



ADAPTATION FUND

AFB/B.16/6/Rev.1
February 29, 2012

ADAPTATION FUND BOARD

Sixteenth Meeting

Durban, December 13 to 14, 2011

REPORT OF THE SIXTEENTH MEETING OF THE ADAPTATION FUND BOARD

INTRODUCTION

1. The sixteenth meeting of the Board of the Adaptation Fund of the Kyoto Protocol was held at the Conference Centre of the Protea Hotel Umhlanga Ridge, Durban, South Africa, from December 13 to 14, 2011, back-to-back with the seventh meetings of the Project and Programme Review Committee (PPRC) and the Ethics and Finance Committee (EFC) of the Adaptation Fund Board. The meeting was also preceded by a dialogue with civil society which took place on December 11, 2011 at the same venue. The meeting was broadcast live through a link on the website of the Adaptation Fund, and the Government of South Africa provided logistical and administrative support for the hosting of the meeting.

2. The meeting was convened pursuant to decision 1/CMP.3 adopted at the Third Meeting of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), and the full list of the members and alternate members, nominated by their respective groups and elected pursuant to decisions 1/CMP.3, and 1/CMP.4, and participating at the meeting, is attached as Annex I to the present report. A list of all accredited observers present at the meeting can be found on the Adaptation Fund website at <http://www.adaptation-fund.org/documents.html>.

Agenda item 1: Opening of the Meeting

3. The meeting was opened at 11.00 a.m. on Tuesday, December 13 2011, by the Chair, Ms. Ana Fornells de Frutos (Spain, Annex I Parties), who greeted the members and alternates of the Board, and welcomed all the participants to the sixteenth meeting of the Adaptation Fund Board.

Agenda item 2: Organizational matters

(a) *Adoption of the agenda*

4. The Board considered the provisional agenda contained in document AFB/B.16/1, as well as the provisional annotated agenda contained in document AFB/B.16/2 and the provisional

timetable attached to it. The Board also agreed to consider the following issue under agenda item 18, "Other Matters": Offer by the Government of Sweden to host a meeting of the Accreditation Panel during 2012.

5. The Board adopted the agenda, as orally amended, which is contained in Annex II to the present report.

(b) Organization of work

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

(c) Declarations of conflict of interest

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

(a) Mr. Cheikh Ndiaye Sylla (Senegal, Africa);

(b) Mr. Ezzat L.H. Agaiby (Egypt, Africa);

(c) Mr. Richard Mwendandu (Kenya, Africa);

(d) Mr. Santiago Reyna (Argentina, Latin American and Caribbean Countries);

(e) Mr. Luis Santos (Uruguay, Latin American and Caribbean Countries); and

(f) Ms. Medea Inashvili (Georgia, Eastern Europe).

8. The Manager of the Adaptation Fund Board secretariat, Ms. Marcia Levaggi, also said that as she was an Argentine Government officer on leave, she would have a conflict of interest when the Board took up matters related to Argentina.

Agenda item 3: Report on intersessional activities of the Chair

9. The Chair reported that the Board had met with representatives of civil society before the present meeting as well as with the bilateral and Multilateral Implementing Entities in a separate meeting. In relation with the former and answering a question from one Board member on whether direct access had been positive, the participants confirmed with concrete examples the advantages and benefits of having an accredited NIE for their countries.

10. Further, she had participated in the accreditation workshop that had been held in Panama and considered it a very positive experience for disseminating information on the process and requirements of the accreditation process.

11. The Chair reported that she, along with the Vice-Chair, had been in contact with the representatives of several countries in the margins of the UNFCCC sessions in Panama and COP 17 / CMP 7 in Durban.

12. She also participated at the side-event held for the Adaptation Fund during the first week of the COP17/CMP7 in Durban as moderator of a Panel comprised of representatives from five NIEs. She also coordinated with the secretariat on the organization of the Adaptation Fund's 2011 Photo Contest. The winning photos were announced and displayed at the Adaptation Fund's side event in Durban.

13. The agreements and transfer forms had been signed for the first tranche of funds for the projects for the Maldives, Mauritius, Mongolia and Turkmenistan.

14. She also said that she had been in contact with Mr. Tarek Rouchdy, the consultant selected by the Board to prepare the performance review of the secretariat and the trustee.

The Board took note of the presentation by the Chair.

Agenda item 4: Report on the activities of the secretariat

15. The Manager of the Adaptation Fund Board secretariat reported on the activities of the secretariat during the intersessional period, which were more fully described in document AFB/B.16/3.

16. Following the 15th meeting held in Bonn, Germany on 15 and 16 September 2011, the secretariat had supported the Chair in finalizing the report of the meeting. The report had been completed and circulated to Board members and alternates for comments and approval, and had now been posted on the website of the Adaptation Fund as document AFB/B.15/8.

