



## ADAPTATION FUND

AFB/B.23/7  
6 May 2014

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### ADAPTATION FUND BOARD

Twenty-third meeting  
Bonn, Germany  
20-21 March 2014

### REPORT OF THE TWENTY-THIRD MEETING OF THE ADAPTATION FUND BOARD

#### Introduction

1. The twenty-third meeting of the Adaptation Fund Board (the Board) was held at the 'Langer Eugen' United Nations Campus, in Bonn, Germany, from 20 to 21 March 2013, back-to-back with the fourteenth meetings of the Project and Programme Review Committee (PPRC) and the Ethics and Finance Committee (EFC) of the Board. The meeting was preceded by a presentation by the Head of the Adaptation Fund Board secretariat, Ms. Naoko Ishii, the dialogue with civil society organizations, and a messaging and media coaching session for Board members and civil society organizations present at the meeting.
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 the members and alternate members who participated in 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.23/Inf.3.

#### Agenda Item 1: Opening of the meeting

4. The meeting was temporarily opened at 9.00 a.m. on Wednesday, 19 March 2014, to hear a presentation by the Head of the Adaptation Fund Board secretariat (the secretariat), Ms. Naoko Ishii.
5. Ms. Ishii confirmed the commitment of the Global Environment Facility (GEF) secretariat to serve the Board as its interim secretariat. She welcomed the present opportunity to share views with the Board, to receive direct feedback from it and to understand any Board concerns that she could subsequently raise with the GEF secretariat.

6. She saluted the innovative and forward-looking achievements of the Adaptation Fund in the past year since her last visit to the Board, and in particular its launch of the readiness programme to support direct access. Another huge success had been the fundraising effort and the achievement of surpassing its US\$ 100 million target for 2012-2013. There were still challenges ahead on the fundraising front, but she was sure that the Board would be continuing its efforts moving forward.

7. She mentioned that the GEF was currently engaged in its own replenishment process. In that context, she had been giving some thought as to the complementarity of the GEF with other funds, notably the Green Climate Fund (GCF), and to how they were placed in the emerging climate finance architecture. The GEF secretariat was working on identifying the unique value proposition of the GEF and thinking about areas where the GEF adds value in the context of other funds. In the case of the GEF, the current thinking was that there were five areas where the institution had an outstanding role to play: helping countries with transformational policies; promoting and demonstrating an innovative approach to technology; helping countries to acquire capacity, including governance; providing a form of financial risk-sharing with the private sector; and a convening role of facilitating interactions including with civil society and the private sector.

8. The issue was how to use those five areas of value addition in greater complementarity with other funds and the private sector to achieve higher and broader impacts. Consideration of that issue was an ongoing and very important exercise, particularly in the run-up to the Climate Summit at the United Nations Headquarters in September 2014, at which climate finance would be a major issue.

9. Also, there was growing interest on the part of the GEF Council to learn from the Adaptation Fund's accreditation process. That would also be a very important component of the establishment of the GCF.

10. Finally, the GEF replenishment would be concluded in a month, and the GEF Assembly would be held in the last week of May 2014, in Mexico. She hoped that some members of the Board would come to Cancún, where the GEF Assembly could benefit from the experience and insights of the Adaptation Fund.

11. The incoming Chair thanked Ms. Ishii for her remarks, particularly her thoughts on the challenges of complementarity and her request to the Fund to share its experience in the area of accreditation.

12. One member of the Board asked for further insights on complementarity and communication among funds.

13. Ms. Ishii responded that, for example, the GCF could provide a large concessional loan resource that would be a complement to the GEF's funding, which could help countries introduce necessary policy or regulatory reforms. In this way, countries could draw maximum benefit from the complementarity model that would ultimately be created.

14. Ms. Ishii thanked the Board members for their insights, which had served to reinforce her conviction of the crucial importance of exploring maximum complementarity between funds. She saw a possibility of funds may be shifting to chemicals, particularly mercury, from climate

change. Thus it would be essential to create the best possible leverage of climate-related resources.

15. The meeting was formally opened at 9.00 a.m. on Thursday, 20 March 2014 by the outgoing Chair, Mr. Hans Olav Ibrekk (Norway, Western European and Other States).

### **Agenda Item 2: Transition of the Chair and the Vice-chair**

16. At its twenty-second meeting the Board had, in Decision B.22/26, endorsed the nominations of Mr. Mamadou Honadia (Burkina Faso, Least Developed Countries) as Chair of the Board and Ms. Laura Dzelzyte (Lithuania, Eastern European States) as Vice-Chair of the Board, for a term of office starting at the twenty-third meeting of the Board. Following the opening of the meeting, the outgoing Chair invited Mr. Honadia to chair the meeting.

17. The incoming Chair, Mr. Honadia, said that the task of the Chair was to support the Board and to harmonize the different opinions and points of view that were expressed by its members in order to develop activities that could be put in place in the field. He complimented the outgoing Chair, Mr. Ibrekk, for his excellent work over the previous year and said that it was thanks to him that the Board had been able to reach the decisions that had enabled the Board to mobilize resources and create a climate of confidence among donors; he hoped to work as effectively during the present year. He also said that the incoming Vice-Chair had been unable to attend the meeting because of an illness and he expressed the hope that she would get well soon.

18. The incoming Chair welcomed the following new Board members:

(a) Mr. Nauman Bashir Bhatti (Pakistan, Asia-Pacific States); and

(b) Ms. Yuka Greiler (Switzerland, Western European and Other States).

19. The Chair reminded the new members that they would be required to sign the oath of service. He said that there remained two vacancies on the Board and asked the constituencies of Asia-Pacific States and Annex I Parties to fill those vacancies as soon as possible.

### **Agenda Item 3: Organizational matters**

(a) *Adoption of the agenda*

20. The Board considered the provisional agenda contained in document AFB/B.23/1, as well as the provisional annotated agenda and provisional timetable contained in document AFB/B.23/2/Rev.1. Four issues were added for discussion under agenda item 15, "Other matters": Ways to engage with the Adaptation Committee; the report of the portfolio monitoring missions in Honduras and Nicaragua; Adoption of a zero tolerance policy for corruption; and increasing transparency by opening committee meetings to observers. Agenda item 14, "Dialogue with civil society organizations", had already been addressed the previous afternoon, after the opening address by the Head of the Adaptation Fund Board secretariat.

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

*(b) Organization of work*

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

*(c) Declarations of conflicts of interest*

23. Board members and alternate members declared conflicts of interest during the closed session of the Accreditation Panel report.

**Agenda Item 4: Report on activities of the outgoing Chair**

24. The outgoing Chair said that his principal activity during the intersessional period had been the preparation of the report of the Board to the ninth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP.9) in Warsaw, Poland. Due to an urgent family matter he had been unable to present that report and he thanked the incoming Chair for undertaking that task at the last moment. As a result of that meeting the Fund had exceeded its fundraising target for 2012-2013 and he thanked the Polish Presidency of CMP.9 for its efforts in helping to raise those funds. Before CMP.9 the Fund had received pledges from the Governments of Sweden and the Brussels Capital Region; during CMP.9 additional pledges had been made. Of those the pledges of the Governments of Germany, Switzerland, Norway, and the Brussels Capital Region, had been received while the pledges of the Governments of Austria, Finland, France, Belgium and the Belgian regions of Flanders and Wallonia were still pending. Taken together there had been approximately US\$ 105 million in donations pledged to the Fund. However, he also warned the Board that during the present year it faced competition for funds as those same donors were also being asked to contribute to the GCF.

25. The outgoing Chair also said that since CMP.9 he had been in communication with one of the organizational staff for the Climate Summit that would be held in September 2014 at the United Nations Headquarters. He had been assured that the issue of adaptation would be included in the agenda of the Climate Summit and he encouraged the incoming Chair to stay in touch with the preparations for that meeting as the years 2014 and 2015 would be critical for the Adaptation Fund.

26. The incoming Chair thanked the outgoing Chair for his fundraising efforts.

27. The Adaptation Fund Board took note of the report on the activities of the outgoing Chair.

**Agenda Item 5: Report on activities of the secretariat**

28. The Manager of the secretariat reported on the activities of the secretariat during the intersessional period, more fully described in document AFB/B.23/3, highlighting some activities of particular importance.

*Participation in events/meetings*

29. During the reporting period, the secretariat had participated in the following events and meetings, among others:

- The nineteenth session of the Conference of the Parties / Ninth session of the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (COP.19/CMP.9) (11-22 November 2013, Warsaw, Poland), during which the secretariat had supported Board members, interacted with donors to prepare the ground for contribution decisions, raised awareness of the Fund, and created and strengthened relationships with various stakeholders. For the first time, the Board had been admitted to the meeting as an observer organization to that process of the United Framework Convention on Climate Change (UNFCCC). The secretariat had assisted the Board in arranging, together with the Polish Presidency of COP19/CMP9, a donor dialogue event. Members of the secretariat had also been invited to speak at a number of side events, and had had bilateral discussions with delegations, implementing entities, civil society representatives and other stakeholders.
- The sixth meeting of the Green Climate Fund (GCF) Board (19-21 February 2014, Bali, Indonesia), at which a member of the secretariat had participated as an observer;
- The World Food Programme (WFP) Adaptation Fund Workshop (3 March 2014, Rome, Italy), at which a representative of the secretariat had participated as a resource person; and
- The sixth meeting of the Standing Committee on Finance (4-5 March 2014, Bonn, Germany), at which the secretariat had participated as an observer.

30. The secretariat had met with professor Akihisa Mori of Kyoto University, who gave a presentation on a research project for sustainability transformation towards 2015 (2013-2015). The project assesses the direct access modality and Professor Mori had visited all of the Fund's direct access projects and programmes under implementation. The secretariat had facilitated his interactions with the relevant NIE, and the outcome of the project would be shared with the Board in due course.

*Preparations for the twenty-fourth Board meeting*

31. The secretariat had sent a letter to the Minister of Environment in Peru to request co-organization of its twenty-fourth meeting in Lima in September or October 2014. The ministry had not responded, and consequently the twenty-fourth meeting was proposed to be held in Bonn, Germany.

32. The secretariat had issued letters of invitation to the Board members and alternates, and made travel arrangements for eligible Board members.

*Personnel*

33. The secretariat had recruited two experts on social and environmental safeguards, Mr. Jose Cabral and Mr. Dirk Lamberts, to work on project/programme review as well as accreditation. They would also support the implementation of the readiness programme in the field of social and environmental safeguards. The secretariat had also recruited a programme analyst, Mr. Fabrice Musoni, to coordinate the implementation of the Readiness Programme.

*Other*

34. The secretariat reported on progress with the new information technology system project being implemented in collaboration with the trustee, and that the Fund's project and program level data maintained by the secretariat has now been incorporated into the new system, providing a secure environment for storage and management of project and program data, and direct exchange of data with implementing entities and the trustee.

35. Under the agreement signed in April 2013 with the International Aid Transparency Initiative (IATI), the secretariat had worked with IATI to convert Fund data into a clearer format, with publication planned for the very near future.

36. Following the discussion in the fourteenth EFC meeting, the secretariat had contacted the United Nations Foundation to communicate the Board's readiness to renew the arrangement, and had received a positive response the evening before the present meeting.

37. The Board took note of the report by the Manager of the secretariat.

**Agenda Item 6: Report of the Accreditation Panel**

38. The Chair of the Accreditation Panel, Ms. Angela Churie-Kallhaug (Sweden, Annex I Parties) introduced the report of the Panel's fifteenth meeting, more fully described in document AFB/B.23/4.

39. The Panel had held its fifteenth meeting at the secretariat's offices in Washington, DC, on 10-11 February 2014.

40. For the Panel meeting, two newly completed applications had been received and the Panel had continued its review of the applications of seven potential National Implementing Entities (NIEs), three potential Regional Implementing Entities (RIEs), and two potential Multilateral Implementing Entities (MIEs) that had previously been reviewed but had required additional information for the Panel to make its recommendations. By the time of the finalization of the report of its fifteenth meeting, the Panel had concluded the review of four applications:

- 1) Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE);
- 2) Corporación Andina de Fomento (CAF);
- 3) European Bank for Reconstruction and Development (EBRD); and
- 4) National Implementing Entity NIE043.

