



ADAPTATION FUND

AFB/B.20/7
2 May, 2013

ADAPTATION FUND BOARD

Twentieth Meeting
Bonn, Germany, 4-5 April 2013

REPORT OF THE TWENTIETH MEETING OF THE ADAPTATION FUND BOARD

Introduction

1. The twentieth meeting of the Adaptation Fund Board (the Board) was held at the 'Langer Eugen' United Nations Campus, in Bonn, Germany, from 4 to 5 April 2013, back-to-back with the eleventh meetings of the Project and Programme Review Committee (PPRC) and the Ethics and Finance Committee (EFC) of the Board.
2. The meeting was broadcast live through the websites of the Adaptation Fund (the Fund) and the United Nations Convention to Combat Desertification (UNCCD). The UNCCD also provided logistical and administrative support for the meetings of the Board and its committees.
3. The full list of members and alternate members who participated 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 Fund website in document AFB/B.20/Inf.3.

Agenda Item 1: Opening of the meeting

4. The meeting was opened at 9.05 a.m. on Wednesday, 4 April 2013 by the outgoing Vice-Chair, Mr. Anton Hilber (Switzerland, Western European and Others Group), who greeted the members and alternates of the Board, and welcomed all the participants. He expressed the hope that those regional groups that had not yet done so would complete their selection of new members and alternate members so that the Board's membership would be complete in time for its twenty-first meeting.

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

5. At its nineteenth meeting the Board had, in Decision B.19/32, endorsed the nominations of Mr. Hans Olav Ibrekk (Norway, Western European and Others Group) as Chair of the Board and Mr. Mamadou Honadia (Burkina Faso, Least Developed Countries) as Vice-Chair, for a

term of office starting at the twentieth meeting of the Board. Following the opening of the meeting, the outgoing Vice-Chair invited Mr. Ibrekk to chair the meeting.

6. The incoming Chair, Mr. Ibrekk, complimented the outgoing Chair, Mr. Luis Santos (Uruguay, Latin America and Caribbean Countries), and the outgoing Vice-Chair, Mr. Anton Hilber (Switzerland, Western European and Others Group) for their excellent work over the previous year. He also expressed his thanks to the manager of the secretariat and the trustee. He said that over the past year the Board had strengthened its procedures and had taken a number of important and strategic decisions. It was now necessary for the Board to diversify its funding sources in order to raise the US\$ 100 million that it had set as its fundraising target for 2013 (Decision B.17/24, sub-paragraph (a)). Transparency of the Board's operations, as well as its cooperation with non-governmental organizations (NGOs), had been enhanced over the past year and all members and alternates needed to act as ambassadors of the Board when participating in other events.

7. The Chair welcomed following new members and alternate members to the Board:

- (a) Mr. Raúl Pinedo (Panama, Latin America and Caribbean Countries) (member);
- (b) Mr. Peter Tarfa (Nigeria, Africa) (member);
- (c) Ms. Patience Dampthey (Ghana, Non-Annex I Parties) (alternate member);
- (d) Mr. Petrus Muteyauli (Namibia, Africa) (alternate member);
- (e) Ms. Irina Helena Pineda Aguilar (Honduras, Latin America and Caribbean Countries) (alternate member);and
- (f) Mr. Ilhomjon Rajabov (Tajikistan, Asia) (alternate member).

8. The Chair also reminded the Board that Mr. Kotaro Kawamata (Japan, Annex I Parties) had been proposed to replace Mr. Yukata Matsuzawa (Japan, Annex I Parties) who had recently resigned and that the Board would need to formally take a decision to appoint him as an alternate member to the Board.

Agenda Item 3: Organizational matters

(a) Adoption of the agenda

9. The Board considered the provisional agenda contained in document AFB/B.20/1/Rev.1, as well as the provisional annotated agenda and provisional timetable contained in document AFB/B.20/2. Three issues were raised by the Chair for discussion under agenda item 14, "Other matters": the appointment of Mr. Kotaro Kawamata (Japan, Annex I Parties), the need to consolidate and strengthen the environmental and social safeguards policies of the Fund into a policy document, and the request, by the Director General of the *Centre de Suivi Ecologique*, Senegal, for an extension of the programme 'Adaptation to coastal erosion in vulnerable areas in Senegal'.

10. The Board adopted the agenda, which is contained in **Annex II** to the present report.

(b) Organization of work

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

(c) Declarations of conflicts of interest

12. The following members and alternates declared conflicts of interest:

- (a) Ms. Patience Dampney (Ghana, Non-Annex I Parties);
- (b) Ms. Laura Dzelzyte, (Lithuania, Eastern Europe);
- (c) Mr. Mamadou Honadia (Burkina Faso, Least Developed Countries);
- (d) Mr. Petrus Muteyauli (Namibia, Africa); and
- (e) Mr. Aram Ter-Zakaryan (Armenia, Eastern Europe).

13. The manager of the secretariat, Ms. Marcia Levaggi, said that as she was an Argentine government officer on leave, she would have a conflict of interest when the Board considered the fully-developed project proposal submitted by the Unidad para el Cambio Rural (UCAR) on behalf of the Government of Argentina.

(d) Oath of service

14. The oath of service was signed by the recently appointed members and alternate members of the Board and the Chair requested them to make themselves familiar with its code of conduct, which was distributed.

Agenda Item 4: Report on activities of the outgoing Chair

15. The manager of the secretariat informed the Board that during the intersessional period the outgoing Chair had sent letters to donor countries inviting them to support National Implementing Entities (NIEs) in the design and submission of quality project/programme proposals by financing an information session with a specific focus on the procedures of the Adaptation Fund relating to the project cycle and the review criteria (Decision B.19/19). The outgoing Vice-Chair had also, as a follow-up to Decision B.19/29, spoken with a representative of the secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) requesting observer status for the Board and its own seat at meetings held by the UNFCCC. Subsequent to that discussion, the outgoing Chair had sent a letter to the President of the Bureau of the Conference of the Parties and the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol requesting observer status for the Board and its own seat at meetings held by the UNFCCC, including those of its Conference of the Parties, the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol, and the Adaptation Committee.

16. The Board took note of the report on the activities of the outgoing Chair.

Agenda Item 5: Report of the activities of the secretariat

17. The manager of the secretariat reported on the activities of the secretariat during the intersessional period, which are more fully described in document AFB/B.20/3. She said that an

update from the United Nations Foundation had reported that a total of US\$ 1,083.15 had been raised by online private donations during November and December 2012 and that the Foundation would continue to provide quarterly reports on the receipt of donations. She also reported that Ms. Jeannette Lee, the Extended Term Consultant for communications, had resigned on 5 February 2013 and that the process was underway to recruit a new staff member. In the meantime Ms. Mame Arame Wade had joined the secretariat, on 4 March 2013, as a Short Term Temporary to execute office support.

18. The first Project Performance Reports (PPRs) for the projects implemented in Pakistan (inception date of 15 November 2011) and Ecuador (inception date of 29 November 2011) had been received by the secretariat before the deadline for submission. The secretariat had also received the fourth mid-term PPR for the programme implemented in Senegal (inception date of 21 January 2011). All three reports were still under review by the secretariat.

19. The secretariat had participated in the Third Meeting of the Standing Committee on Finance, held on 8-10 March 2013 in Bonn, the outcomes of which were contained in the report of the strategic prospects for the Adaptation Fund (document AFB/B.20/5). The secretariat had supported the fundraising task force established by Decision B.19/29, and had arranged the first teleconference of the task force as well as its first meeting. The secretariat had also been in communication with the International Aid Transparency Initiative (IATI) to explore the requirements to meet the IATI standards and had prepared a report on that for the consideration of the Board at the present meeting (document AFB/B.20/6).

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

Agenda Item 6: Report of the twelfth meeting of the Accreditation Panel

21. The Chair of the Accreditation Panel (the Panel), Mr. Philip Weech (Bahamas, Latin America and Caribbean Countries) introduced the report of the Panel's twelfth meeting, which is more fully described in document AFB/B.20/4.

22. The Panel had held its twelfth meeting at the secretariat's offices in Washington, DC, on 12-13 February 2013, and had welcomed two new experts to the Panel. Five new applications for accreditation had been considered: three for accreditation as NIEs (NIE043, NIE044 and NIE046), one for accreditation as a Regional Implementing Entity (RIE: RIE007), and one for accreditation as a Multilateral Implementing Entity (MIE: MIE014). The Panel also continued its review of applications from six NIEs, four RIEs and one MIE which required further analysis by the Panel. The Panel was still reviewing a further 16 applications, of which ten were from potential NIEs, four from potential RIEs and two from potential MIEs. At the time of the finalization of the present report the Panel had concluded its review of RIE005 and determined that it was not in a position to recommend its accreditation.

23. The Panel had also discussed the issue of re-accreditation, and would continue to discuss the issue at its thirteenth meeting, which would take place in Washington, D.C., on 20-21 May 2013. That issue was of importance as accreditation was valid for five years. The Panel would be making a proposal on the issue for the Board to consider at its twenty-second meeting.

