



ADAPTATION FUND

AFB/B.9/12
April 21, 2010

ADAPTATION FUND BOARD

Ninth Meeting
Bonn, 23 to 25 March, 2010

REPORT OF THE NINTH MEETING OF THE ADAPTATION FUND BOARD

INTRODUCTION

1. The ninth meeting of the Adaptation Fund Board was held at the 'Langer Eugen' UN Campus in Bonn from March 23 to 25, 2010. 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 participating at the meeting, is attached as Annex I to the present report. A list of all accredited observers present at the meeting can be found on the Adaptation Fund website at <http://www.adaptation-fund.org>.
3. 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

4. The meeting was opened at 9:15 a.m. on Tuesday, 23 March 2010, by Mr. Jan Cedergren (Sweden, Western European and Others Group), who greeted the members and alternates to the Board, and welcomed all the participants at the ninth meeting of the Adaptation Fund Board. He reminded the participants that following the fifth CMP, four new members and three new alternates had been appointed to the Board, and he asked the new members and alternates to introduce themselves. He also said that one member, from China, had not yet been approved by that member's constituency and was thus unable to be present at the meeting. Both the Chair and the Vice-Chair of the Ethics and Finance Committee had either resigned or had not had their mandates renewed following the fifth CMP, and it would be necessary to replace them.

5. The outgoing Chair said that the fifth CMP had proved a difficult meeting; however, the Adaptation Fund had received strong support from the participants of the CMP, and the side event that had been organized to present the activities of the Adaptation Fund had been well attended. There had been steady progress in developing the work of the Board since the eighth meeting; the accreditation process is underway, and the Board would soon start to approve project and programme proposals. The outgoing Chair considered the criticism about the slow start of the Board inappropriate, reiterating that it was necessary to first put the proper procedures in place. Even though that had now been accomplished, criticism of the Board by those who disagreed with its funding mechanism or its governance structure would not stop.

6. In closing, the outgoing Chair thanked the outgoing Vice-Chair, Mr. Farrukh Iqbal Khan (Pakistan, Non-Annex I Parties) for his support over the past year, as well as the previous Chair of the Adaptation Fund Board, Mr. Richard Muyungi (Tanzania, Least-Developed Countries), for laying the ground-work for the present success of the Board. The outgoing Chair also thanked the secretariat, the trustee and the Board members for their help.

Agenda Item 2: Transition of the Chair and Vice-Chair

7. The outgoing Chair, Mr. Jan Cedergren, handed over his duties and responsibilities to Mr. Farrukh Iqbal Khan who had been elected Chair according to the Adaptation Fund Board's rules of procedure. He also called upon Mr. Hiroshi Ono (Japan, Annex I Parties), who had been elected Vice-Chair of the Board, to assume his functions.

8. Mr. Khan said that he was honoured and privileged to be the Chair of the Adaptation Fund Board. He also expressed his thanks and appreciation for the work of the outgoing Chair, Mr. Jan Cedergren, as well as Mr. Richard Muyungi, the first Chair of the Board, for having built the Adaptation Fund from scratch. He said that he was taking over at a time when the edifice was in place and that it was a great achievement. He also reminded the Board of the challenges that lay ahead of it.

Agenda Item 3: Organizational Matters

(a) Adoption of the Agenda

9. The Board considered the provisional agenda contained in document AFB/B.9/1/Rev.1, and the provisional annotated agenda contained in document AFB/B.9/2/Rev.1. The Chair also said that an agenda item would be added before the agenda item 'Other Matters' for the discussion of the legal status of the Board, at which time the Board would also hear a presentation by the representatives of the Government of Germany related to that issue. It was also agreed to take up discussion of the role of the secretariat in promoting awareness of the National Implementing Entities under the agenda item 'Other Matters'. The Board adopted the agenda, as orally amended, which is contained in Annex II to the present report.

(b) Organization of Work

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

11. The Chair then called upon the members and alternates to sign the Oath of Service and to orally declare any conflict of interest that they might have with any item on the agenda for the meeting. Mr Cheikh Ndiaye Sylla (Senegal, Africa), declared that he would have a conflict of interest during the discussion of the accreditation of the Centre de Suivi Ecologique as the

National Implementing Entity for Senegal, under agenda item 8, and said that consequently he would refrain from making any interventions under that agenda item.

12. The Chair also asked the Ethics and Finance Committee to meet to elect a new Chair and Vice-Chair and to report back to the Board on their decision under the agenda item ‘Other Matters’.

Agenda Item 4: Report of the Chair on Intersessional Activities

13. Mr. Jan Cedergren, the outgoing Chair, reported on his activities during the intersessional period, the most important of which had been reporting on the activities of the Adaptation Fund Board to the fifth CMP. He said that at the CMP he had also participated in the contact group discussing the Adaptation Fund, and had given several interviews on television and radio. The CMP had endorsed the Board’s decision to accept the offer by Germany to host the Fund and had also approved the changes in the rules of procedure of the Board. He said that during the intersessional period he had also finalized the report of the eighth meeting of the Board, with the help of the secretariat, and had communicated with the trustee on the Administrative Trust Fund which would be closed down on 30 June 2010.

14. The Board, taking note of the oral report, congratulated the outgoing Chair on his leadership of the Board during the previous year and for his excellent work during the fifth CMP.

Agenda Item 5: Report on the Activities of the Secretariat

15. The Manager of the Adaptation Fund Board secretariat reported on the activities of the secretariat during the intersessional period, more fully described in document AFB/B.9/3. She informed the Board that the principal activity during the intersessional period had involved providing support to the Accreditation Panel. The three expert members of the Panel selected by the Board had been contacted, one of which had not accepted the proposed contract. The secretariat had finally contracted two selected candidates, as well as the first candidate on the list of alternate experts. Twenty-one non-Annex I Parties and nine multilateral organizations and development banks had expressed interest in being accredited as Implementing Entities and, as of the present meeting, the secretariat had received applications from five non-Annex I Parties and seven multilateral organizations and development banks, all but one of which had been screened by the secretariat. Two applications for accreditation from non-Annex I Parties and five from multilateral organizations had been forwarded to the Accreditation Panel for review. The secretariat had also requested applicants whose applications were incomplete to complement the information and supporting documentation.

16. The Manager of the secretariat had attended the fifth CMP and had made a presentation on the accreditation process at a side-event organized by the Latin America and Caribbean Group (GRULAC). The Adaptation Officer had participated in the workshop for Global Environment Facility (GEF) Focal Points in the Pacific which had been held in Port Moresby, Papua New Guinea, from 3 to 4 February 2010, and in the workshop for GEF Focal Points in Asia, held in Hanoi, Vietnam from 10 to 12 March 2010. The Board was informed that the Adaptation Officer made a presentation on the accreditation process in those workshops.

17. At the request of the Chair and Vice-Chair, a legal opinion had been requested from the Environment and International Law team of the World Bank, in the Bank’s capacity as host of the secretariat, on the Memorandum of Understanding with on the Memorandum of Understanding with the Government of Germany. The Manager of the secretariat said that it had

not been possible to organize a presentation by the IPCC on vulnerability indexes at the present meeting. It was expected that such a presentation would take place at the tenth meeting of the Board. She also said that negotiations were underway to hold the twelfth meeting of the Board in Cancun, Mexico, from 13 to 15 December, 2010 and back-to-back with the sixth meeting of the CMP.

18. The Board was informed that the website for the Adaptation Fund was on a temporary server and that it would migrate to the permanent server once a number of technical issues related to security had been resolved. That had meant that the website had been only partially available during the period before the present meeting. The newly-recruited Programme Assistant, Ms. Ivana Horvathova of Slovakia, had joined the Secretariat on 19 February 2010. The Manager of the secretariat reminded the Board that Ms. Horvathova had previously worked for the Board as a report writer during its meetings, and that with her hiring the Board's dedicated team of staff was now in place.

19. It was noted that the Board meeting in Cancun should not be fixed in such a way that it conflicted with other meetings being held at the same time in Cancun. It was also observed that there had been no presentations on the accreditation process at a GEF meeting held in Africa, while the importance of such presentations in helping the Least-Developed Countries (LDCs) to prepare their applications for National Implementing Entities was stressed. It was suggested that a programme of workshops was required to help non-Annex I Parties to not simply prepare the applications for National Implementing Entities, but also to help the participants to understand how to prioritize projects and how to prepare the necessary dossiers. The Board was reminded that the applications for accreditation as an NIE were difficult to complete and that any additional reporting requirements being suggested under a scheme of results-based management should be kept as simple as possible.

20. Concern was also expressed about the delay in the finalization of the website while its importance for the work of the Board was stressed. Questions were raised on the need and mandate to seek a legal opinion on the legal capacity being granted by the host country, Germany, when that legal opinion had not been requested by the Board or its officers. In response, the Chair explained that the legal opinion was sought at the request of the then Chair and his Vice Chair, and that the legal opinion was not about the legal personality of the Board, but rather about the implications that the text of the Memorandum of Understanding, as presented by the Government of Germany, might have. The Chair also reminded the Board that in the negotiations with the German Government, the Board was represented by the Chair and the Vice-Chair. And because they had concerns about a certain issue in the draft text of the Memorandum of Understanding, they had sought a legal opinion from the World Bank, as the Board did not have independent legal counsel at the present time. That opinion had been communicated to the German Government and the Chair expected a response from the German Government when its representatives made a presentation to the Board during the present meeting.

21. The Manager of the secretariat also said that the proposed meeting of the Board in Cancun would not conflict with other meetings being held at that venue, and regarding the participation of the secretariat in the GEF meetings, she explained that the secretariat had only taken advantage of the meetings that it had already been invited to, in order to explain the nature of the accreditation process. The issue of the website was of technical nature and she assured the Board that the secretariat would sort out the problems as quickly as possible. The presentation materials on the accreditation process would be made available on the website,

and while those materials presently existed only in English, they could also be translated into other languages.

22. The Chair said that there was a need for a systematic approach for the distribution of information on the process of accreditation of NIEs, and he took note of the desire of the Board to take advantage of regional meetings and workshops, organized by other entities, to inform the Parties on that subject. He also took note of the fact that five requests for accreditation as NIEs and seven for accreditation as MIEs had been received by the secretariat.

23. Following the discussion on the intersessional activities of the secretariat, the Board took note of the presentation by the Manager of the Adaptation Fund Board secretariat and requested that the secretariat take note of the comments made by the Board.

Agenda Item 6: Outcome of COP 15 / CMP 5

24. The Manager of the Adaptation Fund Board secretariat reported on the outcome of the fifteenth Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 15) and the fifth CMP. She said that the report of the Adaptation Fund Board to the CMP had been adopted and that the decision of the Board to accept the offer of Germany to be its host country had been approved by the CMP, as had been the amendments to the Board's rules of procedure. Also, the Subsidiary Body for Implementation (SBI) had been asked to initiate a review of the Adaptation Fund, and to report back to the CMP at its sixth meeting.