41. Ten applications (seven for potential NIEs, two for potential RIEs and one for a potential MIE), were still under review by the Panel.

42. She recalled that at the Board's twenty-second meeting, the Panel had considered the need for a small grants window or similar mechanism and had requested to be allowed to further review the issue through a field visit to a small entity. She noted that the outcome of those deliberations, and of the field visit, would be covered in the report of the Ethics and Finance Committee.

43. The Chair of the Board then closed the meeting so that the Chair of the Panel could provide additional details on the Panel's deliberations. Members and alternates with conflicts of interest, as well as all observers, left the room. Subsequently the Chair opened the meeting to adopt the recommendations of the Accreditation Panel.

*Accreditation of Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE)*

44. After considering the conclusions and recommendation of the Accreditation Panel, the Adaptation Fund Board decided to accredit the Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE) as a National Implementing Entity.

**(Decision B.23/1)**

*Accreditation of Corporación Andina de Fomento (CAF)*

45. After considering the conclusions and recommendation of the Accreditation Panel, the Adaptation Fund Board decided to accredit the Corporación Andina de Fomento (CAF) as a Regional Implementing Entity.

**(Decision B.23/2)**

*Accreditation of European Bank for Reconstruction and Development (EBRD)*

46. After considering the conclusions and recommendation of the Accreditation Panel, the Adaptation Fund Board decided to accredit the European Bank for Reconstruction and Development (EBRD) as a Multilateral Implementing Entity.

**(Decision B.23/3)**

*Non-Accreditation of National Implementing Entity (NIE0043)*

47. 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 IV to the report of the fifteenth meeting of the Accreditation Panel (AFB/B.23/4)

**(Decision B.23/4)**

48. One Board member asked whether a multilateral implementing entity such as EBRD was entitled to operate beyond its own geographical area.

49. A representative of ERBD responded that EBRD's mandate allowed it to provide financing only in its geographical area of operation. The member then asked if EBRD was not, then, an RIE rather than an MIE. The representative from EBRD mentioned that in his understanding EBRD's shareholders came from a multiplicity of countries, and from that vantage would be considered an MIE. The Manager of the secretariat added that in accordance with the Fund's Operating Policies and Guidelines, a "multilateral implementing entity" was one of 15 international financial bodies, including regional development banks, that had been invited by the Board to apply for accreditation in that category in 2009.

50. The member suggested that further consideration should be given to the definition of MIEs and RIEs and to the distinction between them. It was agreed that the issue will be considered at the Board's next meeting, on the basis of a document to be prepared by the secretariat.

*The designation of Multilateral and Regional Implementing Entities*

51. The Adaptation Fund Board decided to request the secretariat to prepare a document on the designation of Multilateral and Regional Implementing entities that should draw on classifications of other organizations and should include the resource implications for any changes made to those classifications.

**(Decision B.23/5)**

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

52. The Chair of the PPRC, Mr. Ezzat Lewis Hannalla Agaiby (Egypt, African States), introduced the report of the PPRC's fourteenth meeting (AFB/PPRC.14/15). A summary of the PPRC funding recommendations is presented in **Annex III** to the present report.

*Update on funding status and the situation of the pipeline*

53. The Chair of the PPRC said that as a result of new revenue obtained after CMP.9 the Board had been able to approve intersessionally, and before the present meeting, four projects in the pipeline, for a total value of US\$ 25,847,199. The remaining four projects/programmes in the pipeline have a total value of US\$ 32,354,480. If the Board were to approve the fully-developed proposal submitted by WFP, which was under consideration at the present meeting, for inclusion in the pipeline, the cumulative funding requested for the project/programmes in the pipeline would increase to US\$ 38,350,146. He also said that with pledged and received donations of US\$ 105 million the Board's had met its fundraising target for 2013.

*Report of the secretariat on initial screening/technical review of project and programme proposals*

54. The Chair of the PPRC summarized the report of the secretariat on the initial screening/technical review of the submitted project and programme proposals (AFB/PPRC.14/3 and Add.1) and said that no particular issues had been identified by the secretariat during the review process for consideration by the PPRC.



*Review of project and programme proposals*

*Concept Proposals from National Implementing Entities*

India – Climate proofing of watershed development projects in the states of Tamil Nadu and Rajasthan (Project Concept; National Bank for Agriculture and Rural Development (NABARD); IND/NIE/Water/2013/1; US\$ 1,227,000)

55. The Chair of the PPRC introduced the project concept which sought to build adaptive capacities of the communities to shifting rainfall patterns and extreme weather events exacerbated by climate change in the rain-fed areas of the states of Tamil Nadu and Rajasthan.

56. 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 National Bank for Agriculture and Rural Development (NABARD) to the request made by the technical review;
- (b) Request the secretariat to transmit to NABARD the observations in the review sheet annexed to the notification of the Board's decision, as well as the following issues:
  - (i) The fully-developed proposal should detail the technical specifications of the proposed insurance scheme and clarify how it is justified in terms of concretely increasing the adaptive capacity of target beneficiaries. Further, it should clarify how clear information on any such insurance scheme would be made available to target beneficiaries in order to ensure informed decisions and financial literacy, and how the outcomes of any such scheme would be made sustainable in the long-term;
  - (ii) The fully-developed proposal should provide a detailed justification of the cost-effectiveness of the project considering that the requested funds would be spread among investments distributed throughout 20 watersheds;
  - (iii) The fully-developed proposal should provide a detailed description of the arrangements that will be put in place to deliver the project activities in parallel with initiatives that will be financed through co-financing. In providing such a description and preparing the detailed project budget, due attention should be paid to ensuring that all activities financed by the Adaptation Fund should be able to deliver their outcomes and outputs regardless of the success of activities delivered in parallel with co-financing from other sources;
- (c) Approve the Project Formulation Grant of US\$ 29,900;

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

**(Decision B.23/6)**

India: Building Adaptive Capacities of Small Inland Fishermen Community for Climate Resilience and Livelihood Security, Madhya Pradesh, India (Project Concept; National Bank for Agriculture and Rural Development (NABARD); IND/NIE/Food/2013/1; US\$ 1,737,864)

57. The Chair of the PPRC introduced the programme concept which sought to enhance the adaptive capacity of fish farmers to ensure their livelihood security in the agro-climatic zone of Jhabua hills comprising the districts of Jhabua, Alirajpur and Dhar.

58. 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 National Bank for Agriculture and Rural Development (NABARD) to the request made by the technical review;
- (b) Request the secretariat to transmit to NABARD the observations in the review sheet annexed to the notification of the Board's decision, as well as the following issues;
  - (i) The fully-developed proposal should elaborate how it will support the enhancement of market and institutional linkages under activity 3.2;
  - (ii) At the fully-developed proposal stage, and in accordance with the Environmental and Social Policy of the Adaptation Fund, and in the particular context of inland fishing, the role of women groups in managing inland fisheries should be taken into account and the type of support they will receive should be described. Specific activities targeted towards inclusion in the actual management of fish tanks or their ownership should be clearly outlined;
  - (iii) The fully-developed proposal should clarify how vulnerable communities including fisher folks from the "scheduled caste and other backward classes" would benefit from the project, providing detailed activities and the size of the target population. It should also demonstrate that these groups would not be negatively affected by the project's activities. In addition, when developing the insurance product under activity 1.2, the proposal should ensure that the decision of subscription to the policy by the targeted communities will be made on an informed basis;

- (iv) The fully-developed proposal should consider exploring the possibility of study tours for stakeholders, especially fish farmers, across the pilot sites to allow them to share experiences;
  - (v) The proponent should take into account the number of other national projects that are currently addressing inland fisheries, to ensure that there is no duplication and that there will be synergies and collaboration systems in place;
  - (vi) The fully-developed proposal should describe a clear strategy on how the farmers will maintain the investments especially as the cost of the fish tanks is rather high (as identified by the Implementing Entity) for enabling any significant increase in local living standards;
  - (vii) The fully-developed proposal should describe how NABARD will ensure that executing entities are fully aware of their responsibilities with regards to the provisions of the Environmental and Social Policy of the Adaptation Fund, including the promotion of human rights, where applicable, and how the executing entities and direct beneficiaries will be made aware of the grievance mechanism available in the country and of the complaint handling mechanism of the Fund, in case of non-compliance;
- (c) Approve the Project Formulation Grant of US\$ 30,000;
  - (d) Request NABARD to transmit the observations under item (b) to the Government of India; and
  - (e) Encourage the Government of India to submit through NABARD a fully-developed project proposal that would address the observations under item (b) above.

**(Decision B.23/7)**

India: Enhancing Adaptive Capacity and Increasing Resilience of Small and Marginal Farmers in Purulia and Bankura Districts of West Bengal (Project Concept; National Bank for Agriculture and Rural Development (NABARD); IND/NIE/Agri/2014/1; US\$ 2,533,533)

59. The Chair of the PPRC introduced the programme concept which sought to develop climate adaptive and resilient livelihood systems through diversification, technology adoption and natural resource management for rural small and marginal farmers associated with agriculture and allied sectors in the lateritic zone of West Bengal, in the semi-arid regions of Purulia and Bankura districts.

60. 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 National Bank for Agriculture and Rural Development (NABARD) to the request made by the technical review;

- (b) Request the secretariat to transmit to NABARD the observations in the review sheet annexed to the notification of the Board's decision, as well as the following issues:
  - (i) The fully-developed project document should clearly explain the specific scope of the proposed activities;
  - (ii) The project document should provide a clear rationale and explanation of the SMS-based weather / crop advice;
  - (iii) The project document should elaborate on the approach to replication and scaling up;
  - (iv) When developing the fully-developed project document, additional screening of potential impacts on marginalized and vulnerable groups should take place and that screening should include consultation with the potentially impacted groups;
- (c) Approve the Project Formulation Grant of US\$ 29,700;
- (d) Request NABARD to transmit the observations under item (b) to the Government of India; and
- (e) Encourage the Government of India to submit through NABARD a fully-developed project proposal that would address the observations under item (b).

**(Decision B. 23/8)**

Morocco: Climate change adaptation project in oasis zones (Project Concept; Agence pour le Développement Agricole (ADA); MAR/NIE/Agri/2013/1; US\$ 9,970,000)

61. The Chair of the PPRC introduced the project concept which sought to help reduce the vulnerability of people and oasis agro ecosystems to climate change in Morocco by increasing the adaptive capacity of local actors, increasing the resilience of the target ecosystem and by disseminating knowledge management.

62. 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 *Agence pour le Développement Agricole* (ADA) to the request made by the technical review;
- (b) Request the secretariat to transmit to ADA the observations in the review sheet annexed to the notification of the Board's decision, as well as the following issues:
  - (i) When preparing the fully-developed proposal, the proponent should ensure that final language editing is duly performed and that the outcomes, outputs

and activities under the project results framework are clearly and specifically outlined, with relevant targeted indicators;

- (ii) The fully-developed proposal should include a participatory assessment of potential social and environmental risks and impacts of the project's activities, providing for each principle of the Environmental and Social Policy a justification either of no further assessment requirement for compliance with Policy, or a justification of further assessment that may be needed, including Environmental Impact Assessments;
  - (iii) The fully-developed proposal should elaborate further on how the sustainability of the project outcomes will be ensured, at the economic, social, environmental and institutional levels, including through local government systems;
  - (iv) A comprehensive consultation process should be demonstrated at the fully-developed proposal stage, to include the inputs from all stakeholders, particularly the most vulnerable communities and marginalized groups;
  - (v) The fully-developed proposal should demonstrate that the project will be implemented in synergy and collaboration with all relevant initiatives and programmes in similar sectors and/or its areas of intervention. The types of collaboration and synergies sought should be clearly outlined and reflected in the execution arrangements of the project;
- (c) Approve the Project Formulation Grant of US\$ 30,000;
  - (d) Request ADA to transmit the observations under item (b) to the Government of Morocco; and
  - (e) Encourage the Government of Morocco to submit through ADA a fully-developed project proposal that would address the observations under item (b) above.