24. The Chair of the Board then closed the meeting in order for the Chair of the Panel to provide additional details on the applications that were still being considered by the Panel. Those members and alternates with a conflict of interest also left the room. Following the closed

session the Chair of the Panel presented one recommendation of the Panel for adoption by the Board.

Re-accreditation process

25. The Adaptation Fund Board took note that the Panel had discussed developing a proposal on the re-accreditation process and that the Panel would continue to discuss the issue at its thirteenth meeting with a view to submitting a full proposal to the Board for its consideration at its twenty-second meeting.

Non-accreditation of Regional Implementing Entity (RIE005)

26. After considering the conclusions and recommendation of the Accreditation Panel, the Adaptation Fund Board decided to request the secretariat to communicate the observations of the Accreditation Panel as contained in Annex I to its report (document AFB/B.20/4) to RIE005.

(Decision B.20/1)

Agenda Item 7: Report of eleventh meeting of the Project and Programme Review Committee

27. Before inviting the Chair of the Project and Programme Review Committee (PPRC) to present the report, the Board Chair informed the new members that the Board had decided to create the two committees to expedite the work of the Board and to fully consider the issues assigned to them. He urged the members and alternate members to not reopen issues that had been addressed by the committees and to limit their interventions to requests for clarification.

28. The Chair of the PPRC, Ms. Laura Dzelzyte (Lithuania, Eastern Europe), then introduced the report of the PPRC's eleventh meeting (document AFB/PPRC.11/9). A summary of the PPRC funding recommendations is presented in Annex IV to the present report.

Issues identified during the screening/technical review process

29. In her presentation the Chair of the PPRC said that although no particular issues had been identified during the screening/technical review process, there appeared to be a decreasing trend in the submission of proposals to the Fund: seven proposals had been submitted for the present meeting of the Board, while there had been some 15 submitted to its nineteenth meeting, and 22 to its eighteenth meeting.

30. The Chair of the PPRC was asked whether that decline in submitted proposals was cyclical or structural in origin. She explained that the PPRC had been informed that MIEs were aware of the implications of the pipeline and may have held off from making submissions for that reason. However, it could be expected that NIEs would continue to submit proposals to the Board.

Proposals from National Implementing Entities

Rwanda: Reducing Vulnerability to Climate Change in North-West Rwanda through Community-Based Adaptation (Project concept; MINIRENA; RWA/NIE/Rural/2013/1; US\$ 9,904,868)

31. The Chair of the PPRC introduced the project concept, which sought to increase the adaptive capacity of natural systems and rural communities living in exposed areas of north-western Rwanda to climate change impacts. In accordance with Decision B.12/28, the Ministry of Natural Resources of Rwanda (MINIRENA) had also submitted, together with the project concept, a Project Formulation Grant (PFG) request with the budget of US\$ 30,000 (document AFB/PPRC.11/4/Add.1).

32. Having considered the comments and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Endorse the project concept, as supplemented by the clarification response provided by the Ministry of Natural Resources of Rwanda (MINIRENA) to the request made by the technical review;
- (b) Request the secretariat to transmit to MINIRENA the following observations:
 - (i) The proponent should demonstrate that the project activities are designed in such a way that they will be undertaken on a scale and extent that is commensurate with the stated aim of “restoring the ecosystem functions necessary to reduce the incidence and severity of flooding and landslides on local communities and resources”;
 - (ii) The proponent should demonstrate how the proposed inclusion of a weather insurance service will effectively mitigate future climate risks and the impact this will have on farmers’ vulnerability to climate change;
 - (iii) The proponent should consider integrating the use of cover crops among the means to effectively reduce soil erosion;
 - (iv) The proponent must state how the project activities will comply with national technical standards, including if, and for what project activities, an Environmental Impact Assessment (EIA) will be required, as well as how the project will manage land tenure concerns in accordance with the laws pertaining to resettlement;
 - (v) The proponent should describe the progress made by other entities working in access to microcredit and financial services in order to demonstrate the added value of building on existing work in this area;
 - (vi) The proponent should clearly demonstrate how this project will build on results from all relevant existing projects to increase resilience to climate change at a larger scale, and develop sustainable, effective mechanisms in order to scale up project activities to address Rwanda’s adaptation challenge at the national level;
 - (vii) The proponent should ensure that the planning and design of infrastructural interventions is undertaken in a way that ensures sustainability by making such infrastructures resilient to the impacts of climate change;
- (c) Approve the Project Formulation Grant of US\$ 30,000;

- (d) Request MINIRENA to transmit the observations under sub-paragraph (b) above to the Government of Rwanda; and
- (e) Encourage the Government of Rwanda to submit through MINIRENA a fully-developed project proposal that would address the observations under sub-paragraph (b) above.

(Decision B.20/2)

Argentina: Enhancing the Adaptive Capacity and Increasing Resilience of Small-scale Agriculture Producers of the Northeast of Argentina (Fully-developed project document; UCAR; ARG/NIE/Agri/2011/1, US\$ 5,640,000)

33. The Chair of the PPRC introduced the project concept, which sought to help increase the adaptive capacity and build resilience of small-scale family agricultural producers in the face of climate change and climate variability impacts, particularly those deriving from the increase in the intensity of hydro-meteorological events.

34. Ms. Su-Lin Garbett-Shiels (United Kingdom of Great Britain and Northern Ireland, Western European and Others Group) reported that she had been directed by her capital to object to the approval of the project proposed by the Unidad para el Cambio Rural (UCAR). She proposed that the Board suspend the decision on the approval of the project and consider reviewing the accreditation of UCAR as a NIE. Ms. Garbett-Shiels said the objection was being made in light of actions by the Argentine Government since the original accreditation in June 2012, and concerns relating to the financial management of the implementing entity as identified in the review of the proposal. She said that when taken together, these issues seriously undermined the Government of the United Kingdom of Great Britain and Northern Ireland's ability to assess whether financing for the project would be used as efficiently as possible to meet its objectives.

35. The Board Chair said that the final review by the PPRC concluded that there were no outstanding issues relating to the proposal and he reminded the Board that UCAR had been accredited having fully met the Fund's fiduciary standards. Therefore, there was no justification to suspend the decision on approval, nor to review the accreditation. He noted that there had, in the past, been problems in transferring funds to the bank accounts of a small number of multilateral and national implementing entities, and proposed that the trustee be requested to report on any difficulties encountered in the transfer of funds for this project.

36. Having considered the comments and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Approve the project document as supplemented by the clarification response provided by the Unidad para el Cambio Rural (UCAR) to the request made by the technical review;
- (b) Approve the funding of US\$ 5,640,000 for the implementation of the project, as requested by UCAR;
- (c) Request the secretariat to draft an agreement with UCAR as the National Implementing Entity for the project; and

- (d) Request the trustee to advise the Adaptation Fund Board secretariat on any difficulties encountered in the transfer of funds for the project.

(Decision B.20/3)

Proposals from Multilateral Implementing Entities

Belize: Belize Marine Conservation and Climate Adaptation Project (Fully-developed project document; World Bank; BIZ/MIE/Coastal/2011/1; US\$ 6,000,000)

37. The Chair of the PPRC introduced the fully-developed project, which sought to implement priority ecosystem-based marine conservation and climate adaptation measures to strengthen the climate resilience of the Belize Barrier Reef System.

38. Having considered the comments and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Note the recommendation that the Adaptation Fund Board, subject to the availability of funds:
- (i) Approve the project document, as supplemented by the clarification response provided by the World Bank to the request made by the technical review;
 - (ii) Approve the funding of US\$ 6,000,000 for the implementation of the project, as requested by the World Bank;
 - (iii) Request the secretariat to draft an agreement with the World Bank as the Multilateral Implementing Entity for the project; and
- (b) Note that the project had been placed in the project/programme pipeline pursuant to Decision B.20/7.

(Decision B.20/4)

Ghana: Increased Resilience to Climate Change in Northern Ghana through the Management of Water Resources and Diversification of Livelihoods (Fully-developed programme document; UNDP; GHA/MIE/Water/2012/1; US\$ 8,293,972.19)

39. The Chair of the PPRC introduced the fully-developed programme, which sought to enhance the resilience and adaptive capacity of rural livelihoods to climate impacts and risks on water resources in the northern regions of Ghana.

40. Having considered the comments and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Note the recommendation that the Adaptation Fund Board, subject to the availability of funds:
- (i) Approve the programme document, as supplemented by the clarification response provided by the United Nations Development Programme (UNDP) to the request made by the technical review;

- (ii) Approve the funding of US\$ 8,293,972.19 for the implementation of the programme, as requested by UNDP;
 - (iii) Request the secretariat to draft an agreement with UNDP as the Multilateral Implementing Entity for the programme; and
- (b) Note that the project had been placed in the project/programme pipeline pursuant to Decision B.20/7.