25. The Board took note of the report by the Manager of the Adaptation Fund Board secretariat.

Agenda Item 7: CER Monetization

26. The Board heard a presentation by the trustee on the situation in the carbon markets. The trustee explained that the CER price continued to be influenced by the slower pace of CER issuance than originally projected. That, together with the recent cold winter in Europe and a recovery of the financial position of many companies, had tended to support an increase in the price of CERs. However, the price of CERs had been depressed as a result of the uncertainty that had been generated after the fifth CMP, the fact that European buyers still did not need to buy additional carbon credits to meet their 2012 obligations, and because of the potential competition from Assigned Amount Units (AAUs) and Emission Reduction Units (ERUs). While the trading volume of carbon increased during 2009, the lower average prices resulted in no substantial growth over the previous year when measured in euro terms. The trustee also highlighted the Regional Greenhouse Gas Initiative (RGGI), a carbon trading initiative among ten states in the Northeastern part of the United States of America. Although there had been a substantial increase in trade under RGGI from 71 million tons in 2008 to some 765 million tons in 2009, the price of RGGI credits was only some US\$ 2 per ton, substantially below the current \$16 per ton price of CERs. A number of countries also continued to hold a substantial surplus of AAUs, the sale of which could also potentially depress the markets. The trustee reported that since early 2009 there had generally been a decrease in the volatility in the price of CERs. One recent exception to that had been a case of the sale of recycled CERs from Hungary. Some had been sold within Europe, in violation of the rules of the European Union, which had rendered those CERs valueless, and which had temporarily caused a suspension in CER trading on the main spot carbon exchange.

27. The trustee reminded the Board that the objective of the monetization program was to provide a predictable flow of resources for the Adaptation Fund, both to optimize revenues and to manage risks, and that the trustee did not attempt to time the market when making sales. The trustee had engaged in three large over-the-counter CER sales since the eighth meeting of the Board that had contributed to reducing the stock of CERs held to some four million tons, consistent with the guidance from the Board.

28. The trustee presented its analysis of the different possibilities for the total potential resources of the Adaptation Fund up to the end of 2010; estimates which depend on a number of unknown and future events. In addition to CER issuance rates under the CDM, overall economic activity, and demand and supply of CERs, factors which could affect future prices of CERs included the outcome of the negotiations to be held in Cancun and the approval of a Cap and Trade system in the United States of America. In addition, some seventy per cent of CERs had been generated by projects dealing with industrial gases and that a decision by the European Union not to allow those CERs to be used in the future could affect prices. The trustee also explained that the price of CERs on spot markets was temporarily affected each December 15th when the yearly futures contracts expired.

29. The trustee explained that secondary market for CERs was larger than the primary market because that was where the resale of CERs took place, and that the primary purchasers of CERs in that market were large European Utilities who made those purchases to meet their compliance needs.

30. The Board agreed that the original guidelines for the continuous sale of CERs, which had been approved by the Board at its fourth meeting, continued to work well and that no further action by the Board was required at the present time.

31. Following the discussion, the Chair thanked the trustee for the presentation.

Agenda Item 8: Report of the Accreditation Panel

32. The Chair of the Accreditation Panel, Mr. William Kojo Agyemang-Bonsu, introduced document AFB/B.9/4 which contained the first report of the Accreditation Panel. The report was divided into three sections, the first of which contained the background and mandate of the Panel, the second a discussion of the issues considered by the Panel, and the third its recommendations to the Board. The Chair of the Panel said that the Panel had started its work in January 2010 and had pursued three modes of working: teleconferencing, face-to-face meetings and email correspondence. By the time the present report had been finalized, the secretariat had forwarded seven applications to the Panel for its consideration: two for National Implementing Entities (NIEs), and five for Multilateral Implementing Entities (MIEs).

33. The Chair of the Panel said that in the case of the first NIE, the application had come from the Centre de Suivi Ecologique (CSE) in Senegal and that the Panel had, in addition to reviewing the documentation provided by the CSE, interviewed the General Manager of the CSE as well as two representatives of CSE's development partners, from Canada and the Netherlands, that provided financial support to the CSE. Although the overall evaluation had been positive, the Panel noted that the supporting documentation that had been provided for some of the areas of the fiduciary standards, in particular the area of risk management, did not provide sufficient evidence that those standards had been met. Additionally, the Panel had noted that the CSE had usually managed projects that had involved smaller amounts of money than the potential maximum size for the projects and programmes being financed by the

Adaptation Fund. Notwithstanding that, the comments received from the development partners of the CSE had been highly positive and the organization has a successful record in project implementation and administrative management. Hence, the Panel had decided to recommend the accreditation of the CSE, provided that the Board exercised additional due diligence if the CSE were to administer projects larger than US\$ one million, and provided that the Board consider requesting more frequent reporting for projects that were either supervised or executed by the CSE.

34. In the case of the two MIEs, the applications had come from United Nations Development Programme (UNDP) and the International Bank for Reconstruction and Development (IBRD), which is part of the World Bank Group. Both had submitted documentation that had highlighted their roles as GEF implementing agencies and had provided independent reviews of their fiduciary standards. Both applicants had met all the requirements for accreditation and the Chair of the Panel particularly noted the excellence of application the application of the UNDP. The Panel had recommended that the Board seek UNDP's permission to use that application as a model for future MIE applicants.

35. The Chair of the Panel said that in addition to the three applications being recommended for approval, a fourth application for accreditation had been received during the period of the review of the first batch of applications, and that additional three applications had been received since then. He said that the next batch of applications would be considered by the Panel during its second face-to-face meeting on 10 and 11 May 2010.

36. Regarding the procedures of the Panel, the Chair of the Accreditation Panel informed the Board that an oath of service had been introduced along the same lines of the oaths of service of the members and alternates of the Board, and that the Panel members were asked to declare any conflict of interest. The Panel had also adopted a tentative work schedule for 2010 and requested that the expert members be given the opportunity to introduce themselves at the next meeting of the Board. The Chair of the Panel said that two of the experts, Mr. Murari Aryal and Mr. Peter Maertens, were attending the present meeting as observers and would be available to answer any questions that the Board might wish to address to them.

37. Several members of the Board took the floor and congratulated the Panel on the excellent job it had done. Clarification was sought on the need for additional risk management requirements that were being requested for the Centre de Suivi Ecologique. The need for a balance between the necessity to impose standards on the applicants and the need to encourage and approve applications in order to operationalise the direct access mechanism was stressed. It was also noted that there was a need to move forward with the process of accreditation and that the process could be later modified in light of the lessons learned from the accreditation of the first NIEs. Mr. Aryal and Mr. Maertens were asked to be allowed to express their views on the additional value that could be gained from field visits. The Board was reminded that under paragraph 34 of the rules of procedure, it could hear presentations by observers.

38. However, one member objected to hearing from the expert members of the Accreditation Panel, arguing that the Board members on the Panel were fully capable of answering any questions that the Board might have.

39. The Chair said that the rules of procedure allowed observers to make presentations to the Board, provided that there was no objection. In view of the objection raised by one member, it would not be possible to hear from the two experts present at the meeting.

40. Mr. Agyemang-Bonsu explained that the CSE had received positive recommendations from both Canada and the Netherlands and had experience managing projects. While it had administered funds of over US\$ two million for a number of projects, it still was thought that it might be necessary to increase its reporting requirement for any individual project that had funding of over US\$ one million. He also said that it would be necessary both to help build the capacity of some of the NIEs – and that field visits would be one way to help achieve that – and to ensure the adequate supervision of the NIEs. Mr. Jerzy Janota Bzowski, (Poland, Eastern Europe), the Vice-Chair of the Accreditation Panel, said that in the case of the CSE the documentation alone had not been enough to decide the issue, and that the references by Canada and the Netherlands had been important in the accreditation decision. An onsite visit would have also helped in taking the decision to accredit the CSE. He agreed that the experience of the CSE with small sized projects meant that the Panel was comfortable in recommending accreditation, but acknowledged the possible risk presented by larger projects and therefore the Panel had recommended the possibility of additional reporting requirements and onsite visits.

41. Responding to a question from the Chair, Mr. Agyemang-Bonsu explained that the Panel envisioned the onsite visits prior to accreditation as that would facilitate both the collection of relevant information and the holding of in depth conversations with the relevant staff. He said that collecting the same information through teleconferencing and emails, while useful, was a time consuming and protracted process.

42. Both the need for capacity building and the idea of field visits as a system of random audits for the NIEs were supported by some members, as well as was the use of references by donors who had worked with the applicants. It was suggested that such references be included in the application template.

43. Further information on the nature of the CSE and more details on its application were requested by the Board, as well as a clarification on whether it was an NGO or a governmental organization. It was noted that developing countries needed to know exactly what was expected of them when submitting an application for an NIE.

44. It was observed that the two MIEs being accredited had been previously accredited as implementing agencies of the GEF, and clarification was sought on whether it was a requirement for accreditation, as the general understanding was that the accreditation process for the Adaptation Fund was a separate process and that there was consequently no need to refer to whether an entity was also accredited with the GEF.

45. As the process of accreditation was just beginning, the Board should have liked to look at the application of the CSE in more detail to have a better idea of its strengths and weaknesses. The Chair of the Accreditation Panel explained that some of the information in the documents being submitted during the accreditation process was confidential and that therefore only a summary of the applications had been presented.

46. The need for capacity building received the Board's support, and it was suggested that the secretariat be given a budget to hold workshops and seminars on the application process in the different regions. Also, the Chair and the Vice-Chair should invite bilateral and multilateral agencies to help developing countries in building the capacity of NIEs. It was of utmost importance to ensure that the NIEs strictly complied with the fiduciary standards set by the Board.

47. While there was a need for transparency in the decision-making process, there was also a need to protect the confidentiality of some of the information under consideration. If an NIE had met the fiduciary standards, there should be no need to impose a more frequent reporting schedule on that NIE. It was also noted that field visits would prove to be very costly, especially once the Board had accredited a number of NIEs.

48. The discussion of the agenda item then continued in closed session. The two expert members of the Accreditation Panel were also requested to leave the meeting room.

49. During the closed session the Board considered certain information related to the applications of the CSE and the IBRD. It was felt that recommendations, while useful, should not be required and that once a country had nominated an NIE, the next formal requirement was simply to fill out the application template and provide supporting documentation. The Board was also reminded that countries had the option to use either NIEs or MIEs and that these options were not mutually exclusive.

50. During the closed session the Chair also said that it was important for the Implementing Entities to know what was expected of them and to know what funding levels they could expect. There was also an agreement that the secretariat should be requested to support the accreditation process through workshops and that bilateral and multilateral agencies should be asked to help support the developing countries in establishing NIEs. He also said that the issue of caps on funding related to the issue of project approval, and not to accreditation per se, even though it was important not to lose sight of the issue. He also said that the CSE should be informed of the need to improve its risk management procedures.