**(Decision B. 23/9)**

*Concept Proposals from Regional Implementing Entities*

Federated States of Micronesia – Enhancing the resilience of vulnerable island atoll communities in the Federates States of Micronesia to climate change risks through a “Living with the Sea” national risk management framework (Project Concept; Secretariat of the Pacific Regional Environment Programme (SPREP); FSM/RIE/Coastal/2014/1; US\$ 9,380,000)

63. The Chair of the PPRC introduced the project concept which sought to engineer a shift in the management of flood risk and marine resources from an ad hoc problem-centric approach to a holistic strategic coastal management and watershed drainage management approach.

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

- (a) Not endorse the project concept, as supplemented by the clarification response provided by the Secretariat of the Pacific Regional Environment Programme (SPREP) to the request made by the technical review;
- (b) Suggest that SPREP reformulate the proposal taking into account the observations in the review sheet annexed to the notification of the Board's decision, as well as the following issues:
  - (i) The proposal should provide a clear and reasoned explanation of how the range of adaptation planning measures including plans, policies, regulations, guidelines, standards and protocols will be enforced in the Federated States of Micronesia given the apparent barriers to enforcement of the current policy and regulatory framework;
  - (ii) The proposal should provide a logical justification of how the proposed project activities have been selected based on adaptation reasoning. It should demonstrate how the proposed engineering works to protect the coast provide resilience to communities with regards to their vulnerability to future climate change, and how these investments themselves are made resilient to the impacts of future climate change;
  - (iii) The proposal should account for the need to undertake an Environmental Impact Assessment to provide assurances that potential negative impacts of infrastructure works have been adequately considered, that potential maladaptation has been avoided to the extent possible and that provisions are in place for an environmental and social management plan for the relevant activities that would require risk mitigation and monitoring during project execution;
  - (iv) The proposal should avoid confusion with regards to the implementation of the project, such as references to the United Nations Development Programme (UNDP) Country Office being engaged in monitoring and evaluation of the project, the use of auditing in line with UNDP finance regulations, and oversight and technical support being delivered by UNDP for the implementation of the project. As the accredited implementing entity acting on behalf of the Federated States of Micronesia, SPREP's roles and responsibilities for the implementation of the project must be reflected in the proposal; and
- (c) Request SPREP to transmit the observations referred to in paragraph (b) above to the Government of the Federated States of Micronesia.

**(Decision B. 23/10)**

*Fully-developed proposals from National Implementing Entities*

India: Conservation and Management of Coastal Resources as a Potential Adaptation Strategy for Sea Level Rise (Fully-developed project document; National Bank for Agriculture and Rural Development (NABARD); IND/NIE/Coastal/2014/1; US\$ 590,602)

65. The Chair of the PPRC introduced the fully-developed project document which sought to enhance the adaptive capacities of the local community and other stakeholders by strengthening their institutional mechanism, restoration and management of coastal resources and building livelihood assets.

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

- (a) Not approve the project document, as supplemented by the clarification response provided by the National Bank for Agriculture and Rural Development (NABARD) to the request made by the technical review;
- (b) Suggest that NABARD reformulate the proposal taking into account the observations in the review sheet annexed to the notification of the Board's decision, as well as the following issues:
  - (i) The proposal should explicitly relate the proposed activities to future climate impacts in the target region;
  - (ii) The proposal should explain how it would prevent mangrove degradation from continuing in the future, and it should include in the comparison of alternative options also comparison of their associated costs;
  - (iii) The proposal should explain more clearly how the project would ensure equitable distribution of benefits and commitment of beneficiaries to voluntarily contribute to the project;
  - (iv) The proposal should further elaborate on how it would avoid duplication and build upon an earlier project funded by the German Society for International Cooperation (GIZ) which has worked in the same state and on very similar themes and how it would coordinate with other relevant projects during project implementation;
  - (v) The proposal should include a complete results framework and a table demonstrating alignment with the Adaptation Fund results framework;
  - (vi) The proposal should also include information on land tenure, willingness of villagers to make their land available for the project, and the issue of collapse in shrimp production; and
- (c) Request NABARD to transmit the observations referred to in paragraph (b) above to the Government of India.

**(Decision B. 23/11)**

India – Climate smart actions and strategies in north western Himalayan region for sustainable livelihoods of agriculture-dependent hill communities (Fully-developed project document); National Bank for Agriculture and Rural Development (NABARD); IND/NIE/Agri/2014/2; US\$ 620,487)

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

- (b) Not approve the project document, as supplemented by the clarification response provided by National Bank for Agriculture and Rural Development (NABARD) to the request made by the technical review;
- (c) Suggest that NABARD reformulate the proposal taking into account the observations in the review sheet annexed to the notification of the Board's decision, as well as the following issues:
  - (i) The proposal should report the proposed components and activities consistently throughout the document and ensure that the budget provided aligns with the proposed activities;
  - (ii) The proposal should describe how synergies are sought with national initiatives such as the Mahatma Gandhi National Rural Employment Guarantee scheme as well as initiatives funded by multilateral and bilateral donors, such as the Himalayan Climate Change Adaptation Programme (HICAP) financed by the Ministry of Foreign Affairs of Norway and the Indian Himalayas Climate Adaptation Programme (IHCAP) financed by the Swiss Agency for Development and Cooperation;
  - (iii) The proposal should consider undertaking further consultation to ensure that all relevant stakeholder groups, particularly vulnerable communities, are consulted and that the targeted households are given the opportunity to make clear their priority needs with respect to climate change as well as participate in the choice of activities proposed through the project;
  - (iv) The proposal should provide further detail how the financial sustainability of project outcomes will be ensured beyond the project duration, including how government departments will be engaged in replicating successful initiatives, the potential sources of funding for doing so, and whether a role for sub-national institutions is envisaged in project execution;
  - (v) The proposal should present clear information on the implementation arrangements including NABARD's oversight of the project and the mechanisms through which executing entities are expected to report to NABARD. Budgets on the implementing entity management fee, execution costs and monitoring and evaluation should be provided in the proposal document with justification for the requested amounts; and



- (d) Request NABARD to transmit the observations referred to in paragraph (b) above to the Government of India.

**(Decision B. 23/12)**

Kenya: Integrated programme to build resilience to climate change and adaptive capacity of vulnerable communities in Kenya (Fully-developed project document; National Environmental Management Authority (NEMA); KEN/NIE/Multi/2013/1; US\$ 9,998,302)

68. The Board discussed the project in closed session.

69. The Chair of the Adaptation Fund Board noted that in view of a lack of consensus the consideration of this proposal was deferred to the twenty-fourth meeting of the Board:

*Fully-developed proposals from Multilateral Implementing Entities*

Indonesia: Adapting to Climate Change for Improved Food Security in West Nusa Tenggara Province (Fully-developed project document; World Food Programme; IDN/MIE/Food/2013/1; US\$ 5,995,666)

70. The Chair of the PPRC introduced the fully-developed project document which sought to secure community livelihoods and food security against climate change-induced rainfall variability leading to more intense and frequent climate events while simultaneously supporting the Indonesian Government's efforts to address the underlying anthropogenic drivers that have caused the degradation of land and increased the vulnerability of communities to food insecurity and climate change.

71. 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:

- (i) Approve, subject to the availability of funds, the project document, as supplemented by the clarification response provided by the World Food Programme (WFP) to the request made by the technical review;
- (ii) Approve the funding of US\$ 5,995,666 for the implementation of the project, as requested by WFP;
- (iii) Note the commitment of WFP to conduct Environmental Impact Assessments (EIAs), in accordance with the Environmental and Social Policy of the Adaptation Fund, before any substantial construction subject to such EIAs begins;
- (iv) Request WFP to provide a timeline for the implementation of EIAs to be included in the project agreement;
- (v) Request the secretariat to draft an agreement with WFP 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.23/15.

**(Decision B. 23/13)**

*Prioritization of projects in the pipeline*

72. 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 project for Indonesia (IDN/MIE/Food/2013/1) with a recommendation date of 19/3/2014, a submission date of 13/01/2014 and a net cost of US\$ 5,525,959;
- (b) Place the project mentioned in item (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. 23/14)**

*Options for intersessional review and approval of project/programme proposals*

73. The Chair of the PPRC said that pursuant to Decision 22/14(b) the committee had discussed an options paper that had been prepared by the secretariat (AFB/PPRC.14/13). The secretariat had informed the PPRC that because of the additional steps associated with intersessional review that process would require thirteen weeks and that consequently it was advisable to have only one intersessional review cycle each year. During its deliberations the PPRC had also requested an addendum to the secretariat's report (AFB/PPRC.14/13/Add.1) which was subsequently presented to the PPRC and contained additional information on the proposed intersessional review mechanism.

74. Clarification was sought as to how the PPRC would proceed if an ethical or financial issue was raised during the intersessional review process. The Chair of the PPRC said that the issue had not been discussed and the Vice-Chair of the PPRC said that in such a case the matter would be referred to the EFC to be addressed by it.

75. The Chair of the EFC said that the EFC had no intersessional decision making process and that in such a case the issue could only be addressed at the EFC's next regularly scheduled meeting.

76. Having considered the comments and recommendation of the Project and Programme Review Committee (PPRC), the Adaptation Fund Board decided to:

- (a) Arrange one intersessional project/programme review cycle annually, during an intersessional period of 24 weeks or more between two consecutive Board meetings, as outlined in document AFB/PPRC.14/13;
- (b) While recognizing that any proposal can be submitted to regular meetings of the Board, require that all first submissions of concepts and fully-developed project/programme documents continue to be considered in regular meetings of the PPRC;
- (c) Request the secretariat to review, during such intersessional review cycles, resubmissions of project/programme concepts and fully-developed project/programme documents submitted on time by proponents for consideration during such intersessional review cycles;
- (d) Request the PPRC to consider intersessionally the technical review of such proposals as prepared by the secretariat and to make intersessional recommendations to the Board;
- (e) Consider such intersessionally reviewed proposals for intersessional approval in accordance with the Rules of Procedure;
- (f) Inform implementing entities and other stakeholders about the new arrangement by sending a letter to this effect, and make the calendar of upcoming regular and intersessional review cycles available on the Adaptation Fund website and arrange the first such cycle between the twenty-third and twenty-fourth meetings of the Board;
- (g) Request the PPRC to defer to the next Board meeting any matters related to the competencies of the Ethics and Finance Committee that may come up during the intersessional review of projects/programmes and to refrain from making a recommendation on such proposals until the relevant matters are addressed; and
- (h) Request the secretariat to present, in the fifteenth meeting of the PPRC, and annually following each intersessional review cycle, an analysis of the intersessional review cycle.

**(Decision B.23/15)**

*Analysis of possible effects on administrative costs of the use of multiple Executing Entities and implementing partners for the implementation of local adaptation actions*

77. The Chair of the PPRC said that that the secretariat had presented a document examining the possible effects of using multi-layered executing entities on administrative costs (AFB/PPRC.14/14) That paper had presented relevant examples of such cases from other funding mechanisms, had drawn on the experience of the Fund's projects and programmes and had highlighted the current debate on the need to take adaptation planning and implementation to the local level.

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

(a) Maintain the current policies of the Adaptation Fund on project and programme operational costs, namely the 8.5 per cent cap on implementing entity fees and the 9.5 per cent cap on execution costs; and

(b) Request that the secretariat takes into account the capacity building needs of the selected executing partners, when reviewing the budget requested for new project/programme submissions for which the proposed implementation arrangements is based on multiple levels of execution.