(Decision B.20/5)

Uzbekistan: Developing climate resilience of farming communities in the drought-prone parts of Uzbekistan (Fully-developed project document; UNDP; UZB/MIE/Agri/2012/1; US\$ 5,415,103)

41. The Chair of the PPRC introduced the fully-developed project, which sought to develop climate resilience of farming and pastoral communities in the drought-prone parts of Uzbekistan, specifically Karakalpakstan. That would be achieved through establishing climate resilient farming practices on subsistence dekhkan farms, improving climate resilience through landscape-level adaptation measures for soil conservation and moisture retention, and generating and making widely available knowledge of climate-resilient agricultural and pastoral production systems in arid lands.

42. Having considered the comments and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Note the recommendation that the Adaptation Fund Board, subject to the availability of funds:
 - (i) Approve the project document, as supplemented by the clarification response provided by the United Nations Development Programme (UNDP) to the request made by the technical review;
 - (ii) Approve the funding of US\$ 5,415,103 for the implementation of the project, as requested by UNDP;
 - (iii) Request the secretariat to draft an agreement with UNDP as the Multilateral Implementing Entity for the project; and
- (b) Note that the project had been placed in the project/programme pipeline pursuant to Decision B.20/7.

(Decision B.20/6)

Prioritization of projects/programmes in the pipeline

43. Having considered the comments and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided to:

- (a) Note the recommendation of the Project and Programme Review Committee to approve the following projects/programmes:
 - (i) Uzbekistan (UZB/MIE/Agri/2012/1) with a recommendation date of 4/4/2013, a submission date of 1/28/2013 and a net cost of US\$ 4,990,878 (requested financing US\$ 5,415,103);
 - (ii) Belize (BIZ/MIE/Coastal/2011/1) with a recommendation date of 4/4/2013, a submission date of 1/28/2013 and a net cost of US\$ 5,530,000 (requested financing US\$ 6,000,000); and
 - (iii) Ghana (GHA/MIE/Water/2012/1) with a recommendation date of 4/4/2013, a submission date of 1/28/2013 and a net cost of US\$ 7,644,214 (requested financing US\$ 8,293,972.19);
- (b) Place the projects/programmes listed in sub-paragraph (a) above in the pipeline according to the prioritization criteria established in Decision B.17/19 and clarified in Decision B.19/5; and
- (c) Consider the projects/programmes in the pipeline for approval, subject to the availability of funds, at a future Board meeting, or intersessionally, in the order in which they are prioritized in the pipeline.

(Decision B.20/7)

Agenda Item 8: Report of 11th meeting of the Ethics and Finance Committee

44. The Chair of the Ethics and Finance Committee (EFC), Ms. Medea Inashvili (Georgia, Eastern Europe), introduced the report of the EFC's 11th meeting (document AFB/EFC.11/L.1).

Investigative procedure

45. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to request the secretariat to present a proposal on general principles and guidelines for investigation, based on the *International Financial Institutions Principles and Guidelines for Investigation* contained in the *Uniform Framework for Preventing and Combating Fraud and Corruption* as part of the Adaptation Fund's Operational Policies and Guidelines, for consideration at the twenty-first Board meeting.

(Decision B.20/8)

Letter from World Bank (Decision B.19/28)

46. Having considered the comments and recommendations of the Ethics and Finance Committee (EFC), the Adaptation Fund Board decided to request the secretariat to present to

the twelfth meeting of the EFC proposals for amendments to the standard legal agreement between the Board and implementing entities in order to:

- (a) Ensure that Adaptation Fund resources provided to the implementing entities by the trustee are used for their intended purposes and are not diverted to terrorists, and that transfers of funds comply with the United Nations Security Council decisions under Chapter VII of the United Nations Charter and related resolutions;
- (b) Require implementing entities to immediately inform the Board of a determination, pursuant to the entity's applicable policies and procedures, of any illegal or corrupt practice in any project/programme financed under the agreement and/or the progress of any formal investigation conducted by the entity concerning such practice; and
- (c) Require implementing entities to include similar provisions in any agreements with executing entities.

(Decision B.20/9)

Analysis of project delays

47. Having considered the comments and recommendations of the Ethics and Finance Committee (EFC), the Adaptation Fund Board decided to request the secretariat to prepare a procedure for how to deal with project/programme delays throughout the project/programme cycle for discussion at the next EFC meeting.

(Decision B.20/10)

Implementation of the code of conduct

48. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to adopt the revised code of conduct as contained in **Annex III** and to place it on the Adaptation Fund website.

(Decision B.20/11)

Financial status of the Adaptation Fund Trust Fund and CER monetization

49. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to:

- (a) Request the Registry of the Clean Development Mechanism (CDM) to provide periodic written attestations confirming the accuracy and timeliness of the allocation of Certified Emission Reductions (CERs) to the Adaptation Fund share of proceeds; and
- (b) Request the CDM Registry to confirm the accuracy of the allocation of CERs to the Fund since inception.

(Decision B.20/12)

Administrative budgets of the Board and secretariat, and the trustee for fiscal year 2014

50. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to:

- (a) Approve **US\$ 3,360,613** to cover the costs of the operations of the Board and secretariat over the period 1 July 2013 to 30 June 2014, as presented in document AFB/EFC.11/6;
- (b) Approve **US\$ 871,000** for trustee services to be provided to the Adaptation Fund over the period 1 July 2013 to 30 June 2014, comprising **US\$ 455,000** for Certified Emission Reduction (CER) monetization services, and **US\$ 416,000** for all other trustee services; and
- (c) Request the Board Chair to communicate with the Head of the secretariat to discuss the percentage of her time charged to the Adaptation Fund budget, with a view to reducing it by at least five percentage points.

(Decision B.20/13)

Work plan for the fiscal year 2014

51. During the discussion on the work plan by the EFC attention was drawn to the decision taken in the Board's thirteenth meeting to conduct an overall evaluation of the Fund (Decision B.13/20). The Board at that time had decided to discuss the date of such evaluation at a future meeting and such a discussion had not yet taken place. During the EFC's deliberations on when, and by whom, an overall evaluation could be conducted, one member suggested that donors could conduct the evaluation, as had been done for other funds.

52. Having considered the comments and recommendations of the Ethics and Finance Committee (EFC), the Adaptation Fund Board decided to:

- (a) Approve the work programme and the tentative work schedule contained in document AFB/EFC.11/7;
- (b) Request the secretariat to prepare a document for the twelfth meeting of the EFC to inform the discussion of the overall evaluation of the Fund, covering options for the terms of reference, cost, and timing of an overall evaluation, as well as options for commissioning the evaluation. The secretariat should include in the document a schedule of expected mid-term and final evaluations of the projects/programmes from the portfolio as well as the implementation status of each project/programme; and
- (c) On the basis of the document in sub-paragraph (b) above, agree on the timing of an overall evaluation of the Adaptation Fund at the twenty-first meeting of the Board.

(Decision B.20/14)

Letter by the Australian Agency of International Development to the Board Chair regarding the pledge made in 2010

53. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to request the Adaptation Fund Board Chair to answer the letter from the Australian Agency of International Development (AusAID) stating that:

- (a) The Board welcomes the pledge from the Australian government and wishes to assure the government that the current policies and procedures of the Fund as well as amendments under consideration address most of the concerns expressed by AusAID in its letter;
- (b) It is not the practice of the Adaptation Fund Board to sign memoranda of understanding or agreements with donors; instead, donors sign a standard donation agreement with the World Bank as trustee; and
- (c) The Board Chair will continue communicating with AusAID on the matter.

(Decision B.20/15)

Letter from the World Bank on the standard legal agreement between the Adaptation Fund Board and implementing entities

54. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided:

- (a) In keeping with previous practice, to confirm that the World Bank's auditing procedures are acceptable as an independent audit; and
- (b) To request the Accreditation Panel to deliberate on the internal audit procedures to enable the Board to respond to future inquiries along similar lines from other implementing entities.

(Decision B.20/16)

Agenda Item 9: Issues remaining from the nineteenth Board meeting

a) Strategic discussion on objectives and further steps of the Fund

55. The manager of the secretariat recalled that the Board had started its consideration of this matter at its eighteenth meeting, taking into account the review of the secretariat and trustee and the emerging institutional processes under the UNFCCC including the Standing Committee on Finance and the Green Climate Fund (GCF). It had been pointed out that the Fund may want to consider different scenarios on how it would interact with an operationalized GCF.

56. At that meeting, the Board had agreed that the Fund had been effectively fulfilling its specific mandate of helping vulnerable developing countries address adaptation issues. However, there was a need to assist the Fund in its work by seeking additional funding from developed countries. It was important to keep the discussion within the Fund's remit, which would entail considering the lessons learned and strategies for finding additional financing.

57. In accordance with Decision B.18/43, the secretariat had prepared a document which had been considered by the Board at its nineteenth meeting. Following a discussion, the Board had decided to establish a fundraising task force of Board members to work in conjunction with the secretariat on outreach, strategy, and other efforts to achieve the interim US\$ 100 million fundraising target by the end of 2013 (Decision B.19/29). In line with part of the mandate given by that decision, the secretariat updated the paper annexed to document AFB/B.20/5, based on the comments made by the Board at its nineteenth meeting, decisions made by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its eighth session (CMP8), and activities of the task force during the intersessional period, for consideration by the Board.