51. Following the discussion in closed session, the Board decided:

- (a) To accredit the Centre de Suivi Ecologique as the National Implementing Entity for Senegal;
- (b) To accredit the International Bank for Reconstruction and Development as a Multilateral Implementing Entity;
- (c) To also accredit the United Nations Development Programme as a Multilateral Implementing Entity;
- (d) To seek authorization to use the United Nations Development Programme accreditation application form as a model for aspiring Multilateral Implementing Entities to follow;
- (e) Following the recommendation of the Accreditation Panel, to consider modalities for providing technical support to Implementing Entity applicants, and to request:
 - (i) The secretariat to prepare a programme of work to help explain to eligible countries the requirements for accreditation as a National Implementing Entity; and
 - (ii) The Chair and the Vice-Chair of the Board to approach bilateral and multilateral agencies and request that they provide financial and technical support to developing countries in establishing National Implementing Entities;

- (f) To take note of the recommendation of the Accreditation Panel for the provision of evaluation field visits, which also formed a part of the terms of reference of the Accreditation Panel, and to review the need for such field visits once the Accreditation Panel had considered the next applicants for accreditation as National Implementing Entities;
- (g) To request the Project and Programme Review Committee, to take into consideration the National Implementing Entity's previous experience in administering amounts of funds when deciding on the approval of projects and programmes being proposed by the Centre de Suivi Ecologique that greatly exceed its previously demonstrated capacity to administer funds, and to further request that the Committee reports on that decision to the Board;
- (h) To communicate to the Centre de Suivi Ecologique that the Board would look favourably on any measures that the Entity would take to improve its risk management abilities;
- (i) That the accreditation application template attached to the letter inviting Kyoto Protocol Parties to nominate a potential National Implementing Entity for accreditation shall be mandatory;
- (j) That the Accreditation Panel can take into account the provision of references of a National Implementing Entity from bilateral and multilateral entities at the request or permission of that National Implementing Entity. Such references are not a requirement; and
- (k) To retain the option to require more frequent reporting than required in the operational policies and guidelines of the Adaptation Fund Board for the projects and programmes implemented by the Centre de Suivi Ecologique in the event that the Entity was to administer amounts that greatly exceeded its previously demonstrated capacity to administer funds for projects and programmes. This will also be communicated to the Centre de Suivi Ecologique.

(Decision B.9/1)

52. The Board also agreed that in order to protect confidential information, the Accreditation Panel had resolved not to disclose the names of the applicants for accreditation until after their applications had been considered by the Panel.

Agenda Item 9: Issues remaining from the Eighth Meeting of the Adaptation Fund Board

(a) *Initial Funding Priorities*

53. The representative of the secretariat introduced document AFB/B.9/5, *Initial Funding Priorities*, which had initially been considered by the Board as document AFB/B.8/7/Rev.1 at its eighth meeting and which had been revised following the Board's request.

54. In his presentation, the representative of the secretariat said that the main issues addressed in the document were the eligibility of countries to receive funding, the maximum amounts that a country could receive, whether funding was to be regionally balanced and which projects were to be funded as a priority. In terms of eligibility there are 149 countries that are

Parties to the Kyoto Protocol and are also non-Annex I Parties to the United Nations Framework Convention on Climate Change. He said that while they could all be considered eligible, it was also possible to consider additional issues of eligibility such as whether a country was also a member of the OECD, which would make one additional country ineligible, or whether it was a non-ODA country, which would make a further 10 countries ineligible. He also explained the difference between allocations and funding caps. In the former situation each country would be entitled to a formal amount. Under such a system of allocation, a projected US\$ 365 million until 2012, if divided among 149 countries, would mean an average allocation of US\$ 2.4 million per country. Caps on the other hand did not entail entitlement to an allocation, and a country could receive any amount between zero and the cap on funding.

55. The representative of the secretariat said that there were three options when establishing caps per country: there could be a uniform cap for all countries; variable caps that took into account the specific circumstances of certain groups of countries such as SIDs, LDCs, and African countries, with membership in each category entailing an additional increase in its cap; and variable caps that took into account the specific circumstances of each country, such as its level of vulnerability, the level of adverse impacts, the level of urgency, and risks of delays in action. He said that in addition to those options, the Board might also wish to consider a system that guaranteed the geographical and regional distribution of funding. It was also proposed that, in order to prioritize among the projects being submitted, the Board might wish to consider using the criteria outlined in paragraph 16 of the strategic priorities, policies and guidelines of the Board.

56. The Board concluded that while there was no need to take a decision on funding priorities at the present meeting, it remained useful to have a discussion of the paper presented by the secretariat, because the Board will have to face the issue in the future.

57. Regarding the issue of eligibility, reference was made to the operational policies and guidelines which include a definition of eligible countries, depending on their vulnerability. It was agreed that no exclusion from the list of countries eligible for funding would be made.

58. On caps, it was agreed that the Board should be careful about discussing already adopted decisions on the prioritization of certain groups and countries, especially according to their vulnerability, and the Board was urged to keep the process simple and not to develop too complex procedures. It was noted that it would be useful to hear the presentation by the IPCC on vulnerability before taking a decision on this point. Different preferences for each of the three options were proposed. Some said that population had to be taken into account in this process; others noted that the Project and Programme Review Committee will have to receive guidance from the Board on the maximum amount acceptable for a project. Some members opposed the proposed system of regional allocations.

59. On prioritization among projects, it was stressed that the Board had not received any projects yet, and that the quality of the projects would be decisive at the end. However, the Project and Programme Review Committee should receive guidance from the Board on how to prioritize among projects. Non-duplication could not be considered as a criterion of prioritization, but rather as a criterion of eligibility, and that these criteria should not apply to sectors, as proposed by the secretariat. The idea of using the level of co-financing as a criterion, as it was proposed during the discussion, could not be generally accepted. It was agreed that further scientific guidance from IPCC on vulnerability was necessary before taking any decision on that point. It was also pointed out that it would be important to have the Project and Programme

Review Committee operational before the tenth meeting of the Board, as project proposals would soon be presented to the Adaptation Fund Board for approval.

60. It was observed that the presentation by the Secretariat clearly demonstrated the effect of the limited funds at the disposal of the Board and it was requested that the Annex I Parties be approached for additional contributions. There was also a concern expressed over mentioning the Copenhagen Accord in that letter. Some objected to a reference to the Copenhagen Accord as it had not been agreed to by all the Parties to the Kyoto Protocol. Others said that the Copenhagen Accord was a reality and should be addressed when requesting additional donations.

61. The Board agreed that the issues that had been raised in the document on the initial funding priorities, and during the discussion, were complex and warranted more time for discussion than had been available at the ninth meeting of the Board. More generally, the options presented by the secretariat should seek more consensus rather than presenting extreme scenarios that do not provide any way forward. The Board agreed to continue discussion of the issue of initial funding priorities at its tenth meeting, after the first meeting of the Project and Programme Review Committee.

(b) Draft invitation letter to eligible Parties to submit project and programme proposals

62. The Chair reminded the Board that at its seventh meeting it had deferred consideration of the draft invitation letter to eligible Parties until its eighth meeting, and that during the discussion of the letter at its eight meeting, a number of amendments had been proposed. He invited the Manager of the secretariat to explain the modifications that had been made to the letter during the intersessional period.

63. The Manager of the Adaptation Fund Board secretariat introduced the *Draft Invitation Letter to eligible Parties to submit project and programme proposals to the Adaptation Fund Board*, which was contained in document AFB/B.9/6, and which had originally been considered by the Board as document AFB/B.8/9. She said that the letter had been revised in light of the suggestions of the Board, and that in particular it included an estimation of the resources available in the Adaptation Fund up to 2012.

64. Following the explanation by the Manager of the secretariat, while keeping in view the previous discussion, the Chair invited the Board to approve the draft invitation letter to eligible Parties. The Board approved the letter and unanimously agreed to send it to eligible Parties.

65. At a subsequent session the Board discussed whether to inform the eligible Parties, in light of the limited funds available, of a cap on the funding of submissions. After a discussion of the different options for caps, the need for further discussion of the issue, the desirability of the secretariat preparing a short paper on the subject for consideration by the Board, and whether or not the Parties should only be encouraged to initially submit small-sized projects, the Board agreed to request the Parties to take into consideration the availability of resources in the Fund when proposing projects and programmes for funding.

66. Following a discussion on who should the Board address this and other letters to, the Board endorsed Chair's proposal to address the letter to the national focal points on climate change, as well as to the Permanent Representations to the United Nations in New York, since

in some countries the issues of adaptation were not necessarily handled by the national focal points on climate change.

67. The Board decided to adopt the draft invitation letter to eligible Parties to submit project and programme proposals, as orally amended, together with the annexes and appendices attached to it, and to request the secretariat to send the letter to both the UNFCCC focal points and the Permanent Representations to the United Nations in New York. The text of the draft invitation letter, and its annexes and appendices, is contained in Annex III to the present report.

(Decision B.9/2)

(c) *Results-based management and evaluation framework for the Adaptation Fund*

68. The representative of the secretariat introduced *An Approach to Results Based Management - RBM*, contained in document AFB/B.9/7. In her presentation, she reminded the Board that at its previous meeting it had agreed to introduce a results-based approach to support the work of the AFB. It was then agreed that the way forward would outline a results framework, monitoring and reporting requirements and integrate evaluation into the approach. In response, a draft results framework was presented to the Board in Annex I of the document for the Board's consideration. Annex 2 contained possible performance indicators. She also noted that the process being followed by the Accreditation Panel had already initiated the discussion on RBM. The representative of the secretariat discussed with the Board how project objectives, the country priorities, the Adaptation Fund strategic priorities, and the CMP goals could be aligned.

69. The Board welcomed the paper and the clear approach that it laid out. It was agreed that there was a need for the possibility to compare and aggregate results, and that a limited number of key indicators would be considered. It was also suggested that performance monitoring should be focused at the level of portfolio. It was important to have both mid-term and final evaluations for all projects, and that guidance for evaluations should be prepared. Both baseline and a log frame had to be established and included with project documentation.

70. The secretariat representative stressed that baselines and log frames were the basic standard in results-based management; however, it was up to the Board to decide how to adapt those tools to its needs. She suggested that the Board let the projects define the level of complexity needed in the framework. The Board was also asked to consider the budget presented for RBM, but the secretariat informed the Board that there would be no budgetary implications if the Board decided to defer a decision of the RMB strategy until its tenth meeting.

71. Following the discussion, the Chair requested the members and alternates to submit in writing any additional comments to the secretariat by 24 April 2010. The Board requested the secretariat to revise document AFB/B.9/7 on the basis of the discussion and the submitted comments, and to present a revised paper on a results-based management-framework for the Adaptation Fund for consideration by the Board at its tenth meeting.