**(Decision B.23/16)**

*Other matters*

79. The Chair or the PPRC said that no additional matters had been raised by the PPRC.

80. The Adaptation Fund Board took note of the report by the Chair of the Project and Programme Review Committee.

**Agenda Item 8: Report of the fourteenth meeting of the Ethics and Finance Committee**

81. The Chair of the EFC, Ms. Su-Lin Garbett-Shiels (United Kingdom of Great Britain and Northern Ireland, Western European and Others Group), introduced the report of the EFC's fourteenth meeting (document AFB/EFC.14/10).

*Options for the accreditation of small entities*

82. At its twenty-second meeting the Board had decided to allow for review of a small entity through a field visit by the Accreditation Panel to develop a case example for the need for a "small grant window" or similar mechanism and to request the Panel to work in conjunction with the secretariat to provide options for operationalizing such a mechanism.

83. One Panel expert together with a member of the secretariat had made a visit to NIE039, the applicant national entity in question, obtaining input on the difficulties faced by the country, in terms in particular of small population and extremely long distances. The NIE, too, had problems of limited staff and modest budget, meaning that any relatively large-scale project would need access to external or international expertise.

84. Document AFB/EFC.14/3 presented three potential options for a process to accredit smaller entities: Option 1, maintaining the status quo, would entail no modifications to the fiduciary standards to accommodate the systems of smaller entities. Option 2 would be a streamlined approach, again with no changes to the fiduciary standards, but making small entities aware of what they needed to have in place to meet those standards, which might well not be the same as that demanded of a large multilateral organization. Option 3 would be a new process just for small entities, in which, based on the Fund's experience to date, a new set of fiduciary standards would be developed, and the direct access modality would be evolved to reflect the risks associated with smaller entities.

85. The EFC had discussed benefits and drawbacks of the three options. For example, the positives of Option 2 were that it built on existing requirements while understanding the resource limitations of small entities, and that it provided an opportunity for access by a larger number of

countries and wider range of organization types. On the other hand there might be a perception that the Fund was diluting its fiduciary standards, and that accreditation decisions were being made subjectively.

86. The Committee had stressed that it was important to determine how fiduciary standards could be adjusted without being undermined. Also, as the Fund was constantly under scrutiny, it was important to maintain the integrity of its accreditation process. It could be beneficial for small entities to be accredited only up to a certain cap on project costs, reducing financial risk to the Fund.

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

(a) To continue its consideration of approval for accreditation of small entities on the basis of Option 2 (Streamlined Process) as outlined in the document;

(b) With assistance from the secretariat to further its work to elaborate steps that might be undertaken by small entities (as defined in paragraph 10 of document AFB/EFC.14/3) to demonstrate compliance with the Fund's fiduciary standards, and that would be commensurate with the type, risk profile, and size of the institutions; and

(c) To report back in the next Accreditation Panel report, for consideration at the fifteenth meeting of the EFC.

**(Decision B.23/17)**

#### *Options for an Evaluation of the Fund*

88. The Board at its thirteenth meeting had approved an evaluation framework for the Fund and discussed whether to undertake an overall evaluation for the Fund (Decision B.13/20). At the time there had been questions about the best time to launch such an evaluation given the lack of maturity of the portfolio. The Board had subsequently decided to request the secretariat to prepare a document containing: a) options for terms of reference for possible evaluations of the Fund covering different scopes; b) a proposal regarding the timing of each; c) costs associated with each option; and d) options for commissioning the evaluation (Decision B.21/17). Document AFB/EFC.14/5 provided that information.

89. Prior to the meeting, the outgoing Chair had received an e-mail from the Director of the GEF Independent Evaluation Office (GEFIEO), indicating that the Office had withdrawn as the evaluation function of the Fund. The EFC had concluded that other than acknowledging the Office's wish to withdraw, no action was required from the Board. The Board **took note** of the communication by the Director of the GEFIEO withdrawing the GEFIEO as evaluation function of the Adaptation Fund.

90. A detailed discussion had ensued on costs and timing of the various evaluation options. Costs would range from US\$ 190,000 for Option 1 to over US\$ 300,000 for Option 3. With regard to timing, some members took the view that it would be important to have initial findings of an evaluation by CMP.10, while others considered that the relevant CMP decision required a second review to examine issues such as financial sustainability, the direct access modality,

and institutional linkages. That would mean that Option 3 would be feasible, since the review was not intended to look at the impact of projects, only processes.

91. There had also been discussion of the relevant data available. At present, while there were sufficient data available on the Fund's processes and policies, there was little in terms of project outcomes, since so few had been completed or even reached mid-term evaluation. That would influence the type of evaluation that could be undertaken in the near future.

92. Two other issues for discussion had been the need to establish a Quality Assurance Panel, to work on terms of reference for the evaluation process itself, and secondly whether the process for selecting the body to carry out the evaluation should be a Request for Tender or a Request for Proposals.

93. The Committee had expressed a preference that the third member of the Quality Assurance Panel should be from civil society, rather than from the Board, in the interests of transparency. The Committee also agreed to call it the Independent Review Panel.

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

- (a) Approve Option 3 (Two-phased evaluation) as outlined in document AFB/EFC.14/5, with the aim of completing Phase I in time for discussion at the twenty-fourth Board meeting (October 2014);
- (b) Request the Chairs and Vice-chairs of the Board and EFC to propose for consideration by the Board during the intersessional period an independent review panel consisting of three members (i) an evaluation specialist (ii) an adaptation specialist and (iii) a representative from civil society for a decision by the end of April 2014. The selection will be based on criteria contained in **Annex IV** to this report. The independent review panel will undertake the responsibilities outlined in the terms of reference contained in **Annex V** including the review of the final TOR for the evaluation, which should include elements of the scope of Decision 2/CMP.9 for the second review of the Adaptation Fund (in Phase I), select the evaluation team, provide quality assurance during the evaluation process, and report on progress of the evaluation to the Ethics and Finance Committee at its fifteenth meeting; and
- (c) Request the secretariat to issue a request for proposals following the World Bank procurement rules and procedures.

**(Decision B. 23/18)**

#### *Core indicator methodologies*

95. The representative of the secretariat had recalled that the Board, at its twenty-first meeting, had approved a proposal for steps to take to improve the Fund's results tracking system. As part of that work, the secretariat had identified a preliminary set of six indicators to track at the Fund level. Document AFB/EFC.14/6 presented the methodology for measuring each of those indicators.

96. Having considered the comments and recommendations of the Ethics and Finance Committee (EFC), the Adaptation Fund Board decided to approve the use of the proposed core indicators and request the secretariat to:

- (a) Make the necessary changes to incorporate the core indicators and revised results tracker into the Fund's results management system;
- (b) Inform implementing entities of the changes to the results tracking system including the requirements to provide indicative core indicator targets for fully developed project proposals and their inclusion in project performance reports (PPRs);
- (c) Request implementing entities already implementing projects and programmes to provide project-level information as it relates to the core indicators; and
- (d) Complete the development of guidance for the modified results tracker and an exit survey for the accreditation process.

**(Decision B.23/19)**

#### *Complaint handling mechanism*

97. The EFC had been briefed on the implementation of Decision B.22/21. The Accreditation Panel had started the review of the fiduciary standard on transparency, self-investigative powers and anti-corruption measures of an implementing entity about which a complaint had been raised, and the Committee would be informed of the outcome of the review at a subsequent meeting.

98. Another matter under this item was being followed up by the secretariat.

#### *Implementation of the Code of Conduct*

99. The Chair had drawn the attention of the Committee to the code of conduct posted on the Fund website. No matters had been raised under this item.

#### *Financial issues*

##### *(a) Financial status of the Adaptation Fund Trust Fund and CER monetization*

100. The Chair of the EFC reported that the trustee had given a report on the financial status of the Adaptation Fund Trust Fund and CER monetization (AFB/EFC.14/7), showing US\$ 170.9 million available to support new Board funding decisions. He had informed the Committee that the Executive Directors of the World Bank had responded to the CMP decision to extend the World Bank's mandate as interim trustee for an additional year, to end-May 2015, by approving the amendment to the Terms and Conditions of Service between the Bank and the CMP.

101. The representative of the trustee had also reported on donations processed and CER monetization, and noted that under current market conditions the estimate of potential resources for the Fund up to 2020 remained at approximately US\$ 200 million. He had also reported on outstanding pledges to the Adaptation Fund from France, Finland, and two Belgian regional

governments, and that, during the last quarter, the trustee had sold 1.8 million CERs and generated US\$ 1.2 million in proceeds.

102. He had drawn attention to the very weak state of carbon markets, and limited demand for CERs, as well as the weak demand for Emission Reduction Units (ERUs) and Assigned Amount Units (AAUs), adding that additional costs associated with adding monetization of ERUs and AAUs to the trustee's mandate had been included in the administrative budget proposal for fiscal year 2015.

103. The EFC had taken note of the trustee's report.

*(b) Work plan for the fiscal year 2015*

104. The Manager of the secretariat had presented the work plan contained in document AFB/EFC.14/7. The Committee had discussed whether to establish a new funding target, given the success in exceeding the target of US\$ 100 million by COP.19/CMP.9. There had been general agreement that having a new target would maintain momentum, and that making it an annual one, rather than for a longer period, would keep donors' focus on the Fund's needs.

105. It had been agreed that a fundraising target should be established, its level to be set by the Fundraising Task Force.

106. Having considered the comments and recommendations of the Ethics and Finance Committee (EFC), the Adaptation Fund Board decided to approve the work programme and the tentative work schedule contained in document AFB/EFC.14/7.

**(Decision B.23/20)**

*(c) Board and secretariat, and trustee budgets for the fiscal year 2015*

107. A representative of the secretariat had presented document AFB/EFC.14/6, showing the Board and secretariat budgets for the fiscal year 2015.

108. The Manager of the secretariat had added that the personnel costs in the document included costs of promoting two Fund staff, which would place them on the same level as the corresponding personnel in the GEF secretariat.

109. A representative of the secretariat had also explained that the amounts for communications and publications had been increased, as many additional such items were currently planned. It was also planned in the near future to produce several Adaptation Stories.

110. The representative of the trustee had drawn attention to Table 6 in the same document, showing the estimated trustee budget for 2015, and explained the increases and decreases over the figures for 2014.

111. Having considered the comments and recommendations of the Ethics and Finance Committee (EFC) and the budget proposal as contained in **Annex VI** to this report, the Adaptation Fund Board decided to approve, from the resources available in the Adaptation Fund Trust Fund:



(a) The proposed budget of US\$ 3,294,808 to cover the costs of the Fund operations over the period 1 July 2014 to 30 June 2015, comprising US\$ 2,499,808 for Board and secretariat services, US\$ 335,000 for the independent evaluation and US\$ 460,000 for accreditation services;

(b) An additional allocation of US\$ 203,000 to the secretariat from the allocation of US\$ 503,000 approved at AFB22 and already set aside by the Trustee, for the readiness programme over the period 1 July 2014 to 30 June 2015, for activities to be carried out by the secretariat. Amounts already approved by the Board but not disbursed in fiscal year 2014 would be disbursed in fiscal year 2015; and

(c) The proposed budget of US\$ 863,000 for trustee services to be provided to the Adaptation Fund over the period 1 July, 2014 to 30 June, 2015, comprising US\$ 246,000 for CER Monetization services, US\$ 150,000 for external legal counsel related to AAUs and ERUs, and US\$ 467,000 for all other trustee services.

**(Decision B. 23/21)**

*Other matters*

*Project in Mauritania (WFP)*

112. The representative of the secretariat had presented information provided by the WFP on the preparations for a project in Mauritania. The Committee had observed that the project was already behind schedule.

113. Having considered the comments and recommendations of the Ethics and Finance Committee (EFC), the Adaptation Fund Board decided to request the secretariat to write a letter to the World Food Programme (WFP) requesting they report back to the EFC about the Mauritania project's inception workshop and to submit a revised implementation schedule of the project by June 2014.

**(Decision B.23/22)**

*Agreement with United Nations Foundation*

114. The secretariat had explained that the agreement with the United Nations Foundation (UNF), for the collection of on-line donations, was due to expire.