58. Due to external circumstances, the Fund now found itself at a critical juncture in its evolution. The sharp fall in CER prices over the past twelve months, the uncertainty about the Kyoto Protocol's future, fiscal constraints in potential contributor countries and the paucity of alternative financing sources all posed significant challenges to the Fund, making it appropriate for the Board to start considering different potential activities and options.

59. The relevant issues included the CMP8's initial review of the Adaptation Fund; the decision by CMP8 to initiate the second review of the Adaptation Fund at the thirty-eighth session of the Subsidiary Body for Implementation (SBI), with a view to the review being undertaken by CMP10 in 2014; the CMP decision to extend the interim institutional arrangements of the secretariat until the completion of the second review of the Adaptation Fund in 2014, and those of the trustee until June 2015; the progress toward operationalization of the GCF; the UNFCCC work programme on long-term finance; the work of the Standing Committee on Finance (SCF) on rationalization of climate finance flows and the review of the financial mechanism of the UNFCCC; uncertainties on the continuation of the Kyoto Protocol and the carbon markets and concerns about the sustainability of funding from the Fund; and the potential emergence of other market-based mechanisms for generating additional funding sources for climate change activities.

60. It was therefore important for the Board to have an informed understanding of the potential implications of the factors above for the Fund, particularly in relation to risks and opportunities; build a shared vision expressing a clear Board position; and develop criteria for supporting the Chair and the secretariat in their consultations with donors, fundraising and policy discussions.

61. In building a strategic vision, questions to be addressed included how the Fund should fit within the emerging institutional architecture of the financial mechanism of the UNFCCC; how the Fund could upscale its resources in order to respond effectively to the increasing demands of developing countries; what role the Fund should play during and after the operationalization of the GCF; and what the most appropriate institutional arrangements could be to ensure institutional coherence and synergy.

62. Given the decision of the CMP8 "to extend the interim institutional arrangements of the secretariat of the Adaptation Fund Board, as provided by decision 1/CMP.3, until the completion of the second review of the Fund in 2014....", Board members noted that at least until December 2014 no changes were expected in the institutional arrangements for the Fund.

63. Nevertheless, the progress in operationalization of the GCF and its potential interaction with the Fund were presented in the document AFB/B.20/5. In considering those issues, the following scenarios were proposed:

- (a) Status quo: The Fund would continue its current interim arrangements with the Global Environment Facility (GEF) as secretariat and World Bank as interim trustee, and the Adaptation Fund Board's lines of accountability and reporting under the authority and guidance of the CMP;
- (b) Operational linkage: Given the legal capacity of the Board, the GCF could conclude agreements with it, limited to certain operational aspects. That would allow the GCF to channel some of its operations (and resources) through the Fund, but would not imply any change in the institutional arrangements for the Fund; and
- (c) Institutional integration: Different degrees of integration between the Fund and the GCF could be envisaged, perhaps with the Fund serving as the "Adaptation Window" of the GCF, a specialized instrument or window of the GCF, or a dedicated mechanism based on innovative sources.

64. In any of the scenarios above, Board members noted that it was important that key lessons learned, expertise, knowledge, systems and tested processes and procedures were retained in order to ensure that the Fund continued to be a conduit for channeling adaptation finance to those most in need.

65. Board members also noted that participation of Board members and the secretariat in finance-related UNFCCC meetings and GCF Board meetings provided a good opportunity for the Fund to showcase its experience with a focus on its primary strengths. Following participation of the Board Chair in the first meeting of the Standing Committee on Finance (SCF) and of the secretariat in the second meeting, the secretariat had participated as an observer in its third meeting in March 2013.

66. That meeting had concentrated on three themes: COP-GCF arrangements; forum of the SCF; and fifth review of the financial mechanism. The work of the group on COP-GCF relations had resulted in a letter from the Standing Committee to the GCF co-chairs, outlining areas of coordination. The second group had worked based on the plan that the first forum would take place just before Carbon Expo 2013 in Barcelona, in May 2013, while the third group had discussed to what extent new developments outside the UNFCCC Financial Mechanism, such as the Fund, should be considered in the fifth review. The SCF had concluded that guidelines prepared for the fourth review would be generally adequate as a starting point, together with the additional guidance from COP18, but should be followed more precisely than before. The specific ways in which the Fund would be reviewed remained open, and the best way to ensure appropriate consideration would be to continue interaction with the nominated core group of the SCF. Additionally, the UNFCCC Secretariat had indicated that the Fund could make a submission to the working group on long-term finance.

67. In accordance with Decision AFB/B.19/29, the outgoing Chair had written a letter to the COP18 / CMP8 Bureau President requesting that the Board be granted observer status and a seat at UNFCCC and Kyoto Protocol meetings. The request was still under review.

68. Mr. Zaheer Fakir (South Africa, Africa), the coordinator of the task force on outreach, strategy, and other efforts to achieve the interim fundraising target, reported on progress so far. Five questions had been discussed at the task force's most recent meeting: what are the main selling points of the Fund, in other words what specifically defined the Fund in terms of a brand or slogan; what were the unique features of the Fund that defined it as distinct from other similar

funds; why should someone wish to be associated with the Fund; how is the Fund seen by the world; and what is the return on donation, from a political perspective? Specific members of the task force were concentrating on providing input on those various questions. The task force would work together with the secretariat to establish a strategy for mobilizing resources. Topics which had been discussed at the task force's previous meeting, a teleconference in March 2013, were described in document AFB/B.20/5. He added that Ms. Dzelzyte had now joined the task force.

69. The Chair called on Board members to send suggestions for the work of the task force, which was going to be of strategic importance to the Fund. The Board was well on track for completing all the tasks it had set out to do. One important factor was that the Fund should be able to back up its claims with data: if the Fund claimed superiority to other bodies, it needed to be able to document those assertions. All members should be ambassadors for the Fund, and the secretariat could provide the necessary promotional material.

70. In comments on the three scenarios put forward by the secretariat for interaction with the GCF, some members considered that the options described were theoretically interesting but not politically viable. It was not possible for the Board to choose options, since it had no power to influence situations external to it. Rather, it should concentrate on the Fund's unique or special characteristics, including its direct access modality, streamlined project cycle, openness to innovative funding sources and solid delivery mechanism.

71. Others said that the Board needed to ascertain what were the underlying causes for the difficulties facing it, including determining which of them were under its control and which were not. Other than voluntary contributions, the Share of Proceeds was the Fund's only source of income, and with the collapse of the CER price the Fund's situation was not sustainable. It was suggested that as there was nothing that the Fund could do about the low level of CER prices, it should concentrate on enhancing its ability to attract voluntary contributions. In the long run however, the Fund must continue to seek innovative revenue streams because relying solely on official development assistance resources would simply be competing with other bodies for the same pool of resources.

72. One suggestion was that the Board should write to donors, describing the concept of the pipeline and demonstrating that high quality adaptation projects had been recommended by the Fund but were awaiting funding before they could be approved. Another suggestion was that any request for contributions should be accompanied by a video showcasing the projects. Some members said there was a need to determine what distinguished the Fund from other entities, making it something people wanted to be associated with. Members of the Board also made various suggestions for other meetings that should be attended, in order to increase the Fund's window of visibility. At the request of the Chair, Mr. Ilhomjon Rajabov agreed to report back to the Board on the Pilot Program on Climate Resilience (PPCR) Subcommittee meeting and Ms. Angela Churie-Kallhauge on the Adaptation Committee.

73. Some members stressed that the Board should not feel passive and defeated because it currently had a low level of income. Nor should the Fund feel that it was overshadowed by other organizations such as the GCF. The Fund should not fixate on the competition, nor on negotiating with other bodies in the field, but rather the focus should be on how to ensure that the Fund be the best in its field. An important step in that direction was to put the right structures and procedures in place, which would also serve to increase the Fund's visibility. One member stated that the GCF was not yet structured nor resourced, and it would be important to follow the progress on the GCF business model with regards to adaptation. He also highlighted that

the Fund is interestingly the only fund under the authority of the CMP. However, it is not considered part of the financial mechanism.

74. The Adaptation Fund Board noted with appreciation the efforts by the former Vice-Chair to secure observer status and a seat at meetings held by the United Nations Framework Convention on Climate Change and encouraged the continued efforts to do so. The Board decided to:

- (a) Request:
 - (i) The fundraising task force with support from the secretariat to provide a fundraising and outreach strategy for the Board to discuss. The strategy should include:
 1. Key lessons learned, experience and expertise, knowledge, systems, as well as tested processes and procedures from the Fund;
 2. Features of the Fund that make it unique (i.e. sales pitch);
 3. Cooperation with other stakeholders active in the field of adaptation;
 4. Specific activities the Board and secretariat can take in the short-term;
 - (ii) The secretariat to provide to the Board, in consultation with the implementing entities, project level results in a format accessible to a general audience and/or donors;
 - (iii) The Chair to write a letter to donors drawing attention to the financial situation of the Fund and the pipeline;
- (b) Participate in the Forum of the Standing Committee on Finance to be held in Barcelona on 28 May 2013;
- (c) Encourage:
 - (i) Members of the Board to advocate for the Adaptation Fund within their own countries, regions and at various public forums; and
 - (ii) The participation of Board members and/or secretariat staff at regional meetings and ministerial meetings to present the Adaptation Fund.