(Decision B.9/3)

Agenda Item 10: Draft MOU between the Board and implementing entities for the management of projects and programmes financed by the Adaptation Fund

72. The Board took up consideration of draft memorandum of understanding between the Board and the implementing entities contained in an annex to document AFB/B.9/8/Rev.2 at its third session. The Chair in his introduction said that according to paragraph 42 of the operational policies and guidelines for Parties to access resources from the Adaptation Fund, the secretariat would draft contracts, memoranda of understanding and other necessary agreements with implementing entities. He also reminded the Board that pending the conclusion of an arrangement with the German Government to confer legal capacity to the Adaptation Fund Board, it had been agreed that the legal form of the instruments to be signed between the Board and the Implementing Entities would be a memorandum of understanding. He then asked the Manager of the secretariat to explain the modification that had been made to the memorandum of understanding (MOU).

73. The Manager of the secretariat explained that initially, non-legally binding agreements with the Implementing Entities had been considered, but that following legal input from the UNFCCC it had been decided to redraft parts of the MOU so that its text could also be used by the Board once legal capacity had been conferred on it. She said that the general principles provided that all the provisions of the MOU would be carried out in accordance with the operational policies and guidelines of the Board and that while the Implementing Entity would carry out all its obligations under the MOU in accordance with its standard practice and procedures, whenever any such practices and procedures were inconsistent with the operational policies and guidelines, including the Fiduciary Risk Management Standards, the Implementing Entity would immediately notify the Board, through the secretariat, and promptly take all necessary actions to resolve any inconsistencies. Further clauses on liability and dispute settlement had been included.

74. A clarification was sought on the circumstance under which an NIE might be unable to indemnify the Board as required under section 2.03 of the MOU, as well as on whether the Government should be included as a guarantor of the Agreement. It was also asked whether the MOU covered the Board's potential liability and it was suggested that paragraph 45 of the operational guidelines was a partial solution, as it provided for the use of milestones and allowed for more frequent reporting. However, it was asked what would happen if a local organization that had been accredited disappeared or went bankrupt.

75. It was also observed that some countries required funds to be processed through government bodies, and that grants were sometimes taxed. While some wanted the grant to be exempt from such taxes, it was also observed that States were sovereign and could impose such taxes.

76. On the suggestion that a legal opinion be sought on the issue, the Chair observed that the MOU had already been reviewed by the legal departments of the UNFCCC and the World Bank, in its capacity as the host of the secretariat. Others said that it was important to be clear on the liability of the Implementing Entities. It was suggested that the designated authority should not be held responsible as it had only oversight of the Implementing Entities. A question was raised about how a refund of disbursements was to be accomplished, and whether a clause needed to be added concerning Board approval of changes to budgetary allocations in projects supervised by Implementing Entities. It was suggested that as long as funds continued to be used for the same purpose as in the original grant, then the Implementing Entities ought to be allowed to reallocate those funds but that it should inform the Board that it had done so. The

Chair agreed that the Board should be in the picture for any change in the allocation in funding, but did not need to be involved in the management of the project.

77. In response to a question, the trustee noted that the MOU was an agreement between the Board and the Implementing Entity and that any transfer of funds by the trustee was based on the direct instructions from the Board to the trustee. It followed that there would be no separate agreement between the IE and the trustee. The trustee also said that any refund of a disbursement would be to the Adaptation Fund Trust Fund and should include any interest or other income earned by the IE.

78. The mid-term progress reports received some support by the Board, as they would be of use to both the Board and the Implementing Entities, and would allow for corrections to the projects if they were needed. It was also observed that Board had the right to ask for an audit at any point of the project life, as a tool of risk management. Semi-annual reporting and annual reporting would trigger the need for an audit, which could then be done before it would too late to make corrections. Others objected that a six month cycle for reporting was too onerous for the NIEs, but thought that annual reporting might be acceptable. A clarification was sought on the requirement that the auditor had to be acceptable to the Board and it was suggested that sufficient guidance already existed in the Fund's operational policies and that there was no need for such a requirement.

79. It was important that all reports be sent to the national focal points on climate change. It was also observed that the goal of temporarily expanded reporting was to allow the Implementing Entities to prove they could meet the expectations of the Board. Once they had done so, then there was no need, as a general rule, for enhanced reporting. In case of doubt, there was still the independent audit. It was important to remember that an NIE was not the project manager, but looked after a portfolio of projects. Further paragraph 45 of the operational policies allowed tranches to be disbursed by milestones and progress reports. However, a "hook" was required in the MOU to indicate that under specific circumstances, and for specific cases, extra conditions could be applied. It was for the Accreditation Panel and the Project and Programme Review Committee to make that determination.

80. The Chair said that the MOU would contain general principles and that the specific elements would be developed by the Accreditation Panel and the Project and Programme Review Committee, and then be reviewed by the Board.

81. It was observed that two separate documents might need to be drafted, one for NIEs and one for MIEs. It was also suggested that references to Implementing Entities being solely responsible needed to be deleted from the text, and a question was asked about what would happen to the MOU once the Board was granted legal personality: whether the MOUs were to be terminated and replaced by contracts. It was also suggested that the secretariat prepare a proposal for a contract at the eleventh meeting of the Board.

82. The Chair stressed the temporary nature of the MOU and that it would eventually be replaced with a contract, once the Board was to acquire the legal personality. He also noted that the contract would possibly, but not necessarily, have the same text as the current MOU.

83. Definitions in the MOU were also questioned and it was noted that it was difficult to know who the designated authority would be. It was also suggested that it would be better to include the definitions from the operational guidelines as that was agreed text.

84. Chair said that it was important to consider how to integrate the designated authority into the process, but noted that the Board could not force cooperation at the national level and could not insist on the focal points being the national designated authority. He also observed that it was possible to compensate for risk by instructing the trustee to release tranches of ten, twenty or one hundred per cent of funding, but that such a schedule of tranches would not be part of the MOU. That would be determined by the Accreditation Panel or the Project and Programme Review Committee.

85. The Chair thanked the Board for its comments and said that he would prepare revised text of MOU for its consideration.

86. At a subsequent session of the meeting the Chair distributed two revised versions of the MOU, one of which was tripartite and included the national Government as a party to the agreement, and a second revised version which remained between the Board and the Implementing Entities. Both versions had been revised in light of the comments made by the Board. He asked the Board for its views.

87. Although some expressed support for the tripartite agreement, there was general opposition to the inclusion of a government as a party to the MOU. While it was preferable that there be some guarantee, it was also pointed out that this was an ordinary risk of business, and that if the Implementing Entity appeared particularly risky then special conditions could be applied to it, and the Accreditation Panel could flag such issues for the Board to consider. It was also pointed out that it would go a long way if the application was accompanied by a letter signed by a Minister, or else at the Cabinet level of Government, that designated the authority that was to sign off on the NIE.

88. It was important that the designated authority be appointed by the Government and not by the focal point who was often a member of a single line ministry. Letters sent to diplomatic missions were sent to the Ministry of Foreign Affairs and then on to a Government's council of ministers for consideration. Others felt that it was necessary to respect the UNFCCC process and address all letters and communication to the national focal point on climate change, and that it was for the focal point to designate the authority that would propose the NIE. However, the letter to the focal point could be copied to the United Nations Permanent Representations of each country.

89. The Chair reminded the Board that the designated authority that endorsed the NIE on behalf of the Government might be different from the national focal point. The issue had come up because the previous letter requesting the naming of NIEs had not mentioned the designated authority.

90. The Chair asked whether the Board could send a letter to inform countries of the operational policies and guidelines and request them to appoint a designated authority which should be communicated to the secretariat. In the letter, the Board should also remind the countries that all applications for accreditation of NIEs needed to be endorsed by the designated authority.

91. Following the discussion, the Board decided:

- (a) To adopt the revised draft Memorandum of Understanding between the Adaptation Fund Board and Implementing Entities for the management of Projects and Programmes

financed by the Adaptation Fund, as orally amended. The Memorandum of Understanding is attached to the present report as Annex IV; and

- (b) To request the Chair to send a letter requesting the eligible Parties to the Kyoto Protocol to appoint a designated authority and to communicate its appointment to the secretariat. The designated authority would endorse the nomination of a National Implementing Entity, and the project and programme proposals on behalf of the Government. The Board expects the letter appointing the designated authority be signed by the competent Minister.

(Decision B.9/4)

Agenda Item 11: Presentation by the IPCC on vulnerability indexes

92. The Manager of the Adaptation Fund Board secretariat informed the Board that although it had been unable to organize a presentation by the IPCC on vulnerability indexes at the present meeting, it was expected that such a presentation would be made to the Board at its tenth meeting either by Dr. Christopher Field, Co-Chair of Working Group II, or by another IPCC member appointed by him.

Agenda Item 12: Communications strategy for the Board

93. The Vice-Chair introduced the *Draft Communications Strategy for the Adaptation Fund Board* contained in document AFB/B.9/9, which had been considered by the Board at its seventh meeting. The document also included, as an appendix, the terms of reference for a consultant to develop the communications strategy, as well as budget estimates for the development of the communications strategy.

94. In response to a question, the Manager of the secretariat confirmed that the secretariat would continue to receive the help of eight GEF staff members who each spent some twenty per cent of their time on work for the Adaptation Fund Board secretariat. That arrangement would continue until 30 June 2010. She explained that the figure was to some extent notional as the GEF also provided a variety of resources such as Information Technology and Human Resources that were difficult to account for, and whose support had remained necessary.

95. The Manager of the secretariat also confirmed that once the communications strategy had been developed, it would then be sent to the Board for its approval. She also reminded the Board that the consultant would develop a list of key dates and asked the members and alternates to submit such key dates to the secretariat for inclusion in the calendar.

96. Following the discussion the Board decided to approve the terms of reference for a consultant to develop a communications strategy for the Adaptation Fund Board, as well as the budget estimates for the development of that communications strategy. The Terms of Reference for the consultant and the budget estimates for the communications strategy are contained in Annex V to the present report.

(Decision B.9/5)

Agenda Item 13: Financial Issues***Report on the Status of Resources of the Adaptation Fund Trust Fund and Administrative Trust Fund***

97. The trustee introduced the *Status of Resources of the Adaptation Fund Trust Fund and Administrative Trust Fund*, as at January 31, 2010, contained in document AFB/B.9/10, which presented the status of receipts and disbursements from the Adaptation Fund Trust Fund, cumulative funding decisions made by the Adaptation Fund Board since inception, and funding availability of the Adaptation Fund Trust Fund. The presentation also included an update on the information in document AFB/B.9/10 up to March 19, 2010. As at January 31 2010, the cumulative receipts were some US\$ 38.98 million, of which the bulk had come from the sale of CERs and US\$ 218,742 had come from investment income. The cumulative disbursements amounted to US\$ 5.95 million and there were committed approvals of funding decisions in the amount of US\$ 1.3 million. Subtracting the US\$ 3 million operational reserve and the US\$1.33 million pending disbursement, left an amount of US\$ 28.7 million for new funding decisions as at January 31, 2010. Since that date there had been further receipts of some US\$ 24.39 million from the sale of CERs, of which US\$ 21.22 million had come from over the counter sales of CERs, resulting in approximately US\$ 53.09 million available to the Board to support new funding decisions as at March 19, 2010.