115. During the presentation of the secretariat's report, the Manager of the secretariat informed that UNF had informally indicated its acceptance to extend the agreement. Having considered the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board decided to instruct the secretariat and the trustee to initiate negotiations with the UNF in order to extend the agreements with the organisation for the collection of online donations.

**(Decision B.23/23)**

*Presentation by International Institute for Environment and Development (IIED)*

116. A representative of the International Institute for Environment and Development (IIED) had given a presentation to the EFC on its review of how the Adaptation Fund's direct access modality contributed to institutional development.

117. The EFC had taken note of the information provided by the representative of IIED.

*Contract of the Manager of the secretariat*

118. The Manager of the secretariat had withdrawn in order for the EFC Chair to open a discussion on this issue. The committee members had been in agreement that her contract should be extended and that a two-year extension was insufficient for continuity of the operations of the Adaptation Fund.

119. Having considered the comments and recommendations of the Ethics and Finance Committee, and that the Head of the Adaptation Fund Board secretariat had sought the guidance of the Board on the issue of extending the contract of the Manager of the secretariat, the Adaptation Fund Board decided to communicate the following to the Head of the secretariat:

- (a) The Board is satisfied with the performance of the current Manager of the secretariat; and
- (b) Recommends the extension of her contract for four years in accordance with the procedures of the World Bank.

**(Decision B.23/24)**

**Agenda Item 9: Issues remaining from the twenty-second Board meeting***(a) Strategic discussion on objectives and further steps of the Fund: report of the fundraising task-force*

120. Mr. Zaheer Fakir (South Africa, Africa), coordinator of the fundraising task force, gave a report on the task force's activities. He recalled that the Board had set a fundraising target of US\$ 100 million for the 2012-2013 calendar years.. The Board had surpassed this target, with total donations of US\$ 205 million at the end of 2013 and additional pledges of EUR 14 million outstanding; US\$ 73 million of this had been pledged at COP.19/CMP.9 He expressed the gratitude of the task force and Board to the donors and to the Polish Presidency of the Conference of Parties, which had created a platform for Board members to interact with donors. He also thanked the members for their fundraising efforts.

121. He said that questions had been asked at the Conference of Parties as to the Board's future fundraising strategy. That raised the question of whether or not the fundraising task force should be retained, and the need to set the financial targets for 2014 and 2015 calendar years. While past figures had been selected on the basis of the Board's immediate needs, it would be advisable now to calculate a fundraising target in a more predictive or scientific manner that would produce a figure for sustainable funding to meet the Fund's projected portfolio range.

122. He noted that new fundraising targets could be set based in part upon the expected funding needs based upon the secretariat's calculations of current funding needs and future estimated proposal flow. Based upon this information, he suggested targets of US\$80 million per year for calendar years 2014 and 2015.

123. He added that while having a fundraising strategy was essential, it was the implementation of the strategy that delivered results. One important item needed would be a fact sheet on the fundraising strategy, including information on direct access, the 50 per cent cap on MIEs, and so on.

124. Members said that achievement of the fundraising target was an encouragement to do even better in the future. All Board members had a responsibility to be helping with fundraising, particularly in light of the disappointing results from CER sales, but it would be good to establish the task force on a more formal basis, with dedicated staff and a budget, for example for travel.

125. It seemed that 2014 would be a challenging year in terms of fundraising, but would also present several opportunities, such as the Climate Summit in September in New York.

126. Board members discussion how the Fund must continue to convey its need for donations to finance its in-country projects, in the ongoing context of competition for resources. In particular, it must stress firstly its unique feature of direct access, and secondly that fact that it was already a fully operational financial instrument, with measurable and successful projects in progress on the ground, not something with procedures and mandates still in the process of being created for the future. It could also be helpful to combine with the fundraising efforts of funds in other fields, such as water supply or biodiversity.

127. The Adaptation Fund Board noted with appreciation the report of the Fundraising Task Force and decided to:

- (a) Extend the mandate of the Fundraising Task Force to continue implementing the fundraising strategy, with the new fundraising target of US\$ 80 million per calendar year in 2014 and 2015;
- (b) Extend the service of the current Fundraising Task Force members: Ms. Angela Churie-Kallhauge, Ms. Laura Dzelzyte, Mr. Zaheer Fakir, Ms. Ana Fornells de Frutos, Ms. Su-Lin Garbett-Shiels, Mr. Hans Olav Ibrekk, and Mr. Jeffery Spooner, adding Mr. Marc-Antoine Martin as a new member; and extending Mr. Fakir's term of office as coordinator; and
- (c) Request the secretariat to continue assisting the Fundraising Task Force in fulfilling its mandate, and to prepare an implementation plan for the fundraising strategy, including specific activities and events during 2014 and 2015, and integrating its communications strategy.

**(Decision B.23/25)**

*(b) Implementation of the readiness programme*

128. The representative of the secretariat recalled that the Board had discussed at its twenty-first meeting the need for a range of capacity enhancement measures, from support in the identification of NIEs to strengthening the appraisal, design, implementation, and monitoring of adaptation projects and programmes undertaken by NIEs and RIEs. The Board had requested the secretariat to prepare a document containing options for such a programme for the twenty-second meeting, to include options for increasing both the preparedness of applicant NIEs seeking accreditation by the Adaptation Fund and the number of high quality project/programme proposals submitted to the Board within a reasonable time period after accreditation.

129. In response, the secretariat had prepared document AFB/B.22/6 which outlined the possible elements and options for a phased programme to support readiness for direct access to climate finance for NIEs, and had presented a framework and budget for a first phase of the Programme. Following a discussion of the document, the Board had decided to approve Phase I of the Readiness Programme, on the basis that it would follow performance-based funding principles; to take note of the options provided by the secretariat; to request the secretariat to submit to the Board, intersessionally, execution arrangements, criteria/eligibility criteria to allocate the funds to the accredited implementing entities for specific activities, as well as a timeline of activities, with a view to starting implementation of the programme before the twenty-third Board meeting; and to approve an increase in the administrative budget of the Board, secretariat and trustee for fiscal year 2014 of US\$ 467,000 for the programme described in document AFB/B.22/6.

130. As requested, a preliminary version of document AFB/B.23/5 had been circulated to the Board between the twenty-second and twenty-third meetings. The secretariat had incorporated comments from members them into document AFB/B.23/5, which outlined the execution criteria and arrangements, and eligibility criteria to allocate the funds to the accredited implementing entities for specific activities, and a timeline of programme activities. All activities would be implemented either by implementing entities accredited by the Board, or by the secretariat according to appropriate policies and procedures, and the secretariat had started preparatory work in January 2014.

131. The Board sought a number of clarifications and made a number of suggestions for improvements with regard to document AFB/B.23/5. With reference to paragraph 24, the Board requested the secretariat to prepare a paper for the Board outlining options for the development of the adaptation finance readiness knowledge exchange. The Board also asked whether the various seminars and similar event would be held in any languages other than English, and what webcasting or webinar arrangements had been considered. It was suggested that Annex 1 should be modified to include a timeline for any activities that implementing entities requesting a grant to support NIE accreditation might propose.

132. The representative of the secretariat said that with regard to the question about the knowledge exchange platform, the secretariat would prepare a document intersessionally. As the Manager of the secretariat had mentioned in her report the previous day, the secretariat had engaged a coordinator on readiness who would work on the relevant materials, together with the secretariat's communications specialist.

133. The secretariat had noted the suggestions from Board members on recording the seminars and had begun a discussion on how to organize that. With regard to giving the

seminars in different languages, the secretariat was aware that was an important issue, and would examine the cost of interpreting for the meetings and translation of seminar materials. Annex 1 would be revised, with the addition of a timeline as suggested.

134. In response to a further question, he said that the secretariat would arrange discussion among the accreditation experts and the environmental and social impact specialists to obtain their input on what additional manuals and similar materials they might suggest.

135. In response to questions from the Board, the Manager of the secretariat clarified that it was not intended to hold workshops in multiple countries or regions, for cost reasons. There would be three workshops, but the first two were not intended for the secretariat to train applicant entities. Rather, the first workshop would be for training trainers, who then in turn would train applicants or accredited NIEs. The target audience was people who were already giving training, from their own resources, and the aim was to ensure that the knowledge and instructions transmitted were consistent across countries and regions. The second workshop would be directed towards already-accredited NIEs to help familiarize them with grant application rules and procedures, and with the recently approved environmental and social policy. Those two workshops would be held in Washington D.C.

136. The third workshop would be directed to applicant entities. Discussions were under way with the United Nations Environment Programme (UNEP) on the possibility of holding this workshop at its premises in Bangkok, because Asia was the region with the lowest number of accredited entities. A secondary purpose of the workshops was for increased contact and partnerships between the secretariat and entities in the field.

137. The representative of the secretariat said that there might be scope for the third workshop also to cover training on the preparing and submission of proposals

138. Following a discussion, the Adaptation Fund Board decided to:

- (a) Approve the execution arrangements, criteria/eligibility criteria to allocate the funds to the accredited implementing entities for specific activities, and timeline of activities under the Readiness Programme, as contained in document AFB/B.23/5;
- (b) Request the secretariat to proceed with the implementation of the programme in accordance with the approved criteria; and
- (c) Request the secretariat to submit to the Board intersessionally between the twenty-third and twenty-fourth meetings a document outlining options for the development of the adaptation finance readiness knowledge exchange.

**(Decision B.23/26)**

### **Agenda Item 10: Issues arising from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its ninth session**

139. The Manager of the secretariat summarized the two decisions of CMP.9 that required action from the Board. In decision 1/CMP.9 the Board was invited to provide, in its report to CMP.10, its views on the matters included in the terms of reference for the second review of the Adaptation Fund, taking into account the deliberations and conclusions of the fortieth session of

the Subsidiary Body for Implementation which would be held in June 2014. The Board had also been requested to consider the arrangements for the monetization of the AAUs and ERUs that it held and to develop and approve an arrangement with the trustee to facilitate that monetization, for approval by CMP.10. The legal representative of the UNFCCC explained the changes being made to the Clean Development Mechanism's registry to accommodate those AAUs and ERUs.

140. With respect to a question on the progress on the technical paper, mentioned in paragraph 6 of decision 2/CMP.9, the legal representative of the UNFCCC explained that the UNFCCC secretariat was looking at inputs for the paper but was also awaiting the deliberations of the fortieth session of the Subsidiary Body for Implementation and the inputs of the Adaptation Fund Board. It was suggested to her that the UNFCCC secretariat might consider the inputs of civil society organizations as well. It would also be important to gather the views of the Board members intersessionally so that the Board could provide a common position to CMP.10.

141. The representative of the trustee informed the Board that the Executive Directors of the World Bank had responded to the CMP decision to extend the World Bank's mandate as interim trustee for an additional year, to end-May 2015, by approving the amendment to the terms and conditions of service between the Bank and the CMP. He also said that the current terms and conditions of service between the trustee and the CMP only provided for the trustee to monetize CERs and that the agreement between the trustee and the CMP would need to be modified to allow the trustee to monetize the AAUs and the ERUs. He noted that the procedure for such modification would be for the Board to submit a recommendation along with the necessary modifications to the agreement to the CMP, for approval at its tenth session. The Board noted that a recommendation whether or not to request an extension of the terms and conditions of service of the trustee would need to be submitted to CMP10, and that the process of such annual extensions was administratively burdensome for the trustee and the Fund.