(Decision B.20/17)

- b) Issues arising from CMP8: Issues concerning the Doha amendment to the Kyoto Protocol, shares of proceeds of assigned amount units (AAUs) and emission reduction units (ERUs) for the Fund (decision 1/CMP.8, paragraph 21)*

75. Representatives of the United Nations Framework Convention on Climate Change (UNFCCC) gave a presentation on Decision 1/CMP.8 of the Conference of the Parties to the UNFCCC serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP), to the effect that the Fund would be augmented by a levy of 2 per cent on the first international transfers of Assigned Amount Units (AAUs) and the issuance of Emission Reduction Units (ERUs) for

Article 6 projects immediately upon the conversion to ERUs of AAUs or RMUs previously held by Parties.

76. They explained that the wording of the decision did not provide sufficient clarity regarding the actual operationalization of the new levy. The UNFCCC Secretariat also noted that the system to support collection of it would not be required before 2016, but some provisions in the decision, such as paragraph 16 requiring the Subsidiary Body for Implementation (SBI) to consider options for the expedited issuance of ERUs for the second commitment period and the requirements related to the operation of the International Transaction Log (ITL), meant that the implementation schedule might need to be advanced. Work on those aspects had therefore begun under the lead of the ITL Administrator.

77. Two main issues required clarification. In the current infrastructure of the international compliance market (consisting of national registries of Annex I Parties, the Clean Development Mechanism (CDM) registry and the connecting ITL), the account that was to accumulate the levy could be established either with the CDM registry or with one or more national registries. A third option, namely the establishment of a special-purpose registry under the UNFCCC, was not recommended owing to its very high cost and complexity.

78. Of the two options, the Board agreed that the CDM registry was considered preferable as it had lower costs and complexity and offered a more stable environment of connectivity with the ITL. If that option was chosen, a mandate from the Meeting of the Parties to the Kyoto Protocol (CMP) would be required to allow for Kyoto units to be received in the registry, as well as a communication to the CDM Executive Board requesting facilitation of the implementation. The CDM Registry may be required to introduce a nominal annual service fee, as registry operations were funded from the CDM.

79. With regard to payment enforcement and tracking of the receipts, several options were identified by the UNFCCC, ranging from an un-automated mechanism with little control to major automation of the process similar to the existing notification mechanisms in the ITL. The UNFCCC recommended a preferred option, combining low costs and sufficient control, envisaged payment of the levy shortly before the conversion to ERUs. However, paragraph 21 of Decision 1/CMP.8 envisaged that payment of the levy would take place upon conversion, and thus the decision text may need to be revised by the CMP.

80. The Chair said that he understood that the new mechanism would not be operational until 2015 or 2016. The Board thus had time to address the various issues arising.

81. The representative of the UNFCCC secretariat agreed that there was no particular urgency. Nevertheless, the Board noted that the areas of uncertainty should be clarified in light of the need for amendments to the Terms and Conditions of Service of the trustee, which presently covers only CERs. Board members expressed a desire to clarify issues, for submission to the next session of the COP/MOP for resolution.

82. The Board asked for an estimate of the potential value of a new levy arising from decision 1/CMP.8. As the UNFCCC presentation had shown, the options for operationalization came at a cost, and Board members wondered whether the potential income justified the expenditure. It was unclear how the future of the Fund would be impacted by developments in climate financing.

83. One member said that given the current dearth of resources, any new source of money was to be welcomed, as it would help to adjust the perception of the Fund as having little in the way of funds.

84. The representative of the UNFCCC secretariat said that it was very difficult to forecast sales volume or price, conceding that the prospects for significant additional income from the new levy were not particularly promising. Any changes to the Terms and Conditions of Service of the trustee had to be agreed by the trustee and the COP/MOP, but in any event the trusteeship agreement would need to be amended to reflect the Doha CMP decision to extend the trustee mandate to 2015. The UNFCCC noted that the most difficult part of the operationalization would be deciding on the monetization details, the handling of sales and transfer of proceeds to the Fund.

85. In response to a question from the Board, the trustee noted that a relatively simple amendment in the Terms and Conditions of Service would make it possible for the Adaptation Fund Trust Fund to receive not only the proceeds of sales and donations, as at present, but also funds “from other sources” but, as noted by the UNFCCC, the monetization details would be important.

86. The Chair added that the various issues discussed would be included in the Board report to the Meeting of the Parties to the Kyoto Protocol (CMP).

87. The Adaptation Fund Board took note of the presentation by the secretariat of the United Nations Framework Convention on Climate Change.

c) International Aid Transparency Initiative (IATI)

88. The secretariat introduced document AFB/B.20/6 and made a presentation on the International Aid Transparency Initiative (IATI). She explained the internal processes that the Fund would have to undertake to be compliant with IATI and drew the attention of the Board to the IATI Accra Statement, contained in Annex I to the document. It would not be difficult for the Fund to comply with IATI requirement at the present time. The Fund would have to develop a disclosure and licensing policy and undertake a data mapping exercise, as well as develop an implementation schedule. The principal difficulty would be to code the data in a form that would be acceptable to IATI. The secretariat was already undertaking a coding exercise as part of a transition to a new database being implemented by the trustee and the two exercises could benefit from taking place concurrently. In order to undertake that coding exercise it would be necessary to engage the services of a short-term consultant to undertake that work, which would cost US\$ 4,000.00 and will be covered by the secretariat budget for the current fiscal year.

89. In response to requests for clarification on how becoming IATI compliant would affect the Fund’s projects it was explained that the IATI initiative addressed the tracking of financial flows and was not linked to the substance of projects. In response to a question about disclosing the names of donors to the Fund through the United Nations Foundation (UNF), the manager of the secretariat explained that the UNF was obliged to keep the names of donors confidential. However, as the UNF was incorporated in the United States of America it was also required under federal law to observe the national requirements for screening donors according to anti-money laundering and other criteria.

90. The Adaptation Fund Board decided to:

- (a) Authorize the Chair to sign the International Aid Transparency Initiative (IATI) standard on behalf of the Adaptation Fund Board; and
- (b) Request the secretariat to undertake the activities outlined in Table 1 of document AFB/B.20/6, in order for the Fund to comply with the IATI standard and start publishing IATI-compatible data. The secretariat's tasks would also include developing a disclosure and licensing policy for review of the Board at the next Board meeting.

(Decision B.20/18)

Agenda Item 10: Communications and outreach

91. The representative of the secretariat reported that the secretariat had participated in a workshop on agricultural adaptation to climate change, organized by the United States Agency for International Development (USAID)'s Adaptation and Resilience to Climate Change (ARCC) Initiative, at which it had given a presentation on the information needs in the Fund's project cycle. The secretariat had also facilitated the participation of a representative of the Fund's Ecuador project in the workshop and had provided comments on two academic papers intersessionally.

92. He also drew the attention of the Board to modifications that had been made to the website of the Fund. He demonstrated how icons on the homepage allowed quick access to the Fund's social media channels through Twitter, Facebook and YouTube. The website now also had an interactive mapping portal which gave users full access to the data of projects/programmes in the Fund's portfolio in an easy to understand and graphic format. Users could click on countries with approved projects/programmes and analyze the data based on sectors, regions and implementing entities. An additional feature of the mapping portal was its unique use of geocoordinates which allowed users to see where funds were being directed to address adaptation needs at the sub-national level.

93. It was observed that the mapping portal was a very useful addition to the website. It was suggested that the map could be improved by the addition of a feature that allowed users to see results so that they could see the effects of interventions over time. Another suggestion for the website was to make the organizational chart of the Fund easier to access.

94. The Adaptation Fund Board took note of the presentation by the secretariat.

Agenda Item 11: Financial Issues:

- a) *Financial status of the Adaptation Fund Trust Fund and Certified Emission Reduction (CER) monetization*

95. The trustee provided the Board with an update on the status of resources in the Adaptation Fund Trust Fund and the CER monetization programme. A second representative also contributed by video conference from Washington DC, USA. The trustee reported that the financial status of the Adaptation Fund Trust Fund was little changed from the situation described in the previous Financial Status Report (document AFB/B.19/Inf.4), with funds available to support new funding decisions amounting to US\$ 123 million. The trustee reported that a new donation agreement with the Brussels Capital Region for EUR 1.2 million was in the final stages of execution. He stressed that the financial situation of the Fund was now

extremely constrained: estimates of potential resources available had declined steadily over the past year, standing at the present time at approximately US\$ 145 million to end-2020, barring additional donor resources or a recovery in carbon markets.