98. The trustee also reported on the *Status of Contributions to the Administrative Trust Fund*, contained in document AFB/B.9/11. That fund currently contained some US\$ 679,529 and the trustee reminded the Board that the fund will expire on June 30, 2010 and that at that time the trustee would be obliged to return all remaining funds to the contributing donors, on a pro-rata basis. Some donors had indicated that they would be prepared to transfer their pro-rata share of the balances to the Adaptation Fund Trust Fund and in that case the trustee informed the Board that it would enter into a donation agreement with each donor that was prepared to make such a transfer.

99. In response to a question on the connection between the amounts recorded in Tables 1 and 3 of document AFB/B.9/10, the trustee explained that Table 1 shows the actual receipts and disbursements which occurred in the trust fund in order to calculate the balance of funds held in the Trust Fund as of January 31st. Table 3 then takes the resulting balance from Table 1, and deducts the reserve and any funds pending disbursement to calculate how much of those funds held in trust are available for new funding decisions.

100. Mr. Anton Hilber (Switzerland, Western European and Others Group) said that Switzerland was prepared to transfer its pro-rata balance from the Administrative Trust Fund to the Adaptation Fund Trust Fund.

101. The trustee said that it would look at the issue of alternative approaches to CER sales and report back to the Board on that issue.

102. Following the discussion the Board took note of the presentation by the trustee and took further note that the trustee would make a presentation on alternative approaches to CER sales at a subsequent meeting of the Board. The Board also decided to request the Chair and Vice-Chair to address a letter to Annex I Parties to the United Nations Framework Convention on Climate Change to invite further donations to the Adaptation Fund.

(Decision B.9/6)

103. The Chair noted that the financial situation of the Fund might evolve quickly, and that there was also a danger of inflating expectations. He suggested that it might be desirable to refer to the caps that had been discussed under agenda item 9 (a). It was important to remember that once projects came up for approval it might be necessary to invite donors to make further contributions to the Adaptation Fund, and that it might be useful to consider whether some of the CERs held by the Adaptation Fund could be sold at a premium (eg. as “green” CERs).

104. There was no consensus on the suggestion that the Chair and the Vice-Chair approach the High-level Advisory Group that had been named by the Secretary-General of the United Nations with a view to ensuring that Adaptation Fund is also integrated into their thinking and approach. .

105. There was an agreement that any letters requesting donations should only be sent to Annex I Parties. It was also observed that such letters would be a useful way of making the presence of the Adaptation Fund known, as well as highlighting the direct access mechanism and the fiduciary standards that had been developed by the Fund. However, it was also observed that it was necessary to ensure that no conditionality be attached to the donations.

Agenda Item 14: Board meetings for 2010

106. The Manager of the secretariat informed the Board that the secretariat had tentatively set the date for the tenth meeting of the Board from 14 to 16 June, 2010, which was back-to-back with the meeting of the subsidiary bodies of the UNFCCC; and for the eleventh meeting of the Board from 14 to 16 September, 2010. Both meetings would take place in Bonn. She also informed the Board that the secretariat had started making arrangements to hold the twelfth meeting of the Board in Mexico, back-to-back with the sixth meeting of the CMP, from 13 to 15 December, 2010. She asked the Board to inform the secretariat of the dates on which it might wish to meet in committees and the dates it wished to meet in plenary session.

107. It was asked whether it would be possible for the Board to hold its twelfth meeting before the CMP in order to finalize its yearly report to the CMP. It was also observed that the Board meeting would take place immediately after the CMP, and it was asked whether it would be possible to have a break between the meetings. Several members also asked whether there remained any flexibility in fixing the dates of the meetings of the Board as not all meetings under the UNFCCC had been as yet set for 2010.

108. The Manager of the secretariat explained that a similar situation had arisen in the past when the Board had met after the CMP. In that case, the Adaptation Fund Board presented a written report on its activities up to its third meeting of the year, and the Chair made an oral presentation to the CMP on any activities that had taken place after the third meeting of the year.

109. The Chair said that while the dates for the eleventh meeting could remain tentative, the secretariat needed to fix the dates for the tenth and twelfth meetings in order to make the necessary arrangements to hold those meetings. He also said that the Board could take an intersessional decision on the need for committee meetings at the tenth meeting of the Board, if it was required.

110. Following a discussion, the Board decided:

- (a) To hold its tenth meeting in Bonn, Germany, 14 to 16 June 2010, back-to-back with the meeting of the subsidiary bodies of the Convention;
- (b) To tentatively hold its eleventh meeting in Bonn, Germany, 14 to 16 September 2010; and
- (c) To hold its twelfth meeting in Cancun, Mexico, 13 to 15 December 2010, back-to-back to the sixth Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol.

(Decision B.9/7)

Agenda Item 15: Legal Status of the Board

111. The Chair invited two representatives of the German Government, Mr. Frank Fass-Metz, Head of Division 'Climate policy and climate financing' and a former member of the Adaptation Fund Board, and Mr. Ralph Czarnecki, from the Ecologic Institute, speaking on behalf of the German Government, to provide the Board with a progress report on the signing of the Memorandum of Understanding between the Adaptation Fund Board and the German Government.

112. Mr. Fass-Metz said that following the decision by the CMP at its fifth session to endorse the decision of the Adaptation Fund Board to accept the offer of Germany to confer legal capacity on the Adaptation Fund Board, the German Government had initiated draft legislation for approval by the German Parliament. That draft legislation had been circulated for ministerial comments in February 2010, but further action now awaited a decision by the Board on the legal opinion by the World Bank on the draft German legislation. He assured the Board that the German Government was prepared to also sign a Memorandum of Understanding as well. He also assured that Board that it would have the capacity to enter into contracts, acquire and dispose of property, that monetization process would be exempted, that reference to it had been made in the supporting documentation that accompanied the legislation, and that a reference to it would be in the Memorandum of Understanding. He also explained that it would be the Executive Secretary of the Convention that would have the ability to lift the immunity of those protected by the agreement.

113. Concern was raised about a possible delay in effective work of the Board if it could not be conferred legal capacity before the end of 2010, and it was asked whether the German Government could expedite the process of legislation. Clarification on the delay was sought, as the Board had believed that the process would be completed within one year of the Board's approval of the process at its eighth meeting. The Manager of the secretariat also sought clarification on the status of those attending the meeting who were neither permanent employees of the GEF secretariat nor the World Bank, nor elected members or alternates of the Board. She also sought clarification on the interpretation of the word "invited" that appears both in the United Nations Volunteers and UNFCCC Headquarters agreements when referring to the individuals covered by the privileges and immunities, as well as a clarification on which is the institution with the capacity to issue such invitations. Clarification was also sought as to whether the phrase 'Board members' included alternates, and whether it would be better to refer to the definition of the secretariat as defined in the rules of procedure rather than to refer to the GEF secretariat.

114. Mr. Czarnecki explained that while no one could impose a timetable on the Parliament, it was expected that approval would take place within a year. The draft bill had been prepared and had received most of the ministerial approvals required. He therefore urged the Board to inform him of any further changes that were required at the present meeting as it would lengthen the process considerably to modify the bill once it had been taken up by the Parliament. He assured the Board that only the Adaptation Fund Board had been mentioned in the text of the bill.

115. He also explained that all those who had been invited on official business to attend the meetings of the Board also shared the immunities of the Board members and alternates. As such, their freedom of speech was protected, and they had immunity from legal processes, and from interference with their papers and documents. He also said that it was not up to the German Government to decide who was on official business, but that such a decision lay with the Board itself, and that once the Board decided that it required the attendance of someone on official business, then that person would be treated as being on official business in Germany.

116. Following the discussion, the Board took note of the presentation, expressed its satisfaction and endorsed the draft legislation, as presented by the representatives of the German Government. The Board also requested the German Government to utilize all possible means and ways of expediting the legislation with a view to conferring legal personality on the Adaptation Fund Board as soon as possible. .

Agenda Item 16: Other Matters

Chair and Vice-Chair of the Ethics and Finance Committee

117. The Board decided to appoint Ms. Ana Fornells de Frutos (Spain, Annex I Parties) as Chair of the Ethics and Finance Committee, and Mr. Santiago Reyna (Argentina, Latin America and the Caribbean) as Vice-Chair of the Ethics and Finance Committee.

(Decision B.9/8)

Role of the Secretariat in promoting awareness of the National Implementing Entities

118. The Chair said that during the discussion of the activities of the secretariat under agenda item 5, there appeared to be agreement that the secretariat needed to continue to be involved in promotion of the accreditation process for NIEs, and he asked that the secretariat develop a programme of work that contained a list of the meetings that could be attended by representatives of the secretariat for that purpose. He stated that the attendance of the secretariat at meetings before the next Board meeting could be approved intersessionally.

119. The Manager of the secretariat reminded the Board that such an activity would have budgetary implications which would involve approval by a two-thirds vote of the Board in case of an intersessional decision.

120. The Board decided to request the secretariat to develop a work programme with a list of meetings which could be attended by the representatives of the secretariat in order to promote the accreditation process for NIEs. The secretariat was also requested to present the work plan, together with its budgetary implications, to the Board for its consideration at its tenth meeting.

(Decision B.9/9)

121. In response to a question on the Pilot Programme on Climate Resilience (PPCR), the Chair reminded the Board that at its second meeting it had heard a presentation by the World Bank on the PPCR. The membership in the PPCR was made available to the Chair of the Adaptation Fund Board. He noted that the then Chair had appointed a representative from the Board to attend the meetings of the PPCR in place of the Chair. The current Chair said that he would consider the issue further and decide whether the Chair himself would represent the Board, or whether he would appoint another member to represent him in the PPCR.

Agenda Item 17: Adoption of the report

122. The Chair informed the Board that it would follow its established practice and adopt the report of its ninth meeting intersessionally.

Agenda Item 18: Closure of the Meeting

123. Following the customary exchange of courtesies, the Chair declared the meeting closed on Thursday, 25 March 2010 at 3.30 p.m.