142. Having considered decisions 1/CMP.9 and 2/CMP.9 the Adaptation Fund Board decided to:

- (a) Request the members of the Board to send to the secretariat by 30 June 2014 its views on the terms of reference of the second review of the Adaptation Fund, as contained in the annex to decision 2/CMP.9 so that they can be compiled for discussion at the twenty-fourth Board meeting. The outcome of the discussion will be included in the report of the Board to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its tenth session (CMP.10);
- (b) Recommend that the CMP select the World Bank as the entity to monetize the share of proceeds from Assigned Amount Units (AAUs) and Emission Reduction Units (ERUs);
- (c) Request the World Bank to submit draft amendments to the terms and conditions of services of the World Bank as trustee of the Adaptation Fund and any legal arrangements as may be necessary to extend the Terms and Conditions of Service and carry out the monetization of AAUs and ERUs and present them for consideration by the Board during the intersessional period;
- (d) Request the secretariat to:

- (i) Include in the draft report to CMP 10 information on the financial status of the Fund and extension of the Terms and Conditions of Service of the trustee;
- (ii) Liaise with the secretariat of the United Nations Framework Convention on Climate Change in drafting the technical paper requested by decision 2/CMP.9, through information and data sharing; and
- (iii) Prepare a communication document which should include among other elements, a summary of the decisions made by the Board at the twenty-third meeting and which must be ready for the fortieth session of the Subsidiary Body for Implementation.

**(Decision B.23/27)**

### **Agenda Item 11: Communications and outreach**

143. The representative of the secretariat gave an update on the production since the previous meeting of communications materials, most of which were directed towards fundraising and strengthening the Fund's brand. New materials included the Adaptation Fund Overview, which explained the work and achievements of the Fund in readily understandable terms, an information document on the direct access modality, which had been distributed at the last GCF meeting, and the first Adaptation Story, covering the project in Senegal. She also recalled the infographic, which had been distributed to the Board at its twenty-second meeting. All materials had been available at COP.19/CMP.9, except for the direct access piece. Additional copies were in the meeting room, and copies could also be mailed to Board members who requested them.

144. The overall aim of all such materials was to send a clear message that the Fund is fully operational, and to tell the stories of the Fund's work and its successes. Some of the materials were available in more than one language, and translation would continue as time and cost allowed. More versions of the Adaptation Story were planned, the next to be on the project in Honduras.

145. Awareness-raising was also in progress through social media such as Facebook and Twitter, and the Fund's websites would be enhanced, including the public Fund website, and the private Accreditation workflow website. Further recognition of donors would be incorporated into the public site.

146. Information was regularly provided to the media about Board decisions and Fund activities, and recently some on-line articles had been published. The annual photo contest had been launched, with a theme of "urban adaptation". The entries were now being judged, and it was a condition of the contest entry form that entrants granted use of the photos to the Fund going forward.

147. The Board welcomed the progress with communications materials. Members suggested that publicity should also be given to the views of project beneficiaries and of the NGOs involved, as readers really appreciated stories and examples. One member suggested creating a smartphone app.

148. It was also suggested that more comprehensive information should be provided on how entities should apply for accreditation. The representative of the secretariat observed that much assistance would be given in that area by the readiness programme.

149. She added that any numbers published came from the Fund's results management database.

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

### **Agenda Item 12: Financial Issues**

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

151. The representative of the trustee presented the report on the financial status of the Adaptation Fund Trust Fund and CER monetization (AFB/EFC.14/7), and provided the information already described in paragraphs 102-104 above.

152. The trustee also reported that, further to the Board request to the trustee to submit revised Terms and Conditions intersessionally, amounts approved in the fiscal year 2015 budget related to ERUs and AAUs might have to be used in fiscal year 2014.

153. One Member of the Board observed that the situation was very problematic, in that the revenue from what had been intended to be the Fund's primary source of income was now not producing sufficient return to, for example, cover the Fund's administrative expenses. Evidently, such a situation called on the Fund to spend its resources wisely. It was asked whether there was any likelihood of the situation's improving, perhaps through sales of ERUs and AAUs.

154. The trustee replied that analysis of ERUs and AAUs had shown no prospects of meaningful income for the Fund in the short to medium term. The trustee would continue its efforts to sell CERs at market prices, in accordance with the trustee's terms and conditions, and seek a premium over market prices where possible. He added the forthcoming Carbon Expo would be an opportunity for the trustee to raise the profile of the Fund and create greater opportunities for institutional, OTC, and direct government sales.

155. The Manager of the secretariat confirmed that the secretariat, particularly its communications specialist, was already preparing for the Carbon Expo, with the objective of using the event to also promote the Fund's fundraising strategy.

156. The Adaptation Fund Board took note of the report by the trustee.

#### *b) Status of the project/programme pipeline*

157. The representative of the secretariat introduced two papers: the *Joint report by the secretariat and the trustee on the status of the pipeline* (AFB/EFC/14/Inf.1) and the *Options to fund the pipeline* (AFB/B.23.6). He said that as a result of new revenue obtained after CMP.9 the Board had been able to approve intersessionally four projects in the pipeline for a total value of US\$ 25,847,199. The remaining four projects/programmes in the pipeline had a total value of US\$ 32,354,480, an amount that had increased to US\$ 38,350,146 with the approval of the project for Indonesia at the present meeting. As of the present meeting the total funding



approved for project and programme decisions amounted to approximately US\$ 224 million. He also reminded the Board that MIEs still had a few project and programme concepts that had been endorsed by the Board but not yet been submitted as fully-developed proposals.

158. The representative of the trustee explained that the estimate of funds available up to 2020 was based on the present low price level for CERs and had not made any assumptions about possible future donations.

159. The representative of the secretariat then presented the pros and cons of several options to address the pipeline as requested by Decision B.22/25. The options were to permanently lift the 50 per cent cap on MIEs, to temporarily lift the cap to clear the pipeline as of the present meeting, or to manage the Fund's resources in an adaptive manner. In that case there were two sub-options; the Board could either modify the percentage of the cumulative resources of the Fund set aside for NIEs, and review that on an annual basis, or it could enhance the predictability of MIE funding through the development of a work programme for MIE submissions. In addition to those options the Board might also consider the temporary closure of the pipeline.

160. There was general agreement that the cap should not be lifted at the present time but also that there was a need to find additional sources of funding to clear the projects in the pipeline. The cap sent a clear message to the MIEs about the importance that the Fund attached to the direct-access mechanism. However, after projects had been in the pipeline for over two years there might be a need to review them before they could be approved. It was also a matter of concern that two of the projects in pipeline, and thus not being funded, were to aid least-developed countries and it was pointed out that those countries might have approached MIEs because they did not have the capacity to create their own NIEs.

161. It was thought that it might be possible to create a contingency fund financed by donations from the private sector which would also help the private sector have a sense of ownership in the Fund. A staged approach might be possible so that the issue of funding could be addressed while the Board continued to consider the options before it.

162. It was also suggested that the Board was in a difficult position as it was drawn toward two different policy goals: the support of the direct-access mechanism and the need to support the concrete adaption proposals of the countries themselves while respecting their choice to use MIEs if they wished to.

163. The Adaptation Fund Board agreed to defer further consideration of the matter until its twenty-fourth meeting.

### **Agenda Item 13: Date and venue of meetings in 2014**

164. The Manager of the secretariat reported that the secretariat had sent a letter to the Minister of Environment in Peru to request co-organization of the twenty-fourth meeting in Lima in September or October 2014. The ministry had not responded, but there was a need to start informing implementing entities about the deadlines for submitting applications. Consequently it was proposed that the twenty-fourth meeting be held in Bonn, and the secretariat was suggesting the dates of 7 to 10 October 2014.

165. The Adaptation Fund Board decided:

- (a) To hold its twenty-fourth meeting from 7 to 10 October 2014 in Bonn, Germany; and
- (b) That the deadline for submissions for the intersessional project/programme proposal review cycle between the twenty-third and twenty-fourth meetings will be 14 April 2014.

**(Decision B.23/28)**

#### **Agenda Item 14: Dialogue with civil society organizations**

166. The dialogue with civil society preceded the meeting of the Board and a summary of the dialogue is contained in **Annex VII** to the present report.

#### **Agenda Item 15: Other matters**

##### *Ways to engage with the Adaptation Committee*

167. Ms. Churie-Kallhauge reported that she had attended a meeting of the Adaptation Committee where she had made a presentation on behalf of the Chair of the Adaptation Fund Board. She said that the Adaptation Committee would like to continue the dialogue with the Adaptation Fund Board and she suggested that it might be useful for the Board to have a presentation by the Adaptation Committee.

168. The Adaptation Fund Board agreed that it was useful to continue its dialogue with the Adaptation Committee.

##### *Report of the portfolio monitoring missions in Honduras and Nicaragua*

169. A representative of the secretariat reported on the findings of two missions undertaken to monitor projects in Honduras and Nicaragua, which were more fully presented in document AFB/EFC.14/4. The first project, in Honduras, focused on urban communities in the capital city while the second, in Nicaragua, on a rural watershed of the Estero Real River. The missions had been undertaken together because of the synergies involved in comparing two projects that both sought to build resilience to vulnerable communities through interventions in the water sector. There were also cost savings associated with joint missions travelling to the same region. Both projects had also been underway for about two years and so provided an opportunity to glean lessons from the early experience with implementation and execution.

170. The monitoring team had met with a number of stakeholders as well as representatives of the MIE, the United Nations Development Programme, and the local executing entities. A number of interesting lessons had been gleaned from the exercise at the portfolio level. Coordination between the executing and implementing entities had differed between the two projects. In Honduras the implementing entity had been active in providing technical oversight while in Nicaragua project delivery had been more devolved to the executing entity. Stakeholders had taken on the role of “protagonists” in the project instead of simply being seen as “beneficiaries”, in line with the prevailing development model in Nicaragua. Stakeholder participation had been high in each case, but with different characteristics; in Honduras there had been a focus on involving multiple government entities, the academic community and civil society through an inter-institutional climate change committee, while in Nicaragua there had been more focus on the devolution of responsibilities to the local level to ensure ownership

through commitment of “protagonists” to undertake certain activities. It was also observed that there were differences in the adaptation challenges being faced in the two projects based on their different geographical focus and the different urban and rural contexts.

171. The results of the missions demonstrated the importance of such visits to observe the effects of the projects on the ground and the secretariat was encouraged to continue to undertake such missions. However, clarification was sought relating to how sustainability had been assessed in the Honduran project, what had been the role of women as “protagonists” and what general conclusion could be drawn from the missions.

172. The representative of the secretariat explained that the Honduran project had been one of the first approved by the Board at a time when sustainability had not yet been a specific criterion in the review of project and programme proposals. However, sustainability had still been an important issue that had informed the review of those early proposals. The principal observation of the mission was that it had demonstrated that the review criteria being used by the secretariat in its review of the project documents were valid; the Board could continue to apply those review criteria. It was important to remember that the missions had been directed towards generating knowledge and learning at the portfolio level and that there would also be a mid-term review of each of the projects at the project level that would provide important lessons for the future. He also explained that men, women and children had all been seen as “protagonists” in the Nicaraguan project.

173. The Board took note of the presentation by the secretariat.

*Adoption of a zero tolerance policy for corruption*

174. The Chair said that as the Board requested a zero tolerance policy for corruption for accreditation of its applicant implementing entities it should adopt a similar policy for itself. Following a discussion the proposal was accepted. Some members also expressed that it would be useful to have more information on the practices in other institutions.

175. Having considered the proposal by the Chair, the Adaptation Fund Board decided to request the secretariat to present for consideration by the Ethics and Finance Committee at its fifteenth meeting:

- (a) a draft zero tolerance policy for corruption; and
- (b) An overview of existing policies and procedures addressing management of risks in the Fund’s operations, including any proposals for amendments, as appropriate.

**(Decision B.23/30)**

*Increasing transparency by opening committee meetings to observers*

176. The Chair reminded the Board that it had been suggested during the dialogue with civil society that opening the meetings of the PPRC and the EFC to participation by observers could increase the transparency of the operations of the Board.

177. It was pointed out that both the PPRC and the EFC would have to be treated equally and that it was important to balance the desire for transparency with the efficient operations of the Board. As of the present meeting the reports of the PPRC and the EFC would be posted on the Fund's website together with the reports of the Board and its other documents which were already there. The Board already engaged in a dialogue with civil society and its decisions were already informed by the briefing papers prepared by Germanwatch. The Board's operations were open to observers but there were some deliberations that needed to be taken in closed session. The members of the Board were bound by specific rules of conduct and rules of conflict of interest and it was asked if the observers could be bound by those same rules.