96. Record issuance of CERs by the Clean Development Mechanism in November and December 2012 and January 2013 had added to a CER market already experiencing over-supply and weak demand. The trustee reported that the inventory of industrial gas-derived CERs had stood at just over 1 million tons at the end of 2012, almost all of which had since been sold; he confirmed that the trustee would continue to sell those CERs as they were added to the Share of Proceeds and prior to their expiry at end-April. The carbon markets were now much more challenging, with fewer participants and a greater reliance on over-the-counter sales to monetize the industrial gas-derived CERs.

97. The trustee also reported on the Fund's inventory of CERs at end-March 2013, showing over 6 million Green CERs and 2.4 million Large Hydro CERs, and a potential 5-7 million CERs that might be added in fiscal year 2014.

98. The Board asked if any projection could be given for CER price movement between the present and the next Board meeting. The Board also sought confirmation that the floor price for non-industrial gas derived CERs, below which the trustee would stop selling, remained unchanged. Some members wished to ascertain whether it was still the case that selling CERs too fast entailed a risk of driving the market value down even further.

99. The trustee replied that there was no projection of a price increase in the near future, and thus gradual monetization was the correct approach to take. He added that as the expiry date for Green CERs and Large Hydro CERs approached, they may become more difficult to sell. The trustee thus proposed continuing to sell industrial-gas derived CERs as they came in, up to their expiry at the end of April, and then to restart sales of non industrial gas-derived CERs in May.

100. One member suggested that sales should stop once all of the Board's industrial gas-derived CERs had been sold and requested the trustee to prepare a document describing options for selling other than on the carbon markets. She considered it unwise for the Fund to part with its main assets, which did not expire until 2015, and suggested that sales be suspended for around three months.

101. Other members considered that the risks of withdrawing from the market, and the subsequent difficulties of re-entering it, were too great for the Fund to bear. It would be preferable to remain in the market, to sell at a modest pace and to take careful note of information supplied by the trustee and other sources.

102. The Chair asked what the implications would be if the Fund stopped selling altogether.

103. The trustee said that when the market had been much more efficient, the Fund had been one of the major sellers; now it was one of the few actors still remaining, given that so many had left the market. He added that the idea of selling only to governments had been explored, but the restriction placed by the AF Board that only industrial gas-derived CERs were to be sold rendered them unattractive to governments.

104. The Chair recommended that sales should continue along the lines proposed by the trustee and that a paper on other options should be prepared for the next Board meeting.

105. The Adaptation Fund Board, in light of the information from the trustee on the financial status of the trust fund and Certified Emission Reduction (CER) monetization, noted the strong arguments for CER sales to continue despite current market conditions and decided to request the trustee to:

- (a) Continue to sell industrial gas-derived CERs through end-April, 2013;
- (b) Resume sales of other Adaptation Fund CERs at a modest pace after end-April, 2013, as market conditions permit, to avoid excessive buildup of additional CERs in the Share of Proceeds; and
- (c) Provide an update to the Board at its twenty-first meeting for further guidance, including exploring further options for sales to governments or other entities.

(Decision B.20/19)

b) Status of the project/programme pipeline

106. The representative of the secretariat introduced the *Joint Report by the Secretariat and the Trustee on the Status of the Pipeline* (document AFB/EFC.11/Inf.1) and reviewed the process that had led the Board to create and operationalize the pipeline, as well as the prospects for funding those projects/programmes that had been placed in the pipeline. He also provided an update on the information contained in Tables 1, 2 and 3 of the document. The trustee provided updated information on the proceeds of the sale of CERs for the period up to the year 2020.

107. The Chair said that based on the projected revenue from the sale of CERs there was no prospect of funding any of the projects/programmes in the pipeline unless additional resources were raised. The pipeline now contained seven projects/programmes and the Fund would have to raise an additional US\$ 90 million before they could all be funded.

108. The Chair of the PPRC informed the Board that the PPRC had held an informal discussion of the implications of the pipeline following the formal closure of its eleventh meeting. The consensus had been to keep the pipeline open in order to retain the integrity of the Fund. However, doing so had implications for the projects/programmes in the pipeline as there might be, as a practical matter, an expiry date on the validity of approving those projects/programmes in their current form. There was no prospect that any of the projects/programmes would soon be funded; unless voluntary contributions were received soon it was likely to be a number of years before the first project in the pipeline could be funded. Consequently it would be necessary to periodically review the projects/programmes, perhaps each year, to ensure that they were still valid and that the originally approved funding was still adequate. The Board might want to also consider advertising the projects/programmes, so that others might fund them, or to encourage the MIEs to use the projects/programmes themselves by either implementing them through the NIEs or by finding alternate resources for them.

109. It was pointed out that if the projects/programmes were taken over by other entities they would no longer be considered projects/programmes of the Fund. It was also difficult to have a global understanding of the situation of the Fund from the document. The projected revenue for

the sale of CERs to that year was only US\$ 8 million. Consequently it would be very difficult to consider taking on new proposals under the present state of affairs.

110. It was also observed that while there were challenges it was the responsibility of the Board to overcome them. The MIEs were the partners of the Fund, as were the governments that had set up NIEs. The secretariat should be asked to request the MIEs to provide information on their projects, and the importance of their implementation, in order to develop a video presentation which could be sent to donors to help them understand the importance of the projects, so that they would either give the resources necessary to support them or take over the implementation of the projects themselves. However, others said that it was undesirable to transfer any of the projects to other agencies and that one way forward might be to concentrate on those projects addressing the needs of the poorest and most vulnerable and approve them first. It might also be necessary to engage in capacity-building for NIEs to help them develop proposals.

111. The Board needed a communication strategy and the representatives of Parties needed to be approached, possibly at the Conference of the Parties, to tell them of the problems that the Fund was facing. Funding through the CER mechanism had not been adequate and some form of taxation, or compulsory contributions, might be needed. However, it was questioned whether the deliberations at the Conference of the Parties were likely to address the immediate and dire position of the Fund. Good projects had been proposed by MIEs and they needed funding. The only short-term option was to approach donors, although it was also suggested that it might be possible to rely on the future revenue stream to fund at least the first project in the pipeline during the present year. Others said that the discussions over the 50 per cent cap should not be reopened especially as it could be expected that NIEs would be submitting proposals to upcoming meetings of the Board.

112. The Adaptation Fund Board took note of the presentation by the secretariat.

Agenda Item 12: Date and venue of the Board meetings in 2013

113. The Adaptation Fund Board confirmed that its twenty-first meeting would be held on 1-4 July 2013 in Bonn, and that the twenty-second would be held on 29 October to 1 November 2013, also in Bonn.

Agenda Item 13: Dialogue with civil society

114. The Chair opened the dialogue with civil society by thanking Germanwatch and the Adaptation Fund NGO Network for its ongoing support.

115. Mr. Alpha Kaloga, Germanwatch, said that the Fund had played a pioneering role in the adaptation climate finance landscape through such innovative features such as direct access, and its innovative source of financing. It had financed 27 projects and programmes which were key components of national strategies to fight climate change, and had managed to set precedents with the distribution of its resources. However, the Board now had to address the new challenge that had been created by the Green Climate Fund and the collapse of the carbon market, its main source of its income. The Fund's target was to raise an additional US\$ 100 million by the end of 2013, a task which should be given the highest priority. The NGO Network wished to pro-actively participate in that process and was considering sending a letter to Annex I countries requesting them make an allocation from their mid-term climate finance commitments to the Fund.

116. In the discussion that followed it was suggested that it was useful to have feedback from the beneficiaries of projects funded by the Fund. The Fund was struggling with capacity-building around direct access, as well as the bottlenecks related to the flow of projects, and needed the input of those affected. Civil society organizations had the advantage that they could speak their minds at a time when the Board had to adapt to new economic realities. It was also important to hear the voice of those working on the projects while they were still at the implementation stage, especially from those countries that were using the direct access modality, and it was asked whether civil society organizations could organize participants from countries promoting direct access to critique funding issues.

117. Ms. Mandy Barnett, NIE Operations Director of the South African National Biodiversity Institute (SANBI), presented SANBI's experience as a NIE. Seeking accreditation as an NIE had moved SANBI beyond its core mandate of biodiversity. The key element in its accreditation had been the creation of a national development plan: Vision 2030 ensuring that good governance would be in place. To that end a number of groups had been included in the steering committee, including the South African Department of Environmental Affairs, the Department of National Treasury, the National Planning Commission of the Department of the Presidency of South Africa and the Adaptation Network. The process had involved stakeholder consultations and a stakeholder workshop had been held on 15 October 2012. An investment framework had also been developed to make clear the requirement that projects: must support concrete actions and deliver tangible results; provide economic, social and environmental co-benefits; align with and complement national and local policies, plans and priorities; support sustainable partnerships and involve relevant stakeholders at all stages of the project cycle; contribute to long-term outcomes and be sustainable beyond the Fund investment period; be replicable and scalable; capture the awareness and build local capacity and awareness; and empower citizens and decision makers to develop and implement effective climate change adaptation responses.