MEMBERS AND ALTERNATES PARTICIPATING AT THE NINTH MEETING

MEMBERS		
Name	Country	Constituency
Mr. Cheikh Ndiaye Sylla	Senegal	Africa
Mr. Zaheer Fakir	South Africa	Africa
Mr. Abdulhadi Al-Marri	Qatar	Asia
Mr. Jerzy Janota Bzowski	Poland	Eastern Europe
Ms. Medea Inashvili	Georgia	Eastern Europe
Mr. Jeffery Spooner	Jamaica	Latin America and the Caribbean
Mr. Luis Santos	Uruguay	Latin America and the Caribbean
Mr. Hans Olav Ibrekk	Norway	Western European and Others Group
Mr. Jan Cedergren	Sweden	Western European and Others Group
H.E. Mr. Peceli Vocea	Fiji	Small Island Developing States
Mr. Richard Muyungi	Tanzania	Least-Developed Countries
Mr. Hiroshi Ono	Japan	Annex I Parties
Mr. Julien Rencki	France	Annex I Parties
Mr. Ricardo Lozano Picon	Colombia	Non-Annex I Parties
Mr. Farrukh Iqbal Khan	Pakistan	Non-Annex I Parties

ALTERNATES		
Name	Country	Constituency
Mr. Richard Mwendandu	Kenya	Africa
MR. Elsayed Sabry Mansour	Egypt	Africa
Mr. Damdin Davgadorj	Mongolia	Asia
Ms. Tatyana Ososkova	Uzbekistan	Asia
Mr. Valeriu Cazac	Moldova	Eastern Europe;
Ms. Iryna Trofimova	Ukraine	Eastern Europe
Mr. Luis Paz Castro	Cuba	Latin America and the Caribbean
Mr. Santiago Reyna	Argentina	Latin America and the Caribbean
Mr. Anton Hilber	Switzerland	Western European and Others Group
Mr. Markku Kanninen	Finland	Western European and Others Group
Mr. Amjad Abdulla	Maldives	Small Island Developing States
Mr. Mirza Shawat Ali	Bangladesh	Least-Developed Countries
Ms. Ana Fornells de Frutos	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 NINTH MEETING

1. Opening of the Meeting
2. Transition of the Chair and the Vice-Chair
3. Organizational Matters
 - (a) *Adoption of the Agenda*
 - (b) *Organization of Work*
4. Report on intersessional activities of the Former Chair
5. Secretariat activities
6. Outcome of COP 15 / CMP 5.
7. CER monetization
8. Report of the Accreditation Panel
9. Issues Remaining from the 8th Board meeting
 - (a) *Initial funding priorities*
 - (b) *Draft invitation letter to eligible Parties to submit project and programme proposals*
 - (c) *Results based management and evaluation framework for the Adaptation Fund*
10. Draft MOU between the Board and implementing entities for the management of projects and programmes financed by the Adaptation Fund
11. Presentation by IPCC on vulnerability indexes
12. Communication strategy for the Board
13. Financial issues
 - (a) *Status of resources of the Adaptation Fund Trust Fund and Administrative Trust Fund*
14. Board meetings for 2010
15. Legal Status of the Board
16. Other Matters
 - Chair and Vice-Chair of the Ethics and Finance Committee
 - Role of the Secretariat in promoting awareness of the National Implementing Entities
17. Adoption of the report
18. Closure of the Meeting

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March , 2010

To the UNFCCC Focal Points and to the Permanent Representations to the UN of non-Annex I Parties to the Kyoto Protocol

Sub: Starting up the Adaptation Fund - Invitation to submit project and programme proposals for funding from the Adaptation Fund

The Adaptation Fund Board (AFB) wishes to invite eligible Kyoto Protocol Parties to submit proposals for funding from the Adaptation Fund (AF), in accordance with the approved template, a copy of which is attached.

Submissions will be considered by the AFB as they are received.

The AF, established by the Parties to 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 to allow direct access to the Fund by those Parties. The total amount of funds to be made available for eligible developing country parties will depend on the market-based monetization of Certified Emission Reductions (CERs) which are the AF's main source of revenue. The total available resources are expected to be between US\$ 250 and 350 million by 2012. Funding from other sources such as donations may also supplement the proceeds of the monetization of CERs.

While a decision to cap the funding per eligible country has not been taken by the Board, Parties are expected to take into account the availability of resources to date, when submitting project and programme proposals.

The AFB has recently approved its Operational Policies and Guidelines which allow eligible Parties, seeking financial resources from the Adaptation Fund, to submit proposals *either* directly through their accredited NIE *or* using the services of Multilateral Implementing Entities (MIEs).¹ All project proposals require the endorsement of the authority which has been designated by the relevant Government to make such endorsements.²

The accreditation process of nominated NIEs is currently underway. The process requires the NIEs to demonstrate the capacity to meet the Fund's fiduciary and management standards in order to access resources from the Fund directly, as contained in its Operational Policies and Guidelines. The Guidelines are available on the AFB's website at:

¹ 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 development banks.

² Each Party shall designate, and communicate to the Secretariat, the authority that will endorse on behalf of the national government all projects and programmes proposed for funding by the AFB.



(<http://www.adaptation-fund.org/>).

The AFB requests that the project submissions be written in English.

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

Sincerely,



Farrukh Iqbal Khan
Chair
Adaptation Fund Board

小野 洋
Hiroshi Ono
Vice-Chair
Adaptation Fund Board

Annex. Template to request project funding from the Adaptation Fund

PROGRAMME TEMPLATE

ANNEX 3: TEMPLATES APPROVED BY THE ADAPTATION FUND BOARD Approval and Operations Procedures

1. **Adaptation Fund Project/Programme Approval Process:** There are two approval processes under the Adaptation Fund project³ 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 their 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-Step 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 for all projects to the Project and Program Review Committee (PPRC) 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

³ In what follows the term project will refer to both programmes and projects unless otherwise stated.

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) 1st step: Regular Project Concept.
- (g) 2nd step: Regular Project Final Project Document.

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

- (a) *Regular Project/Programme Concept*: used for the first step of the two-step approval process (only for regular projects that have not been fully developed);
- (b) *Small-sized Project/Programme Document Template*: for use when submitting small-sized projects;
- (c) *Regular Project/Programme Document Template*: for use when submitting regular projects (for regular projects that have been fully developed);
- (d) *Full Project/Programme Document* prepared by NIEs/MIEs for both small-sized and regular projects;
- (e) Endorsement Template endorsed by the country's designated authority for Adaptation Fund.⁴

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

- (a) Small-Sized projects and programmes (SPs): defined as project proposals requesting up to \$1.0 million.
- (b) Regular-Sized projects and programmes (RPs): project proposals requesting more than \$1.0 million

6. **Definitions of Terms:**

- (a) Project: A concrete adaptation project is defined as a set of activities aimed at addressing the adverse impacts of and risks posed by climate change.
- (b) Programme: An adaptation programme is a process, a plan or an approach for addressing climate change impacts which are broader than the scope of an individual project. Further guidance on how to present programmes for approval can be found in the 'Instructions for presenting a request for funding from the Adaptation Fund'.

7. **Financing and Disbursement:**

- (a) Financing: funding for projects and programs will be on a full adaptation cost basis to address the adverse effects of climate change.⁵

⁴ The designated authority referred to in paragraph 21 of the operational guidelines.

- (b) 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.

⁵ Para. 14 of the *“Provisional Operational Policies and Guidelines for Parties to Access Resources from the Adaptation 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 1st step for regular project concept. In addition, the information provided in the 1st 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 2nd step approval process. Furthermore, a final project document is required for regular projects for the 2nd step approval, in addition to the approval template.

Review Criteria	
1. Country Eligibility	<ul style="list-style-type: none"> • Is the country party to the Kyoto Protocol? • Is the country a developing country particularly vulnerable to the adverse effects of climate change?⁶
2. Project Eligibility	<ul style="list-style-type: none"> • Has the government endorsed the project?⁷ • Does the project / programme support concrete adaptation actions to assist the country in addressing the adverse effects of climate change? • Does the project provide economic, social and environmental benefits, with particular reference to the most vulnerable communities? • Is the project cost-effective? • 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? • Does the project meet the relevant national technical standards, where applicable? • Is there duplication of project with other funding sources? • Does the project have a learning and knowledge management component to capture and feedback lessons? • Has the project provided justification for the funding requested on the basis of the full cost of adaptation?
3. Resource Availability	<ul style="list-style-type: none"> • Is the requested project funding in accordance with the funding allocation decisions of the Adaptation Fund Board per country/project?
4. Eligibility of NIE/MIE	<ul style="list-style-type: none"> • Is the project submitted through an eligible NIE/MIE that has been accredited by the Board?
5. Implementation Arrangement	<ul style="list-style-type: none"> • Is there adequate arrangement for project management?

⁶ Further reference to the eligibility of country can be found in the document: “*Strategic Priorities, Policies, and Guidelines of the Adaptation Fund*”

⁷ 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.

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

Appendix A: Request for Project/Programme Funding from Adaptation Fund

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



ADAPTATION FUND

REQUEST FOR PROJECT/PROGRAMME FUNDING FROM 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/programme must be fully prepared (i.e., fully appraised for feasibility) when the request is submitted. The final project/programme 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
1818 H Street NW
MSN G6-602
Washington, DC. 20433
U.S.A
Fax: +1 (202) 522-3240/5
Email: secretariat@adaptation-fund.org



PROJECT/PROGRAMME PROPOSAL

PART I: PROJECT/PROGRAMME INFORMATION

PROJECT/PROGRAMME CATEGORY:

COUNTRY/IES:

TITLE OF PROJECT/PROGRAMME:

TYPE OF IMPLEMENTING ENTITY:

IMPLEMENTING ENTITY:

EXECUTING ENTITY/IES:

AMOUNT OF FINANCING REQUESTED: (in U.S Dollars Equivalent)

PROJECT / PROGRAMME BACKGROUND AND CONTEXT:

Provide brief information on the problem the proposed project/programme is aiming to solve. Outline the economic social, development and environmental context in which the project would operate.

PROJECT / PROGRAMME OBJECTIVES:

List the main objectives of the project.

PROJECT / PROGRAMME 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.

For the case of a programme, individual components are likely to refer to specific subsets of stakeholders, regions and/or sectors that can be addressed through a set of well defined interventions / projects.

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

PROJECTED CALENDAR:

Indicate the dates of the following milestones for the proposed project/programme

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

PART II: PROJECT / PROGRAMME JUSTIFICATION

- A. Describe the project / programme components, particularly focusing on the concrete adaptation activities of the project, and how these activities contribute to climate resilience. For the case of a programme, show how the combination of individual projects will contribute to the overall increase in resilience.
- B. Describe how the project / programme provides economic, social and environmental benefits, with particular reference to the most vulnerable communities.
- C. Describe or provide an analysis of the cost-effectiveness of the proposed project / programme.
- D. Describe how the project / programme is consistent with national or sub-national sustainable development strategies, including, where appropriate, national or sub-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 / programme meets relevant national technical standards, where applicable.
- F. Describe if there is duplication of project / programme 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 / programme implementation.
- B. Describe the measures for financial and project / programme risk management.
- C. Describe the monitoring and evaluation arrangements and provide a budgeted M&E plan.
- D. Include a results framework for the project proposal, including milestones, targets and indicators.

