mohammad Qamar Munir (Bangladesh, Least-Developed Countries) was replaced by Mr. AHM Mustain Billah (Bangladesh, Least-Developed Countries), subsequently replaced by Mr. Nojibur Rahman

<sup>2</sup> <<http://www.adaptation-fund.org>>.

(Bangladesh, Least-Developed Countries) who was replaced by Mr. Mirza Shawkat Ali (Bangladesh, Least-Developed Countries).

### 3. Calendar of meetings of the Adaptation Fund Board in 2009

11. At its fifth meeting, held in Bonn on March 24 to 27, the Adaptation Fund Board adopted a calendar of meetings for 2009 (see table 1).

**Table 1. Calendar of meetings of the Adaptation Fund Board in 2009**

<b>Dates</b>	<b>Location</b>
24–27 March	Bonn, Germany
15–17 June	Bonn, Germany
14–16 September	Bonn, Germany
16–18 November	Bonn, Germany

### 4. Workplan of the Adaptation Fund Board

12. The Board, at its sixth meeting, adopted the document “2009 Workplan for the Adaptation Fund Board”.

### 5. Budget of the Adaptation Fund Board, Secretariat and Trustee

13. During the four meetings held during the reporting period, the Adaptation Fund Board considered and approved resources to support the work of the Board, the Adaptation Fund Board Secretariat and the Trustee through June 30, 2010.

### 6. Provisional Operational Policies and Guidelines for Parties to access resources from the Adaptation Fund

14. Decision 1/CMP.3, paragraph 29, provides that “eligible Parties shall be able to submit their project proposals directly to the Adaptation Fund Board and that implementing and executing entities chosen by governments that are able to implement the projects funded under the Adaptation Fund may also approach the Adaptation Fund Board directly.”

15. As part of the provision described in paragraph 15 above, the Board at its seventh meeting adopted the document “Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund”, as contained in Annex II. The operational policies and guidelines also include the fiduciary standards that national and multilateral implementing entities shall meet in order to access resources from the Fund, in accordance with decision 1/CMP.3, paragraph 30.

### 7. Establishment of Adaptation Fund Board Committees

16. In accordance with decision 1/CMP.3, paragraph 5 (g), the Adaptation Fund Board is responsible for establishing committees, panels and working groups, if required, to provide, inter alia, expert advice, to assist the Adaptation Fund Board in the performance of its functions.

17. In accordance with that mandate, the Board, at its fifth meeting, decided to establish an Ethics and Finance Committee and a Project and Programme Review Committee. Further, at its sixth meeting, the

Board adopted the Terms of Reference of both committees and the General Guidelines for Board Committees, as contained in Annex III, and selected the members of each committee.

#### 8. Establishment of the Adaptation Fund Board Accreditation Panel

18. As part of the provision described in paragraph 17 above, the Adaptation Fund Board at its seventh meeting adopted the document “Terms of Reference for the Establishment of the Adaptation Fund Board Accreditation Panel”, as contained in Annex IV.

#### 9. Legal arrangements for the Adaptation Fund Board Secretariat

19. Following approval by the CMP at its fourth session of the “Memorandum of Understanding between the Conference of the Parties serving as meeting of the Parties to the Kyoto Protocol and the Council of the Global Environment Facility regarding secretariat services to the Adaptation Fund Board”, the GEF Council at its 35<sup>th</sup> meeting held in Washington, D.C., on June 22 to 24, 2009, approved the memorandum of understanding (MOU) and authorized the GEF Secretariat to provide all secretariat services to the Adaptation Fund Board, as reflected in the MOU, the Rules of Procedure of the Adaptation Fund Board, the Role and Responsibilities of the Adaptation Fund Board Secretariat, and the Provisional Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund.

#### 10. Legal arrangements for the Adaptation Fund Trustee

20. Following approval by the CMP at its fourth session of the “Terms and Conditions of services to be provided by the International Bank for Reconstruction and Development as trustee for the Adaptation Fund”, the Executive Directors of the World Bank approved the above mentioned terms and conditions, effective February 27, 2009.

#### 11. Monetization of certified emission reductions

21. In accordance with decision 1/CMP.3, paragraph 5 (k), the Adaptation Fund Board is responsible for the monetization of certified emission reductions (CERs) issued by the Executive Board of the clean development mechanism (CDM) and forwarded to the Adaptation Fund, and is required to report annually to the CMP on the monetization of CERs.

22. Through the CER Monetization Program, the World Bank as Trustee converts the Adaptation Fund’s CERs into cash. According to Decision 1/CMP.3, paragraph 28, the three objectives of the CER Monetization program are to: (i) ensure predictable revenue flow for the Adaptation Fund; (ii) optimize revenue for the Adaptation Fund while limiting financial risks; and to (iii) enhance transparency and monetize the share of proceeds in the most cost-effective and inclusive manner, utilizing appropriate expertise.