118. The projects that had been developed had brought together organizations that had never worked together to build new partnerships, and they had already triggered discussions among the Steering Committee members as to how resources from other funds could be aligned with the anticipated investments sourced through the NIE. Of the 79 applications that had been received some 43 had been of poor quality, and only 30 of them had addressed adaptation, which demonstrated the need for additional capacity to help people develop project concepts. However, SANBI expected to submit two project concepts for consideration at the twenty-first meeting of the Board. The lessons learned from the process were that: good governance takes time and can have big rewards; NIEs cannot afford to compromise good process by moving too quickly as they will lose credibility; the pressures associated with needing to access the funds quickly are not conducive to good process; embedding implementing entities in local institutions can support the building of permanent capacity for adaptation in the institution; embedding the NIE in local processes can unlock domestic resources for adaptation, and trigger a process that is bigger than spending the funds; NIEs need time to build their capacity, from raising funds to operationalize the NIE, to capacitating key staff to lead it; and South Africa is learning by doing, and is keen to partner with others in that process.

119. Ms. Bettina Koelle, Indigo Development and Change, South Africa, (speaking via Skype) said that the example of SANBI demonstrated that accreditation took time, energy and financial resources. However, accreditation was worth that effort as successful NIEs created additional national synergies. It was also important to have a social consultation process in order to broaden support and create a sense of ownership by communities. To do that it was important to budget time and funds for those consultations, as well as have a small-grants facility to further assist the most vulnerable groups.

120. In the discussion that followed it was observed that the experience of SANBI showed that South Africa had approached accreditation in a comprehensive and effective way, which could serve as a useful model for other countries. The presentation had shown the hidden benefits of the accreditation of NIEs and that capacity-building was critical to ensure the quality of the proposals being developed. It had also demonstrated that the value of NIEs went beyond the funds that they sourced. SANBI had raised its own capacity by being involved in the direct access process and had helped to foster partnerships with other groups that it might not have otherwise approached.

121. Mr. Sven Harmeling, Germanwatch, said that it was important for the Fund to look at its strengths and think about its unique features, such as its strategic priority to consider the effects of projects on particularly vulnerable communities, its direct access modality, its results-based framework, its focus on concrete action linked to policy change and capacity-building, its learning-by-doing and its knowledge management strategy. The Fund was unique for its early adoption of those features, which were often only slowly appreciated by other funds.

122. It was also important for the Fund to be involved in the processes developed under the UNFCCC. The Adaptation Committee was starting work on important issues and it was important for the Fund to be engaged in its activities. The fifth review of the Financial Mechanism was also coming at critical time. Developing countries had highlighted the importance of the Fund and the experience that it could bring with respect to its: lower operational costs, smaller implementing entities fees and its direct access modality. It was also important to consider the relationship between the Adaptation Fund and the Green Climate Fund, where the Fund also had to highlight its strengths and showcase its results, especially with respect to the direct access modality.

123. The Chair thanked the members of civil society for their valuable input which gave a voice to the beneficiaries of the projects/programmes being funded through the Fund. The discussion had demonstrated that development of good governance was a key issue for NIEs and it was important to get that right at the national level. The example of the South Africa showed how that could be a challenge but also how that challenge could be addressed.

Agenda Item 14: Other matters

a) *Appointment of Mr. Kotaro Kawamata (Japan, Annex I Parties) to the Board*

124. The Adaptation Fund Board decided to appoint Mr. Kotaro Kawamata (Japan, Annex I Parties) to replace Mr. Yukata Matsuzawa (Japan, Annex I Parties) as an Alternate member.

(Decision B.20/20)

b) *Environmental and Social Safeguards*

125. The Chair said that the Fund's project review process already included an assessment of environmental and social safeguards. Provisions on such safeguards were contained among the review criteria for project and programme review and explained in the instructions for the completion of such proposals. The purpose of environmental and social safeguards was to mitigate undue harm to people and their environment as a result of project interventions. The application of those safeguards by the secretariat had evolved since the inception of the review process and the current approach was to ensure that, as a minimum, safeguards adequately addressed the risks identified in the proposal and aligned with relevant national standards as

mandated by paragraph 15 (c) of the Adaptation Fund's *Strategic Priorities, Policies and Guidelines*. In addition, the requirement for stakeholder consultation, which was also a safeguard, had been made clearer and more rigorous since the inception of the Fund. The Chair thanked civil society for its input which had led to improvements in the Fund's procedures.

126. The Chair remarked that although safeguards were covered through the aforementioned ways, the Adaptation Fund still lacked a policy document on environmental and social safeguards, the development of which might further clarify and streamline the safeguard requirements as well as help the secretariat in the review process and the application of the safeguards. Environmental and social safeguards were now a cornerstone of any environmental financial mechanism and both the effectiveness and positive impact of projects and programmes were substantially increased through the implementation of such policies.

127. One member observed while such a formal policy might improve the quality of proposals it was important to ensure that there was a balance struck between those safeguards and needs of communities being affected by them so that the policy did not have a negative effect and delay the submission of proposals. It was also suggested that the projects being considered for funding were for at most US\$ 10 million and so the policy implications of safeguards were not significant. The policy document should capitalize on existing practices rather than adding another layer to the Fund's processes. As some MIEs already had safeguard systems in place, the question was really how to help those NIEs whose safeguards were not yet well developed.

128. The Chair observed that the World Food Programme did not have such a policy on environmental and social safeguards and that at least one of the projects that had been submitted to the Board had initially proposed the relocation of some 30 to 50 thousand people, which was not approved but could have been a liability for the Fund. The Board had already discussed how it was perceived in developing countries. If the Fund financed projects with adverse impacts, and if it ignored the safeguards, it would incur negative press. However, it might be possible to learn from the practices of multilateral development banks as well as from national standards, such as those of Norway and the United Kingdom of Great Britain and Northern Ireland. It would also be useful to look at similar projects being implemented by bilateral and multilateral entities and it was pointed out that the World Bank was currently revising its practices with respect to safeguards and that it would also be important to keep those under review as well. Developing countries could also provide information as well and thus enrich the process. Environmental and social impact assessments were present in the CDM projects and should be considered too, as should any work done on the issue by the Adaptation Committee.

129. It was observed that the issue was new for some on the Board who needed more time to discuss it. There was also a need to have a set of criteria linking general safeguards to adaptation, and the areas being included, as well as an understanding of the effects they would have. To facilitate that discussion it might be useful to have presentations by the MIEs on their rules and practices. It was also asked if there were any cost implications of such activities. Some were uncomfortable with the request to the secretariat being too vague. It was important to remember that there were already environmental and social safeguards being applied and that for the vulnerable all environmental and social safeguards had already been breached. Environmental and social safeguards existed, and many countries had them. The issue was how to apply them. The safeguards had to be applied practically and any work done by secretariat should focus on elements that were applicable to the work of the Adaptation Fund.

130. The Manager of the secretariat said that it would be possible to develop a paper, at no additional cost for the Fund, that would compile the safeguards that were applicable to the Fund's projects with a view to streamlining them and which took into account the existing safeguards of the Adaptation Fund as well as national and international safeguard systems in developed and developing countries.

131. The Adaptation Fund Board decided to request the secretariat to prepare a document for the consideration of the Board at its twenty-first meeting that:

- (a) Compiles and provides an overview of the safeguards applicable to Adaptation Fund projects with a view to streamlining the application of such safeguards; and
- (b) Takes into account the existing safeguards in the Adaptation Fund portfolio and other projects/programmes of a comparable nature, the current project/programme review criteria, the instructions for preparing a request for project/programme funding from the Adaptation Fund, as well as national and international safeguards systems in developed and developing countries.

(Decision B.20/21)

c) *Request of the Centre de Suivi Ecologique for a one-year extension of its programme in Senegal*

132. The Chair drew attention to a letter he had received from the implementing entity in Senegal, the *Centre de Suivi Ecologique*, requesting a one-year extension for the programme for adaptation to coastal erosion. The programme had been due to be completed in January 2013, but it had been delayed by recent administrative complications and meteorological events.

133. The secretariat added that in October 2012 a secretariat learning mission to the country had been told that, while the programme might miss its formal end date of January 2013, it was expected that it would be completed by March.

134. The Board asked whether an extension would entail any additional costs, and also whether the total disbursement for the programme had been made. If all the money had not yet been disbursed, would the implementing entity require a disbursement in order for the programme to continue? Members also asked how it came about that the request for extension, for one year, was coming so late in the programme, the more so since as recently as the previous October it had been anticipated that the programme would more or less meet its specified completion date. Others asked whether associated formalities, such as the final programme report, would also be delayed by a year.

135. The Manager of the secretariat replied that the extension would not entail any additional cost. There was one tranche of the disbursement still pending, release of which was dependent on the approval of the fourth programme performance report. That report was being reviewed, and the mid-term evaluation report had been received on the day preceding the present meeting. She added that at least some delay had been expected for the programme, the timeline for which had been very ambitious.