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

A. RECORD OF ENDORSEMENT ON BEHALF OF THE GOVERNMENT⁸ *Provide the name and position of the government official and indicate date of endorsement. If this is a regional project/programme, list the endorsing officials all the participating countries. The endorsement letter(s) should be attached as an annex to the project/programme proposal. Please attach the endorsement letter(s) with this template; add as many participating governments if a regional project/programme:*

<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/programme contact person’s name, telephone number and email address*

<p>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/programme.</p>	
<p><i>Name & Signature</i> Implementing Entity Coordinator</p>	
<p><i>Date: (Month, Day, Year)</i></p>	<p><i>Tel. and email:</i></p>
<p><i>Project Contact Person:</i></p>	
<p><i>Tel. And Email:</i></p>	

⁶. 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.



ADAPTATION FUND

INSTRUCTIONS FOR PREPARING A REQUEST FOR PROJECT OR PROGRAMME FUNDING FROM THE ADAPTATION FUND

Project and programme applications must be clear on the problem to be addressed, the objective(s), what the project/programme will deliver when, how and by whom. Clear baselines, milestones, targets and indicators should be included to ensure progress and results can be measured. Programmes will generally be more complex and will require greater oversight and management which should be properly explained under Implementation Arrangements for programmes.

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 / PROGRAMME INFORMATION

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

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

A programme will generally fulfil the following criteria: 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 implementation. A programme may also cover more than one sector and cross borders. Programmes usually engage multiple partners / stakeholders.

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

TITLE OF PROJECT / PROGRAMME: Please enter the title of the proposed project / programme.

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 / PROGRAMME BACKGROUND AND CONTEXT. Provide brief information on the problem the proposed project is aiming to solve. Outline the economic, environmental and social development context in which the project would operate. For the case of a programme, the analysis will be more complex, focusing on how climate change is expected to affect multiple stakeholders, sectoral and/or economic activities within a well defined region.

PROJECT / PROGRAMME OBJECTIVES. List the main objectives of the project. For the case of a programme, this is likely to involve multiple objectives by stakeholder / sector / region, based on an overall strategic plan at the regional, national or local level.

PROJECT / PROGRAMMES 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. For the case of a programme, individual components are likely to refer to specific sub-sets of stakeholders, regions and/or sectors that can be addressed through a set of well defined interventions / projects.

The aforementioned terms are defined below to facilitate the process of completing the table:

PROJECT / PROGRAMME COMPONENTS. The division of the project/programme 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. For the case of programmes, list the likely types and number of projects that the programme will support

MILESTONES / TARGETS. Milestones help with regular monitoring of progress towards the target. Targets indicate the desired result at the end of the project.

INDICATORS – What is going to be measured?

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

EXPECTED OUTCOMES. The change in conditions, or intended effects of an intervention, usually brought about by the collective efforts of partners. Outcomes are achieved in the short to medium term.

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

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

TOTAL PROJECT / PROGRAMME COST. This is the sum of all project/programme 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 / PROGRAMME 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 completes its mid-term review of the project.

PROJECT / PROGRAMME 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 / PROGRAMME JUSTIFICATION

- A.** Describe the project / programme 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. For the case of a programme, show how the combination of individual projects will contribute to the overall increase in resilience
- B.** Describe how the outputs and outcomes of the project / programme will provide economic, social and environmental benefits, particularly to the most vulnerable communities in the targeted area.
- C.** How is the project / programme cost-effective. Compare to other possible interventions that could have been taken to achieve similar project objectives.



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- D. Describe how the project / programme is located in the framework of national development strategies, plans, action plans, etc.
- E. Describe how the project / programme design meets national technical standards.
- F. Describe if the project / programme overlaps or duplicates similar activities from other funding sources.
- G. Describe the activities included in the project / programme 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 / programme.

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

- A. Adequacy of project / programme management arrangements. For the case of a programme, explain how the programme strategy will be managed and evaluated, and how individual projects will be identified, designed, appraised, approved, implemented and evaluated against programme's strategic objectives. Provide a full organogramme of the executing agents and how they report to each other.
- B. Measures for financial and project / programme risk management. For the case of a programme, provide detailed information to illustrate how risk will be managed.
- C. Monitoring and evaluation arrangements including budgeted M&E plan.
- D. Procurement arrangements including standards and safeguards.
- E. Results framework. Guidance and a template for a Results Framework will be provided.

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.

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]

MEMORANDUM OF UNDERSTANDING

between

THE ADAPTATION FUND BOARD

and

[IMPLEMENTING ENTITY]

on

ACCESS TO RESOURCES FROM THE ADAPTATION FUND

For [NAME OF THE PROJECT/PROGRAMME]

[DATE]

MEMORANDUM OF UNDERSTANDING (MOU), dated _____, between the ADAPTATION FUND BOARD (Board) and _____ (Implementing Entity) in support of the _____ ([Project]/[Programme]).

Whereas, the Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) in its decision 10/CP.7 decided that an adaptation fund (AF) would be established to finance concrete adaptation projects and programmes in developing countries that are parties to the Kyoto Protocol to the UNFCCC (Kyoto Protocol);

Whereas, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) in its decision 1/CMP.3 decided that the operating entity of the AF would be the Board, with the mandate to supervise and manage the AF under the authority and guidance of the CMP;

Whereas, in accordance with decisions 5/CMP.2 and 1/CMP.3, paragraph 5 (b), the Board has approved operational policies and guidelines for parties to access resources from the AF (Operational Policies and Guidelines), establishing that eligible parties who seek financial resources from the AF would submit proposals either directly through their nominated national implementing entities or through multilateral implementing entities; and

Whereas, the proposal submitted by the Implementing Entity seeking AF resources in support of the [Project]/[Programme] ([Project]/[Programme] Proposal) has been approved;

THEREFORE, the Board and the Implementing Entity have reached the following understanding:

1. DEFINITIONS.

Unless the context otherwise requires, the several terms defined in the Preamble to this MOU will have the respective meanings set forth therein and the following additional terms will have the following meanings:

1.01. "Grant" means the AF resources approved by the Board for the [Project]/[Programme] and transferred from the Trustee to the Implementing Entity;

1.02. "Designated Authority" means the authority that has endorsed on behalf of the national government the application for accreditation of the Implementing Entity and the [Project]/[Programme] Proposal by the Implementing Entity;

1.03. "Executing Entities" are organizations that execute adaptation projects and programmes supported by the AF under the oversight of implementing entities.

1.04. “Implementing Entity Grant Account” means the account to be established by the Implementing Agency to receive, hold and administer the Grant;

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

1.06. “AF Trust Fund” means the trust fund for the AF administered by the Trustee in accordance with the *Terms and Conditions of Services to be Provided by the International Bank for Reconstruction and Development as Trustee for the Adaptation Fund*.

and

1.07. “Trustee” means the trustee of the Adaptation Fund.

2. GENERAL PRINCIPLES.

2.01. All the provisions of this MOU will be carried out in accordance with the Operational Policies and Guidelines.

2.02. The Implementing Entity will carry out all its obligations under this MOU in accordance with its standard practices and procedures, provided that, whenever any such practices and procedures are inconsistent with the Operational Policies and Guidelines, including the Fiduciary Risk Management Standards attached to them (Attachment to this MOU), the Implementing Entity will (a) immediately notify the Board accordingly, through the Secretariat, (b) promptly take all necessary actions to resolve any such inconsistencies, and (c) in case the IE makes any disbursements in a manner inconsistent with the Operational Policies and Guidelines, including the Fiduciary Risk Management Standards, and these inconsistencies cannot be resolved, refund to the Adaptation Fund Trust Fund any such disbursements.

2.03. The Implementing Entity will defend, indemnify and hold harmless the Board, the Secretariat and their respective officials in respect of any action, claim or other demand or liability arising out of or in connection with this MOU, including injury to persons and damage to, or loss of, property.

3. ADMINISTRATION OF THE GRANT.

3.01. The Grant amounts to ____ US dollars (\$____).The project document, which details the purposes for which this grant is made, is attached in annex X. the disbursement schedule and special conditions that apply to the implementation of this grant are stipulated in annex XX.

3.02. The Trustee will disburse funds on the written instruction of the Adaptation Fund Board.

3.03. The Implementing Entity will be responsible for the administration of the Grant and will carry out such administration with the same degree of care used in the administration of its own funds, taking into account the provisions of this MOU.

3.04. The Implementing Entity may convert the Grant into any other currency to facilitate its disbursement and will make available the proceeds of the Grant to the Executing Entities.

3.05. Any changes in the original budget allocation in the Grant funds by the Implementing Entity, in consultation with the Executing Entity, should be communicated to the Board.

4. [PROJECT]/[PROGRAMME] IMPLEMENTATION.

4.01. The Implementing Entity will ensure that the Grant is used for the purposes for which it was provided, and will refund any disbursements made for purposes other than those for which the Grant was provided.

4.02. The Implementing Entity will be responsible for the overall management and supervision of the [Project]/[Programme], and will bear all financial, monitoring and reporting responsibilities.

4.03. The Implementing Entity will promptly inform the Board, through the Secretariat, of any conditions that may interfere with the management and supervision of the [Project]/[Programme].

5. [PROJECT]/[PROGRAMME] SUSPENSION.

5.01. After consultation with the Implementing Entity, the Board may suspend the [Project]/[Programme] for reasons that include, but are not limited to, financial irregularities in the implementation of the [Project]/[Programme], or a material breach or poor implementation performance leading the Board to conclude that the [Project]/[Programme] may not meet its objectives unless the material breach or the poor implementation performance is promptly remedied.

6. PROCUREMENT.

6.01. The procurement of goods and services (including consultants' services) for activities financed by the Grant will be done in accordance with the Implementing Entity's standard practices and procedures, which must be consistent with the procurement requirements in the Operational Policies and Guidelines, including the Fiduciary Risk Management Standards (Attachment to this MOU). In case the Implementing Entity makes any disbursements in a manner inconsistent with the Operational Policies and Guidelines, including the Fiduciary Risk

Management Standards, and these inconsistencies cannot be resolved, the Implementing Entity shall refund to the Adaptation Fund Trust Fund any such disbursements.