178. The Adaptation Fund Board agreed to defer further consideration of the issue to a future meeting.

#### **Agenda Item 15: Adoption of the report**

179. The present report was adopted intersessionally by the Board following its twenty-third meeting.

#### **Agenda Item 16: Closure of the meeting**

180. The Chair declared the meeting closed on Friday, 21 March 2014 at 5 p.m.

## ANNEX I

| <b>ATTENDANCE AT ADAPTATION FUND BOARD – TWENTY-THIRD MEETING</b> |  |                                    |
|---|--|------------------------------------|
| <b>MEMBERS</b>  |  |                                    |
| <b>Name</b>   | <b>Country</b>                                       | <b>Region</b>                      |
| Mr. Yerima Peter Tarfa  | Nigeria  | African States                     |
| Me. Ezzat L.H. Agaigy   | Egypt  | African States                     |
| Mr. Mohamed Shareef   | Maldives   | Asia-Pacific States                |
| Mr. Nauman Bashir Bhatti  | Pakistan   | Asia-Pacific States                |
| Mr. Valeriu Cazac   | Moldova  | Eastern European States            |
| Mr. Philip S. Weech   | Bahamas  | Latin America and Caribbean States |
| Mr. Raúl Pinedo   | Panama   | Latin America and Caribbean States |
| Ms. Yuka Greiler  | Switzerland  | Western European and Other States  |
| Ms. Su-Lin Garbett-Shiels   | United Kingdom of Great Britain and Northern Ireland | Western European and Other States  |
| Ms. Angela Churie-Kallhauge                                       | Sweden   | Annex I Parties                    |
| Mr. Boubacar Sidiki Dembele                                       | Mali   | Non-Annex I Parties                |
| Ms. Margarita Caso Chávez   | Mexico   | Non-Annex I Parties                |
| Mr. Mamadou Honadia   | Burkina Faso   | Least Developed Countries          |
| Mr. Peceli Vocea  | Fiji   | Small Island Developing States     |

| <b>ALTERNATES</b>               |                |                                    |
|---------------------------------|----------------|------------------------------------|
| <b>Name</b>                     | <b>Country</b> | <b>Constituency</b>                |
| Mr. Petrus Muteyauli            | Namibia        | African States                     |
| Mr. Zaheer Fakir                | South Africa   | African States                     |
| Mr. Monsurul Alam               | Bangladesh     | Asia-Pacific States                |
| Mr. Aram Ter-Zakaryan           | Armenia        | Eastern European States            |
| Ms. Medea Inashvili             | Georgia        | Eastern European States            |
| Ms. Irina Helena Pineda Aguilar | Honduras       | Latin America and Caribbean States |
| Mr. Jeffery Spooner             | Jamaica        | Latin America and Caribbean States |
| Mr. Marc-Antoine Martin         | France         | Western European and Other States  |
| Mr. Hans Olav Ibrekk            | Norway         | Western European and Other States  |
| Mr. Markku Kanninen             | Finland        | Annex I Parties                    |
| Ms. Ana Fornells de Frutos      | Spain          | Annex I Parties                    |
| Ms. Patience Dampthey           | Ghana          | Non-Annex I Parties                |
| Mr. Adao Soares Barbosa         | Timor Leste    | Least Developed Countries          |
| Mr. Paul Elreen Philip          | Grenada        | Small Island Developing States     |

**ANNEX II****ADOPTED AGENDA OF THE TWENTY-THIRD BOARD 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 activities of the outgoing Chair.
5. Report on activities of the secretariat.
6. Report of the Accreditation Panel.
7. Report of the thirteenth meeting of the Project and Programme Review Committee (PPRC) on:
  - a) Update on funding status and the situation of the pipeline
  - b) Issues identified during project/programme review;
  - c) Project/programme proposals;
  - d) Intersessional review and approval of projects/programme proposals;
  - e) Analysis of possible effects on administrative costs of the use of multiple Executing
  - f) Entities and implementing partners for the implementation of local adaptations actions.
8. Report of the fourteenth meeting of the Ethics and Finance Committee (EFC) on:
  - a) Options for accreditation of small entities;
  - b) Portfolio monitoring: report of the missions to Honduras and Nicaragua;
  - c) Options for an evaluation of the Fund;
  - d) Core indicator methodologies;
  - e) Complaint handling mechanism;;
  - f) Implementation of the code of conduct;
  - g) Financial issues;
  - h) Other matters.
9. Issues remaining from the 21st meeting:
  - a) Strategic discussion on objectives and further steps of the Fund. Report of the fundraising task force;
  - b) Implementation of the readiness programme.

10. Issues arising from the Convention of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its ninth session.
11. Communications and outreach.
12. Financial issues:
  - a) Financial status of the Trust Fund and CER monetization;
  - b) Status of the project/programme pipeline;
13. Date and venue of the twenty-fourth meeting.
14. Dialogue with civil society organizations.
15. Other matters:
  - a) Ways to engage with the Adaptation Committee;
  - b) The report of the portfolio monitoring missions in Honduras and Nicaragua;
  - c) Adoption of a zero tolerance policy on corruption; and
  - d) Increasing transparency by opening committee meetings to observers.
16. Adoption of the report.
17. Closure of the meeting.



ANNEX III – PPRC 14<sup>th</sup> Meeting Funding Recommendations

## PPRC 14 Funding Recommendations (March 19, 2014)

|                                    | Country/Title                   | IE     | Document Ref        | Project           | Fee              | NIE               | RIE              | MIE              | IE fee %    | Set-aside Funds | Decision           |
|------------------------------------|---------------------------------|--------|---------------------|-------------------|------------------|-------------------|------------------|------------------|-------------|-----------------|--------------------|
| <b>1. Projects and Programmes:</b> |                                 |        |                     |                   |                  |                   |                  |                  |             |                 |                    |
|                                    | India (4)                       | NABARD | AFB/PPRC.14/9       | 544,333           | 46,268           | 590,602           |                  |                  | 8.5%        |                 | Not approved       |
|                                    | India (5)                       | NABARD | AFB/PPRC.14/10      | 571,877           | 48,610           | 620,487           |                  |                  | 8.5%        |                 | Not approved       |
|                                    | Kenya                           | NEMA   | AFB/PPRC.14/11      | 9,278,085         | 720,217          | 9,998,302         |                  |                  | 7.8%        |                 | Deferred           |
|                                    | Indonesia                       | WFP    | AFB/PPRC.14/12      | 5,525,959         | 469,707          |                   |                  | 5,995,666        | 8.5%        |                 | Placed in pipeline |
|                                    | <b>Sub-total</b>                |        |                     | <b>15,920,254</b> | <b>1,284,802</b> | <b>11,209,391</b> |                  | <b>5,995,666</b> | <b>8.1%</b> | <b>0</b>        |                    |
| <b>2. Project Formulation</b>      |                                 |        |                     |                   |                  |                   |                  |                  |             |                 |                    |
|                                    | India (1)                       | NABARD | AFB/PPRC.14/4/Add.1 | 29,900            |                  | 29,900            |                  |                  |             | 29,900          | Approved           |
|                                    | India (2)                       | NABARD | AFB/PPRC.14/5/Add.1 | 30,000            |                  | 30,000            |                  |                  |             | 30,000          | Approved           |
|                                    | India (3)                       | NABARD | AFB/PPRC.14/6/Add.1 | 29,700            |                  | 29,700            |                  |                  |             | 29,700          | Approved           |
|                                    | Morocco                         | ADA    | AFB/PPRC.14/7/Add.1 | 30,000            |                  | 30,000            |                  |                  |             | 30,000          | Approved           |
|                                    | <b>Sub-total</b>                |        |                     | <b>119,600</b>    |                  | <b>119,600</b>    |                  |                  |             | <b>119,600</b>  |                    |
| <b>3. Concepts:</b>                |                                 |        |                     |                   |                  |                   |                  |                  |             |                 |                    |
|                                    | India (1)                       | NABARD | AFB/PPRC.14/4       | 1,131,000         | 96,000           | 1,227,000         |                  |                  | 8.5%        |                 | Endorsed           |
|                                    | India (2)                       | NABARD | AFB/PPRC.14/5       | 1,601,718         | 136,146          | 1,737,864         |                  |                  | 8.5%        |                 | Endorsed           |
|                                    | India (3)                       | NABARD | AFB/PPRC.14/6       | 2,335,053         | 198,480          | 2,533,533         |                  |                  | 8.5%        |                 | Endorsed           |
|                                    | Morocco                         | ADA    | AFB/PPRC.14/7       | 9,188,940         | 781,060          | 9,970,000         |                  |                  | 8.5%        |                 | Endorsed           |
|                                    | Federal States of<br>Micronesia | SPREP  | AFB/PPRC.14/8       | 8,668,125         | 711,875          | 9,380,000         | 9,380,000        |                  | 8.2%        |                 | Not endorsed       |
|                                    | <b>Sub-total</b>                |        |                     | <b>22,924,836</b> | <b>1,923,561</b> | <b>24,848,397</b> | <b>9,380,000</b> | <b>0</b>         | <b>8.4%</b> |                 |                    |
| <b>4. Total (4 = 1 + 2 + 3)</b>    |                                 |        |                     | <b>38,964,690</b> | <b>3,208,363</b> | <b>36,177,388</b> | <b>9,380,000</b> | <b>5,995,666</b> | <b>8.2%</b> | <b>119,600</b>  |                    |

## ANNEX IV: CRITERIA FOR SELECTION OF INDEPENDENT REVIEW PANEL

Key profile components of the independent review panel include:

- A combination of evaluative skills and thematic knowledge.
  - Evaluation experience: extensive knowledge of, and experience in applying, qualitative and quantitative evaluation methods; a strong record in designing and leading overall evaluations; technical competence in the area of evaluation (theory and practice), and a strong methodological background.
  - Strong knowledge in project management with strong emphasis monitoring and evaluation
  - Previous extended experience in designing, implementing and evaluating adaptation projects and programs in developing countries
  - Experience in least developed countries or those most vulnerable to climate change impacts.
  - Extended knowledge of the Adaptation Fund and of UNFCCC, Kyoto protocol and climate change and other environmental international regimes and policies
  - Extended knowledge on operational aspects of institutions (policies, governance, and accounting).
- Language capacity in English and at least one of the other six official languages of the UN (Arabic, Chinese, English, French, Russian and Spanish) and extent of international work (all AF regions)
- Independent evaluation capacity,
  - Application of ethical guidance.
  - Absence of conflict of interest: the team/evaluator must not have been involved in the design and/or implementation, supervision and coordination of and /or have benefited from the fund/programme/project under evaluation. Evaluators are independent from the development intervention, including its policy, operations and management functions, as well as intended beneficiaries.
- Strong communication and outreach skills.

## **ANNEX V: TERMS OF REFERENCE FOR INDEPENDENT REVIEW PANEL**

The independent review panel will be requested to:

Preparation Phase:

- Finalize TORs for the AF overall evaluation and disseminate for comments
- Identify the mix of skills and experiences required to conduct this evaluation
- Oversee the development and pretesting of data collection instruments and ensure reliability of sources of information developed and utilized by the evaluation implementing team
- Select evaluators to undertake evaluation

Implementation phase:

- Follow progress of the implementation
- Provide feedback to evaluation implementing team periodically
- Assess quality of reports entered by evaluators
- Arrange for meeting with AF stakeholders to discuss draft report (during the AFB meeting)
- Ensure presentation of AF final evaluation results

Final stage:

- Evaluate performance of evaluators

The minimum criteria included to implement quality assurance reviews by the independent review panel:

- The evaluation report presented an assessment of all possible and relevant outcomes and achievement of the AF objectives in the context of AF strategic priorities, and guidance
- The evaluation report was consistent, the evidence presented was complete and convincing and sustained in data collected
- The evaluation report presented a sound assessment of sustainability of outcomes as possible. The lessons and recommendations listed in the final evaluation report are supported by the evidence presented and are relevant to the AF operations.
- Do the recommendations directly follow from the evaluation's findings and the conclusions? Are they supported by sound analysis and reasoning? Are they "actionable," in the sense that they can be implemented in existing circumstances? And lessons: does the report mention lessons that may be used in refining process and strategies or designing new policies? Are they adequately explained?
- The final evaluation report included the actual AF cost (totals, per activity, and per source).