23. During the third week of May 2009, the World Bank as Trustee completed the first set of inaugural transactions to monetize CERs. The Trustee sold the first 600,000 tons of CERs at an average price of EUR 12.17 per ton. A second sale of CERs took place during the week of June 8, 2009. In that second transaction, 500,000 tons of CERs were sold at an average price of EUR 11.46 per ton. The buyers of the CERs were widely distributed across sectors and regions. The CER Monetization Guidelines, as approved by the Adaptation Fund Board, provide for the World Bank as Trustee to conduct ongoing sales on carbon exchanges as well as over-the-counter sales of CERs. The Adaptation Fund Board agreed that the Trustee should continue to monetize CERs at a modest pace until such time as resources were required for project and program funding.

24. As of September 16, 2009, the Trustee had sold 1.13 million tons of CERs, generating revenue of approximately US\$ 18.7 million for the Adaptation Fund.

#### 12. Legal capacity of the Adaptation Fund Board

25. In decision 1/CMP.4, paragraph 11, the Parties to the Kyoto Protocol decided “that the Adaptation Fund Board be conferred such legal capacity as necessary for the discharge of its functions with regard to direct access by eligible Parties and implementing and executing entities”.

26. Following the provision above, the Board invited Kyoto Protocol Parties to recognize the legal capacity of, and to host, the Adaptation Fund Board. Two Parties submitted offers to that effect: Germany and Barbados. At its sixth and seventh meetings, the Adaptation Fund Board considered the two offers, but was awaiting further information from both Parties before taking a final decision.

#### 13. Establishment of the Adaptation Fund Trust Fund

27. The World Bank as Trustee established a trust fund under its rules and procedures specifically to hold the cash proceeds from the monetization of CERs and also any other contributions, on behalf of the Adaptation Fund.

28. The Legal Arrangements between the CMP and the World Bank as Trustee specify that disbursements by the Trustee will be made only at, and in accordance with, written direction provided by the Adaptation Fund Board. Under those Arrangements, the Bank will have a limited and non-operational role. Once funds are transferred, the Trustee will have no responsibility for the use of the Trust Fund funds and activities carried out therewith.

#### 14. Reimbursements of funds to Parties for their contributions

29. The Adaptation Fund Board, at its sixth meeting decided to pay back the outstanding amounts representing debts for a loan from the Least-Developed Countries Fund (LDCF) and the reimbursable contributions from the Governments of Australia, the United Kingdom of Great Britain and Northern Ireland and from the United Nations Environment Programme. More information on those contributions is contained in Annex V.

30. As of July 30, 2009 the debt corresponding to the loan from the LDCF had been reimbursed.

#### 15. Contest to Select a Logo for the Adaptation Fund

31. At its fifth meeting, the Adaptation Fund Board decided to request the Secretariat to institute a contest in order to encourage submissions of possible logos for the Adaptation Fund. At its sixth meeting, the Adaptation Fund Board selected the logo designed by Mr. Andrew Wee (Philippines) from among the submissions that had been received and adopted it as the logo of the Adaptation Fund. The Adaptation Fund Board also invited the winner of the contest to attend an award ceremony that took place during the seventh meeting of the Adaptation Fund Board.

#### 16. Interactions with the Pilot Programme on Climate Resilience

32. During the reporting period, Ms. Merlyn Van Voore (South Africa, Africa) attended three meetings of the World Bank’s Pilot Programme on Climate Resilience (PPCR) and presented two reports to the Board on the activities of the PPCR Sub-Committee.

#### **IV. Support for the Adaptation Fund Board and Implementation of its Mandate**

33. The CMP, at its third session, requested the Adaptation Fund Board to develop mechanisms and proposals to enable the Adaptation Fund to become operational. The Board has completed those tasks as instructed by the CMP, and it is the view of the Board that it has established the necessary institutional and regulatory infrastructure for the operation of the Adaptation Fund, including the framework to assure direct access.
34. The Board acknowledged the timely financial support provided by Denmark, Finland, France, Norway, Sweden, Switzerland and Japan, which have enabled the running of the meetings of the Board until the inaugural monetization of CERs.
35. The Board also acknowledges the support provided by Australia, the United Kingdom of Great Britain and Northern Ireland, and the United Nations Environment Programme under the form of reimbursable contributions.
36. The Board also recognized the support of the Adaptation Fund Board Secretariat, the Trustee and the UNFCCC secretariat.
37. The Adaptation Fund Board delivered on its workplan until the end of 2009, approved budgets to support this workplan, initiated the monetization of CERs, and established the operational framework for the Adaptation Fund, including:
- (a) Operational policies and guidelines for parties to access resources from the Adaptation Fund, including the project cycle, the fiduciary standards that implementing entities shall meet in order to access resources from the Fund, the accreditation process for implementing entities, and the templates for project submission;
  - (b) Establishment of the Accreditation Panel.
38. The Board has to put in place a system for the accreditation of implementing entities. The Board has also taken steps to constitute the Accreditation Panel by naming two of its member to the Panel, Mr. William Kojo Agyemang-Bonsu (Ghana, Non-Annex I Parties) and Mr. Jerzy Janota Bzowski (Poland, Eastern Europe). The Board has also initiated the process to call for independent experts to be named on the Panel and has approved a letter that was sent to eligible Parties to invite them to nominate national implementing entities for accreditation as well as a letter inviting multilateral agencies to express their interest to serve as multilateral implementing entities.
39. The World Bank as trustee completed the legal and financial arrangements necessary to launch the inaugural sales of CERs on behalf of the Adaptation Fund Board, and raised over \$18.7 million for the Fund through the sale of 1.13 million tons of CERs.
40. Several decisions taken by the Board in accordance with the mandate of decision 1/CMP.3 are currently being implemented.
41. In accordance with decision 1/CMP.3, paragraph 18, the recruitment of the first dedicated official to serve the Adaptation Fund Board -the Manager of the Adaptation Fund Board secretariat- has been completed in February, 2009. The recruitment process of two additional dedicated officials has been initiated. They are expected to be hired by the end of 2009.
42. The start of the project cycle and funding of project and programme proposals might require substantial funds in addition to those now available in the Adaptation Fund. The net resources available