136. Board members asked for clarification of the administrative complications referred to. Some members were also surprised that the programme had been significantly delayed by meteorological events: working in the climate field, surely such events were to be expected.

137. The secretariat explained that following a change of government, the staff of the new environmental ministry had needed some time to become familiar with the programme.

138. The consensus of the Board was that more information was needed, and that whether or not this particular extension should be granted, a procedure or mechanism should be developed to deal with any future such requests.

139. The Manager of the secretariat recalled that the Ethics and Finance Committee had recommended that the secretariat should establish a procedure for dealing with project/programme delays (Recommendation EFC.11/3).

140. The Chair said that more information could be provided in the next few days, enabling the Board to take an intersessional decision on whether or not to grant the extension.

141. Following a discussion of the request by the *Centre de Suivi Ecologique* (CSE) for a one-year extension of its programme in Senegal, the Adaptation Fund Board decided, in order to take an intersessional decision on the subject, to request:

- (a) The CSE to provide additional details to explain the need for such an extension; and
- (b) The secretariat to circulate the fourth Programme Performance Report for the programme to the Board.

(Decision B.20/22)

Agenda Item 15: Adoption of the report

142. The present report includes the decisions adopted by the Board at its twentieth meeting (AFB/B.20/L.1) and was prepared for intersessional adoption by the Board.

Agenda Item 16: Closure of the meeting

143. The Chair declared the meeting closed on Friday, 5 April 2013 at 3.30 p.m.

ATTENDANCE AT ADAPTATION FUND BOARD - TWENTIETH MEETING

MEMBERS		
Name	Country	Constituency
Mr. Ezzat Lewis Hannalla Agaiby	Egypt	Africa
Mr. Yerima Peter Tarfa	Nigeria	Africa
Mr. Waduawette Lekamalage Sumathipala	Sri Lanka	Asia
Ms. Laura Dzelzyte	Lithuania	Eastern Europe
Mr. Valeriu Cazac	Moldova	Eastern Europe
Mr. Philip S. Weech	Bahamas	Latin America and the Caribbean
Raúl Pinedo	Panama	Latin America and the Caribbean
Mr. Hans Olav Ibrekk (Chair)	Norway	Western European and Others Group
Ms. Su-Lin Garbett-Shiels	United Kingdom of Great Britain and Northern Ireland	Western European and Others Group
Ms. Ana Fornells de Frutos	Spain	Annex I Parties
Ms. Angela Churie-Kallhauge	Sweden	Annex I Parties
Mr. Bruno Sekoli	Lesotho	Non-Annex I Parties
Mr. Mamadou Honadia (Vice-Chair)	Burkina Faso	Least-Developed Countries

ANNEX I

ALTERNATES		
Name	Country	Constituency
Mr. Petrus Muteyauli	Namibia	Africa
Mr. Zaheer Fakir	South Africa	Africa
Mr. Illhomjon Rajabov	Tajikistan	Asia
Mr. Aram Ter-Zakaryan	Armenia	Eastern Europe
Ms. Medea Inashvili	Georgia	Eastern Europe
Ms. Irina Helena Pineda Aguilar	Honduras	Latin America and the Caribbean
Mr. Jeffery Spooner	Jamaica	Latin America and the Caribbean
Mr. Marc-Antoine Martin	France	Western European and Others Group
Mr. Anton Hilber	Switzerland	Western European and Others Group
Mr. Markku Kanninen	Finland	Annex I Parties
Mr. Kotaro Kawamata	Japan	Annex I Parties
Ms. Patience Dampsey	Ghana	Non-Annex I Parties
Mr. Boubacar Sidiki Dembele	Mali	Non-Annex I Parties
Mr. Adao Soares Barbosa	Timor Leste	Least-Developed Countries

ADOPTED AGENDA OF THE TWENTIETH BOARD MEETING

1. Opening of the meeting
2. Transition of the Chair and Vice-Chair
3. Organizational matters:
 - a) Adoption of the agenda
 - b) Organization of work
4. Report on activities of the outgoing Chair
5. Report on activities of the secretariat
6. Report of the Accreditation Panel
7. Report of the eleventh meeting of the Project and Programme Review Committee (PPRC):
 - a) Issues identified during project and programme review
 - b) Project/programme pipeline
 - c) Project and programme proposals
8. Report of the eleventh meeting of the Ethics and Finance Committee (EFC):
 - a) Investigative procedure
 - b) Letter from World Bank controller (Decision B.19/28)
 - c) Legal support to the Board: current arrangements and conflict of interest
 - d) Analysis of project delays
 - e) Implementation of the code of conduct
 - f) Financial issues
9. Issues remaining from the nineteenth Board meeting:
 - a) Strategic discussion on objectives and further steps of the Fund
 - b) Issues arising from CMP8: Issues concerning the Doha amendment to the Kyoto Protocol, shares of proceeds of assigned amount units (AAUs) and emission reduction units (ERUs) for the Fund (decision 1/CMP.8, paragraph 21)
 - c) International Aid Transparency Initiative (IATI)
10. Communications and outreach
11. Financial issues:
 - a) Financial status of the Trust Fund and CER monetization
 - b) Status of the project/programme pipeline
12. Date and venue of meetings in 2013
13. Dialogue with civil society organizations
14. Other matters
15. Adoption of the report
16. Closure of the meeting

REVISED CODE OF CONDUCT

- I. Each member and alternate of the Adaptation Fund Board shall:
 1. Discharge his/her duties with honesty, integrity and full regard for his/her responsibilities as a Board member or alternate member.
 2. Observe the principles of independence, accuracy and integrity in dealing with other Board members and alternates, the secretariat, the trustee and other stakeholders.
 3. With regard to the rules on conflict of interest outlined in section VII of the rules of procedure of the Adaptation Fund Board, each member or alternate shall disclose:
 - a) Activities, including business, government or financial interests which might influence his/her ability to discharge his/her duties and responsibilities objectively;
 - b) Any financial, contractual or personal relationship or link with an Implementing Entity seeking or receiving funding from the Fund, or with an Executing Entity involved in a project/programme proposal submitted to or in execution under the Adaptation Fund;
 - c) Activities or interests of his/her spouse or personal partner or dependant that would influence his/her work with respect to the subject matter being considered by the Board or its advisory bodies;
 - d) Any actual or perceived conflicts of interest of a direct or indirect nature of which s/he is aware and which s/he believes could compromise in any way the reputation or performance of the Board or its advisory bodies.
 4. Disclose such activities or relationships before starting consideration of a subject matter for which s/he has an actual or perceived conflict of interest.
 5. Be absent during the deliberations and adoption of the recommendations or decisions related to proposals for funding and any other matter for which s/he has an actual or perceived conflict of interest.
 6. Exercise personal discretion in deciding whether s/he has an actual or perceived conflict of interest with respect to any matter under consideration by the Board or its advisory bodies. S/he may also seek the advice of the Chair and Vice-Chair as to whether a conflict of interest exists. Cases of conflicts of interest or likely conflicts of interest related to the Committee's Chair may be raised with the Chair of the Board.
 7. Remain committed to observing, developing and implementing the principles embodied in this Code in a conscientious, consistent and rigorous manner.
- II. Cases of actual or perceived conflicts of interest related to members and alternates of the Board or its advisory bodies may be raised with the Chair of the Board. Any final decision on whether there is an actual conflict of interest is made by the Board.

ANNEX IV

Adaptation Fund Board funding decisions (April 5, 2013)

(all figures in US\$ unless indicated)

	Country/Title	IE	Document Ref	Project	Fee	NIE	RIE	MIE	IE fee %	Total Amount	Decision
1. Projects and Programmes:											
	Argentina	UCAR	AFB/PPRC.11/5	5,360,000	280,000	5,640,000			5.2%	5,640,000	Approved
	Belize	WB	AFB/PPRC.11.6	5,530,000	470,000			6,000,000	8.5%	6,000,000	Placed in the pipeline
	Ghana	UNDP	AFB/PPRC.11/7	7,644,214	649,758			8,293,972	8.5%	8,293,972	Placed in the pipeline
	Uzbekistan	UNDP	AFB/PPRC.11/8	4,990,878	424,225			5,415,103	8.5%	5,415,103	Placed in the pipeline
	Sub-total			23,525,092	1,823,983	5,640,000	0	19,709,075	7.8%	5,640,000	
2. Project Formulation Grant:											
	Rwanda	MINIRENA	AFB/PPRC.11/4/Add.1	30,000		30,000				30,000	Approved
	Sub-total			30,000		30,000				30,000	
3. Concepts:											
	Rwanda	MINIRENA	AFB/PPRC.11/4	9,229,801	675,067	9,904,868			7.3%	0	Endorsed
	Sub-total			9,229,801	675,067	9,904,868	0	0	7.3%	0	
4. Administrative Budget:										4,231,613	Approved
5. Total (5 = 1 + 2 + 3 + 4)				32,784,893	2,499,050	15,574,868	0	19,709,075	7.6%	9,901,613	