- The final evaluation report included an assessment of the quality of the M&E plan at entry, the operation of the M&E system used during implementation, and the extent M&E was sufficiently budgeted for during preparation and properly funded during implementation.
- The final evaluation report clearly stated the quality of data used in the design and implementation of the evaluation: What is the quality of data and information gathered by the team? Are there serious questions about their reliability and validity? Does the report mention, in a transparent manner, the relative strengths and weaknesses of the data obtained?
- The final evaluation report covers defined evaluation questions: Are all evaluation questions answered in the report? Are the data and evidence presented clearly? Are alternative explanations of findings explicitly considered and explored

## ANNEX VI

## Approved FY14 budget, FY14 estimate and proposed FY15 budget of the Board and secretariat

| All amounts in US\$                                  |   | Approved<br>FY14 | Estimate<br>FY14 | Proposed<br>FY15 |
|--|---|------------------|------------------|------------------|
| <b>PERSONNEL COMPONENT</b>                           |   |                  |                  |                  |
| <b>Full-time staff (including benefits):</b>         |   |                  |                  |                  |
| 01   | Senior Program Manager (GH)                           | 243,185          | 243,185          | 251,057          |
| 02   | Program Manager (GG)                                  | 169,441          | 169,441          | 180,186          |
| 03   | Program Manager (GF)                                  | 156,569          | 156,569          | 169,441          |
| 04   | Operations Officer (Accreditation) (GF)               | 153,696          | 153,696          | 156,569          |
| 05   | Program Assistant (GC)                                | 85,680           | 85,680           | 85,680           |
| 06   | Junior Professional Associate (JPA)                   | 77,807           | 77,807           | 77,807           |
|  | <b>sub-total AFB staff</b>                            | <b>886,378</b>   | <b>886,378</b>   | <b>920,740</b>   |
| <b>GEF staff cross-support (including benefits):</b> |   |                  |                  |                  |
| 01   | Head of the AFB Secretariat (G) - 10%                 |                  |                  |                  |
| 02   | Accounting support (GF) - 14%                         |                  |                  |                  |
| 03   | AF database, KM strategy (GF) - 2%                    |                  |                  |                  |
| 04   | AF database (GF) - 3%                                 |                  |                  |                  |
| 05   | Communications and outreach (GG) - 2%                 |                  |                  |                  |
| 06   | HR support (GD) - 5%                                  |                  |                  |                  |
| 07   | IT support (GF) - 5%                                  |                  |                  |                  |
| 08   | Review of projects (1@GF) - 6%                        |                  |                  |                  |
| 10   | Review of projects (5@GG) - 6%                        |                  |                  |                  |
| 11   | Head of Operations and Business Strategy (GH) - 2%    |                  |                  |                  |
|  | <b>sub-total GEF staff</b>                            | <b>176,413</b>   | <b>223,023</b>   | <b>179,198</b>   |
| <b>GEF Evaluation Office cross-support:</b>          |   |                  |                  |                  |
| 01   | Evaluation report                                     | 3,000            | -                | -                |
| 02   | EO staff cost   | 8,000            | -                | -                |
| 03   | Travel to AFB meetings                                | 6,000            | -                | -                |
|  | <b>sub-total GEF EO cross-support</b>                 | <b>17,000</b>    | <b>0</b>         | <b>0</b>         |
| <b>Consultants &amp; others</b>                      |   |                  |                  |                  |
| 01   | AFB Secretariat Support (Legal support etc.)          | 25,000           | 33,000           | 35,000           |
| 02   | Design and Operation of dedicated Web sites           | 35,000           | 20,000           | 85,000           |
| 03   | Communications Strategy & KM                          | 89,700           | 89,700           | 127,000          |
| 04   | Result Based Management (RBM)                         | 10,000           | 11,000           | 85,000           |
| 05   | Environment and social safeguards                     |                  | 7,000            | 20,000           |
|  | <b>sub-total Consultants</b>                          | <b>159,700</b>   | <b>160,700</b>   | <b>352,000</b>   |
|  | <b>SUB-TOTAL PERSONNEL COMPONENT</b>                  | <b>1,239,491</b> | <b>1,270,101</b> | <b>1,451,938</b> |
| <b>TRAVEL COMPONENT</b>                              |   |                  |                  |                  |
| 01   | AF Secretariat staff                                  | 330,000          | 200,000          | 174,000          |
| 02   | Awareness Raising                                     | 43,400           | 43,400           | 40,000           |
| 03   | Board - 24 eligible members                           | 400,000          | 300,000          | 200,000          |
|  | <b>SUB-TOTAL TRAVEL COMPONENT</b>                     | <b>773,400</b>   | <b>543,400</b>   | <b>414,000</b>   |
| <b>GENERAL OPERATIONS COMPONENT</b>                  |   |                  |                  |                  |
| 01   | Office Space, Equipment and Supplies                  | 200,000          | 200,000          | 200,000          |
| 02   | Support to Chair (communications)                     | 23,870           | 23,870           | 23,870           |
| 03   | Publications and Outreach                             | 40,000           | 40,000           | 70,000           |
|  | <b>SUB-TOTAL GENERAL OPERATIONS COMPONENT</b>         | <b>263,870</b>   | <b>263,870</b>   | <b>293,870</b>   |
| <b>MEETINGS COMPONENT</b>                            |   |                  |                  |                  |
| 01   | Logistics, interpretation, report writing etc.        | 480,000          | 300,000          | 240,000          |
| 02   | Translation   | 150,000          | 100,000          | 100,000          |
|  | <b>SUB-TOTAL MEETINGS COMPONENT</b>                   | <b>630,000</b>   | <b>400,000</b>   | <b>340,000</b>   |
|  | <b>TOTAL ALL COMPONENTS</b>                           | <b>2,906,761</b> | <b>2,477,371</b> | <b>2,499,808</b> |
| <b>Overall Evaluation</b>                            |   |                  |                  |                  |
| All amounts in US\$                                  |   | Approved<br>FY14 | Estimate<br>FY14 | Proposed<br>FY15 |
| 01   | Overall evaluation                                    | -                | -                | 335,000          |
|  | <b>TOTAL OVERALL EVALUATION</b>                       | <b>0</b>         | <b>0</b>         | <b>335,000</b>   |
| <b>Accreditation</b>                                 |   |                  |                  |                  |
| All amounts in US\$                                  |   | Approved<br>FY14 | Estimate<br>FY14 | Proposed<br>FY15 |
| 01   | Accreditation Panel (fees & conting.)                 | 272,000          | 278,975          | 300,000          |
| 02   | Accreditation Panel/Staff (travel)                    | 160,000          | 160,000          | 160,000          |
|  | <b>TOTAL ACCREDITATION</b>                            | <b>432,000</b>   | <b>438,975</b>   | <b>460,000</b>   |
|  | <b>GRAND TOTAL ALL COMPONENTS &amp; ACCREDITATION</b> | <b>3,338,761</b> | <b>2,916,346</b> | <b>3,294,808</b> |

**ANNEX VII****DIALOGUE WITH CIVIL SOCIETY ORGANIZATIONS, 19 MARCH 2013, BONN, GERMANY**

1. The meeting was opened at 2.00 p.m. by the Chair of the Adaptation Fund Board, Mr. Mamadou Honada, who invited the Board to enter into a dialogue with the civil society.
2. Mr. Alpha Kaloga (Germanwatch) said that any intersessional approval process had to ensure the effective participation of the members of the Project and Programme Review Committee (PPRC) and the Board. There was value in face-to-face negotiations and the approval for fully-developed regular projects and programmes needed to take place during regular meetings of the Board. The readiness programme had to take stock of the overall support being provided by different initiatives in developing countries and assess the reasons why national implementing entities (NIEs) had not been put forward. South-South cooperation would be a critical component but any funding had to be requested by the recipient countries and not by the entities providing that support. Civil society organizations could also be engaged in the knowledge management of the readiness process, especially with regard to environmental and social safeguards.
3. The strategic discussion of the options to fund the pipeline was linked to the fundraising strategy and it was important for the Fund to establish a biannual fundraising goal that also promoted direct access; his group favoured option 2. Neither the first come, first served approach nor earmarking funds from donors was a reasonable option. With respect to the evaluation of the Fund, he said that it was meant to inform both the Board on its performance and the review process itself. The first phase focused on the effectiveness, sustainability and adequacy of the Fund's operations, while the second phase would focus on evaluating the portfolio of the Fund, once it had matured, and the long-term outcomes, impacts and sustainability of the Fund's interventions.
4. Mr. Willie Tuimising (Practical Action) reported on the experience of Kenya's NIE, the National Environment Management Agency (NEMA), which had been accredited in March 2012. By January 2013 it had received 193 proposals and by early February of 2013 eleven proposals had been shortlisted. A final proposal had been submitted but the Board had not approved it at its twenty-second meeting. He noted that there had been governance challenges at NEMA, and that NEMA was taking measures to confront these. He said that the direct access modality placed vulnerable communities at the center of the discourse, maximized their voice and facilitated the formulation of solutions they desired. It promoted capacity-building for the beneficiaries, transparency and accountability. It had also built capacity at NEMA; NEMA had upped its game and had developed in-house institutional capacity. There had been consultation with key stakeholders and public participation had taken place in Nairobi and other locations in Kenya. A grievance handling mechanisms had been implemented and NEMA had published its lessons learned from the process of accreditation.
5. In response to questions about his views of the intersessional decision making process, Mr. Kaloga said that once Board members returned home they would naturally focus on national issues. The time for the review of projects and programmes might be limited. Further, transparency was the benchmark of the Board so it was important that

intersessional decisions had the meaningful participation of stakeholders who needed to be informed about the intersessional process on the Fund's website. Any decisions dealing with funding had to be taken in face-to-face meetings of the Board.

6. Ms. Angela Churie-Kallhauge (Sweden, Annex I Parties) assured civil society that intersessional decision making was now a common practice and that the Board's members did not forget about their work when they went home.
7. In response to a question about the participation of NIEs in the meetings of the Board Mr. Tuimising said the NEMA considered that the turnaround time on the decision for its project would have been faster with direct access to the Board. He also explained that awareness of climate change issues had been growing over the past six years in Kenya and that NEMA had some 60 to 70 staff members.
8. Mr. Kaloga said that civil society had a good relationship with the Board but that the Board would benefit from interventions on the different agenda items by civil society. Its representatives should also participate in the meetings of the Board's committees. That was something that the Board had the discretion to decide for itself.
9. Mr. Sönke Kreft (Germanwatch) said that the NGO Network had 78 members and was hosted by Germanwatch. In future the Network would provide an independent in-country civil society validation mechanism for the Adaptation Fund and support its strategic objectives such as the protection of vulnerable people and the promotion of direct access. At the country level it supported baseline mapping, bottom-up consultations, dialogue with NIEs, country case studies, and in-country awareness-raising. It also supported regional hubs to improve and support regional implementation. At the level of the Board it provided policy briefings and the engagement of civil society organizations at Board meetings. The direct involvement of civil society organizations during Board meetings could be encouraged by allowing civil society to comment on each agenda item, as was customary at meetings of other bodies. Active observers should also participate in meetings of the Board's committees and the Board's documents should be published well in advance of its meetings.
10. Mr. Sven Harmeling (Germanwatch) said that the intersessional process had to be more visible to ensure that the civil society organizations knew when decisions were being taken. Civil society participation was an emerging standard that the Board should consider and that it would be useful for it to participate in the review of the Fund as well.
11. The Chair thanked those in attendance. He said that the representatives of civil society had provided food for thought and closed the dialogue at 3.15 p.m.