7. RECORDS AND REPORTING.

7.01. The Implementing Entity will provide to the Board, through the Secretariat, the following reports and financial statements:

- a) annual progress reports on the status of the [Project]/[Programme] implementation, including the disbursements made during the relevant period or more frequent progress reports if requested by the Board;
- b) a [Project]/[Programme] completion report, including any specific [Project]/[Programme] implementation information, as reasonably requested by the Board through the Secretariat, within six (6) months after [Project]/[Programme] completion;
- c) a mid-term and final evaluation report, by an independent evaluator selected by the Implementing Entity shall be provided to the Board. The final evaluation report shall be submitted within nine (9) months after [Project]/[Programme] completion. Copies of these reports shall be forwarded by the Implementing Entity to the designated authority for information.
- d) a final audited financial statement for the Implementing Entity Grant Account, by an independent auditor, within six (6) months of the end of the Implementing Entity's financial year during which the [Project]/[Programme] is completed.

8. CONSULTATION.

8.01. The Board and the Implementing Entity will share information with each other, at the request of either one of them, on matters pertaining to this MOU.

9. COMMUNICATIONS.

9.01. All communications concerning this MOU will be made in writing, in the English language, to the representatives designated below, by letter or by facsimile. The representatives are:

For the Board:

Adaptation Fund Board Secretariat

1818 H Street, NW

Washington, D.C. 20433

USA

Attention: Adaptation Fund Board Chair

Fax: _____

For the Implementing Entity:

10. EFFECTIVENESS AND AMEDMENTS OF THE MOU.

10.01. This MOU will become effective upon signing.

10.02. This MOU may be amended, in writing, by mutual consent between the Board and the Implementing Entity.

11. TERMINATION OF THE MOU.

11.01. This MOU may be terminated by the Board or the Implementing Entity, by prior written notice of at least ninety (90) days to the other.

11.02. This MOU may also be terminated and replaced by a contract between the Board and the Implementing Entity.

11.03. This MOU will automatically be terminated in case of:

- a) cancellation of the Implementing Entity's accreditation by the Board; or
- b) communication by the Designated Authority that it no longer endorses the Implementing Entity or the [Project]/[Programme].

11.04. Upon termination of the MOU, the Board and the Implementing Entity will consider the most practical way of completing any activities to be carried out under this MOU. The Implementing Entity will promptly return any unused portion of the Grant to the Adaptation Fund Trust Fund, including any net investment income earned. No Grant funds may be disbursed after termination.

12. SETTLEMENT OF DISPUTES

12.01. Any dispute, controversy or claim arising out of or relating to this MOU, or the breach, termination or invalidity thereof, will be settled amicably between the Board and the Implementing Entity.

12.02. Any dispute, controversy or claim arising out of or relating to this MOU, or the breach, termination or invalidity thereof, which has not been settled amicably between the Board and the Implementing Entity will be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as present in force.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed this MOU on -----.

THE ADAPTATION FUND BOARD

Chair

THE IMPLEMENTING ENTITY

FIDUCIARY RISK MANAGEMENT STANDARDS TO BE MET BY IMPLEMENTING ENTITIES

Competencies and Specific Capabilities

Required competency	Specific capability required	Illustrative means of verification
I Financial Management and Integrity	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"> • Production of reliable financial statements prepared in accordance with internationally recognized accounting standards. • Annual external audited accounts that are consistent with recognized international auditing standards. • Production of detailed departmental accounts • Use of accounting packages that are recognised and familiar to accounting procedure in developing countries • Demonstrate capability for functionally independent internal auditing in accordance with internationally recognized standards.⁹
	(i) Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;	<ul style="list-style-type: none"> • A control framework that is documented with clearly defined roles for management, internal auditors, the governing body, and other personnel. • Financial projections demonstrating financial solvency • Demonstration of proven payment / disbursement systems
	Produce forward-looking financial plans and budgets	<ul style="list-style-type: none"> • Evidence of preparation of corporate , project or departmental / ministry budgets • Demonstration of ability to spend against budgets
	(ii) Legal status to contract with the	<ul style="list-style-type: none"> • Demonstration of necessary legal

⁹ Such as International Standards on Auditing (ISA).

Required competency	Specific capability required	Illustrative means of verification
	Adaptation Fund and third parties	<p>personality in case it is not government department/institution.</p> <ul style="list-style-type: none"> • Demonstrated legal capacity/authority and the ability to directly receive funds
II Requisite Institutional Capacity		
	Procurement procedures which provide for transparent practices, including competition	<ul style="list-style-type: none"> • Evidence of procurement policies and procedures at national levels consistent with recognized international practice (including dispute resolution procedures)
	Capacity to undertake monitoring and evaluation	<ul style="list-style-type: none"> ▪ Demonstration of existing capacities for monitoring and independent evaluation consistent with the requirements of the Adaptation Fund. ▪ 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.
	Ability to identify, develop and appraise project	<ul style="list-style-type: none"> • Availability of/ Access to resources and track records of conducting appraisal activities • Evidence of institutional system for balanced review of projects, particularly for quality-at-entry during design phase. • Risk assessment procedures are in place.

Required competency	Specific capability required	Illustrative means of verification
	Competency to manage or oversee the execution of the project/programme including ability to manage sub-recipients and to support project /programme delivery and implementation	<ul style="list-style-type: none"> • Understanding of and capacity to oversee the technical, financial, economic, social, environmental and legal aspects of the project and their implications • Demonstrated competence to execute or oversee execution of projects / programmes of the same nature as intended project or programme
III Transparency, self - investigative powers, and anti-corruption measures	Competence to deal with financial mismanagement and other forms of malpractice	<ul style="list-style-type: none"> • Demonstration of capacity and procedures to deal with financial mismanagement and other forms of malpractice. • Evidence of an objective investigation function for allegations of fraud and corruption.

Terms of Reference for a consultant to develop a communications strategy for the Adaptation Fund Board

I. Rationale

1. The Adaptation Fund (AF) was established by the Parties to the Kyoto Protocol to assist developing countries that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation. It finances concrete adaptation projects and programmes. The Adaptation Fund presents innovative features that make it unique, and which include the following:

- a) It is funded by an international levy from the clean development mechanism of the Kyoto Protocol and other sources of funding;
- b) The Adaptation Fund Board (AFB) has majority representation from developing countries. In addition to regional representation, Least Developed Countries and Small Island Developing States have additional seats; and
- c) Eligible developing countries have direct access to the resources of the Fund.

2. Climate change is hitting hardest the already most vulnerable people and communities, which are the least responsible for causing the problem.

3. The aim is to proceed by giving this innovative and uttermost required Fund its own outlook, evolve its identity and increase public consciousness about its existence, its on-going operationalization, and its future actions.

4. The secretariat of the Global Environment Facility, based in Washington, D.C., provides interim secretariat services for the Adaptation Fund Board and supports the AFB and its secretariat in their outreach efforts.

II. Scope of Work

5. A communications consultant will be hired to design and implement the communications strategy for the AFB. Based on the strategy, a detailed action plan, with a separate budget, will be designed and implemented for each of the components.

III. Development of the communication strategy

6. The consultant will

- a) Assess the current communication needs for the Adaptation Fund Board;
- b) Draft the communications strategy, including key communication messages, communication channels, target audiences, and a media strategy component;
- c) Develop the communication action plan including a specific and detailed budget;
- d) Start implementing the communication action plan.

IV. Deliverables

7. Devise and manage a comprehensive multi-media communications strategy, including a communication action plan, to ensure proper understanding of the Adaptation Fund. For this purpose, the consultant shall deliver the following items in cooperation with the project team:

- a) Drafts for the strategy and action plan mentioned under “II. Scope of Work”;
- b) Development of a series of communication materials, newsletters, information briefs, power-point presentations, etc. aimed at explaining the AF concept ;
- c) Establishment of a calendar of “key dates” around which to build communication events (public appearances by key representatives of partnering organizations conferences, official visits, receptions, hearings etc);
- d) Creation of a mechanism to forecast and manage likely communications crises before they occur.
- e) The consultant will start implementing the communication action plan according to the priority products identified in the strategy, in coordination with the AFB and its secretariat.

V. Conditions of Work

8. This activity will involve a 55 day – Short Term Consultant contract over 6 months with an individual consultant or a communications company (Consultant). The contract may be renewed, extended or renegotiated beyond the 6-month period according to both the assessment of the performance by the AFB, and the continued need for the Consultant's services.

9. The AFB secretariat is responsible for executing the contract with the Consultant, and providing supervision and quality control over the work produced by the Consultant. The Consultant is responsible for hiring and supervising the work of any sub-contractors that may need to be brought in to carry out specific tasks to execute this contract. The Consultant will work closely with the project team and report to the manager of the AFB secretariat.

VI. Qualification Requirements

10. The Consultant should have at least 8 years of experience in developing and implementing communications programs at an international level. He/she should have a track record having worked in the environment sector. The Consultant must demonstrate excellent strategic thinking as well as proven capacity to deliver.

Additional qualifying characteristics:

- Experience in assessing communications needs of international organizations and in the development of communications strategies;
- Excellent editing and writing skills;
- Sensitivity and good diplomatic manner in dealing with internal and external clients at all levels;
- Thorough understanding and knowledge of development and environmental issues, with a special focus on climate change and adaptation;
- Dynamic and reliable personality with effective communication and networking abilities;
- Good planning and organizational skills;
- Strong capacity to think and act strategically;
- Ability to disseminate information effectively and strategically;
- Ability to work effectively across teams in a multi-cultural and matrix-managed environment;
- Ability to work under pressure and tight deadlines;

- Excellent written and verbal communication skills in English;
- Full proficiency in the use of modern office technology (e.g., Word, Excel) and familiarity with the Internet, e-mail and web-based searches.

VIII. Reporting Requirements

11. The Consultant will work closely with the project team and will report to the AFB secretariat. All reports will be submitted in English with appropriate executive summaries.

VIII. Project Team

13. The AFB secretariat and GEF secretariat team will consist of

- Marcia Levaggi, manager of the AFB secretariat
- Christian Hofer, senior communications officer, GEF secretariat
- Mikko Ollikainen, adaptation officer, AFB secretariat
- Ivana Horvathova, program assistant, AFB secretariat
- Ashraf El-Arini, intern, AFB secretariat
- Other staff and/or consultants may be utilized, as appropriate or requested, within capacity constraints.

IX. Timeline

The consultant is expected to start working on X, 2010 and end by X, 2010.

X. Estimated Budget

The estimated budget for this phase of work, covering the components outlined in this document, is US\$ 13,750. Sub-contracts to companies/firms for additional work will be issued by the consultant within the scope of this budget. Costs are billed at actual only. The estimated costs for this phase are detailed below.

Budget Estimates for the Development of a Communications Strategy**1) Development of a communications strategy for the AF**

i)	Assess the current communications needs for the Adaptation Fund (5 days@250 USD)	
ii)	Draft the communications strategy, including key communication messages, communication channels, target audiences and a media strategy component (40 days @250 USD)	
iii)	Develop the communication action plan including specific and detailed budget (10 days @250 USD)	13,750
TOTAL		USD 13,750