in the Adaptation Fund Trust Fund for funding decisions amount to USD 8.99 million as of August 31, 2009. A rough estimate of funds available up to 2012 is USD 480 million.

## **V. Calendar of meetings for 2010 and administrative budget for 2010 fiscal year**

43. Having established the operational framework in 2009, the Board in 2010 will approve funding proposals that meet the adaptation needs of developing countries.

### **1. Calendar of meetings of the Adaptation Fund Board**

44. The calendar of meetings of the Adaptation Fund Board in 2009 can be found in table 2.

**Table 2. Calendar of meetings of the Adaptation Fund Board in 2010<sup>26</sup>**

<b>Month</b>	<b>Location</b>
March	Bonn, Germany
June	Bonn
September	Bonn
December	

### **2. Administrative Budget**

45. The budget requirement projected for the 2010 fiscal year is USD 2,288,933 at July 30, 2009.

## **VI. Modalities for attendance by observers to the meetings of the Adaptation Fund Board**

46. Following to the suggestions and requests from the NGO observers, the Board have taken the following steps:

- (a) The proceedings of the meetings of the Board are being made available as webcasts on the Adaptation Fund website;
- (b) Since the fifth meeting of the Board and after each meeting a statement is released to the press and posted on a new section of the Adaptation Fund website;
- (c) Since the sixth meeting, observers are allowed to sit in the same room where the Board sessions.

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<sup>26</sup> The locations mentioned in Table 2 are subject to change depending upon the decision on the legal arrangements to confer legal capacity to the Adaptation Fund Board.



Annex V

[ENGLISH ONLY]

### Reimbursements of Funds to Parties for Their Contributions Pursuant to Paragraph 27 of Decision 1/CMP.3

1. The Conference of Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), in paragraph 27 of Decision 1/CMP.3, (i) invited Parties to finance the administrative expenses for operating the Adaptation Fund (the AF) in an interim phase, until the monetization of the share of proceeds of certified emission reductions (CERs) to meet the costs of adaptation is operational, by making contributions for the AF, and (ii) decided that such contributions shall be reimbursed, if requested, from the monetization of the share of proceeds of CERs, in accordance with procedures and a timetable to be determined by the CMP upon the recommendation of the AF Board.

2. As of 29 July 2009, the governments of Australia, Denmark, Finland, France, Japan, Netherlands, Norway, Sweden, Switzerland, the United Kingdom, and UNEP have paid in contributions in the total amount of USD 3,186,875 to cover the administrative costs and expenses of the AF Board and the AF Secretariat in an interim phase. This amount includes a USD 700,000 temporary loan which was provided by the LDCF trust fund and has since been repaid as well as administrative fees charged for set-up and maintenance of the accounts. Among those donors, Australia, the United Kingdom and UNEP have requested to be reimbursed for their contributions. Details of the status of the contributions are provided in the table below.

**Table: Status of Contributions at 29 July 2009**

Donor	Currency	Amount	US Equivalent*	Reimbursement
<i>Fully paid</i>				
Australia	AUD	200,000	191,340	Yes
Denmark	DKK	3,000,000	544,030	No
Finland	EUR	100,000	155,340	No
France	EUR	95,000	122,693	No
Japan	USD	13,094	13,093	No
LDCF - loan	USD	700,000	700,000	yes
LDCF - repayment	USD	(700,000)	(700,000)	
Netherlands	EUR	100,000	139,300	No
Norway	NOK	1,000,000	201,726	No
Sweden	SEK	2,100,000	251,154	No
Switzerland	CHF	200,000	178,651	No
United Kingdom	GBP	500,000	990,300	Yes
UNEP	USD	500,000	500,000	Yes
Administrative fees	USD	(100,752)	(100,752)	
<b>Net total fully paid</b>			<b>3,186,875</b>	

\*Represents actual United States dollars purchased after payment by donor.