17. In preparation for the 16th Board meeting, the secretariat had issued letters of invitation to the Board members and alternates, and facilitated visa arrangements with the assistance of the Government of South Africa. The secretariat had also concluded its discussions with the Government on the hosting of the meeting, and had arranged for an exchange of letters between the Board Chair and the Minister to afford the Board privileges and immunities during its meeting. The secretariat was grateful to the Government of South Africa for hosting and providing essential logistical support for the meeting of the Board, the second to be held outside Germany.

18. Working closely with the Board and Committee Chairs and Vice-Chairs, and the trustee, the secretariat had prepared the documents for the 16th Board meeting and for the 7th meetings of the Project and Programme Review Committee (PPRC) and the Ethics and Finance Committee (EFC).

19. In consultation with the Board Chair and Vice-Chair, the secretariat had prepared and circulated draft decision texts, two of which were approved by the Board during the intersessional period: Decision B.15-16/1: *Amendment to the Board and secretariat budget for fiscal year 2012* and Decision B.15-16/2: *“Climate change adaptation programme in water and agriculture in Anseba region, Eritrea” (UNDP): Extension for project start-up.*

20. The secretariat had made ongoing efforts to improve the content and structure of the Adaptation Fund’s website. It was working on creating an additional website to host the secure content of the Accreditation Panel as part of a workflow to manage applications, including functionality to submit applications online. Interviews with Board members and representatives of civil society had been uploaded to the Fund’s YouTube channel. A consultant had also been hired to produce a video on the programme under implementation in Senegal, and that too had been made available on the Fund’s YouTube channel and on its website.

21. The consultant selected by the Board to prepare the performance reviews of the secretariat and trustee, Mr. Tarek Rouchdy, had visited the premises of the secretariat and the trustee on 11-18 October 2011, meeting with all the members of the dedicated team of officials of the secretariat, the GEF Evaluation Office Director; the GEF Team Leader on Operations and

GEF staff providing accounting cross-support to the secretariat. He also had a conference call with the GEF C.E.O. His review had been completed on 4 November 2011, after which the secretariat had forwarded it to the Board and subsequently to the UNFCCC secretariat for discussion at CMP7.

22. The secretariat and the trustee had met with the United Nations Foundation (UN Foundation) to explore the possibility of partnering on the collection of private donations to be channeled to the Adaptation Fund. The issue had been referred to the UN Foundation Board for its consideration, but no answer had been forthcoming by the time of the present meeting.

23. Pursuant to decision B.15/9, the contracts of the three Accreditation Panel experts had been renewed. No expert from the Adaptation Fund's Accreditation Panel had been hired by the GEF for its own Accreditation Panel.

24. The revised Operational Policies and Guidelines and associated templates had been placed on the Adaptation Fund's webpage.

25. The secretariat had supported the Chair of the Board in the organization of the Adaptation Fund 2011 Photo Contest. It had prepared a flyer and made dissemination and outreach efforts, collected and organized the entries, and prepared a shortlist for the selection jury, which comprised of Cristina Algarra (IPADE Foundation), Pedro Armestre (Photographer), Marco Gordillo (Manos Unidas NGO), and Sofia Moro (Photographer). The winners of the photo contest had been announced at the Adaptation Fund's side event in Durban, South Africa during COP17/CMP7 and were also featured on the website.

26. Also at the Fund's side event on 30 November 2011, organized by the secretariat, five of the six accredited NIEs had given presentations on their experience with the accreditation process and project implementation. The event had been well attended and had been documented on the Adaptation Fund webpage.

27. The secretariat also had an exhibit booth at the Durban Exhibition Center (DEC) for the entire two weeks of COP17/CMP7. Publications had been displayed and materials (including USB drives, t-shirts, tote bags, and notepads) distributed. A representative of the secretariat had also been present each day to answer questions and interact with delegates.

28. In its support to the Accreditation Panel, the secretariat had continued screening applications for accreditation from Parties, regional and multilateral organizations and development banks. Since the last Board meeting, it had received new requests for accreditation from 10 national entities and one multilateral organization. Seven new accreditation applications from national entities and one from a multilateral organization had been forwarded to the Panel for review. Since the inception of the accreditation process, the secretariat had received and screened 47 applications: 32 from non-Annex I Parties, 3 from regional organizations and 12 from multilateral organizations and development banks. The Panel had so far reviewed 36 applications: 22 from non-Annex I Parties, 2 from regional organizations and development banks, and 12 from multilateral organizations and development banks.

29. The secretariat also collaborated in the preparation of technical presentations at the two regional accreditation workshops organized by the UNFCCC secretariat in 2011, and some of its staff members also participated in those workshops delivering presentations and providing back up to the expert panel members.

30. In response to questions from Board members, the Manager of the secretariat added that after completion of the work to permit online accreditation applications through the website, the next stage would be to incorporate the project database.

Agenda item 5: Report of the eighth meeting of the Accreditation Panel

31. The Chair of the Accreditation Panel, Mr. Santiago Reyna (Argentina, Latin American and Caribbean Group) introduced the report of the eighth meeting of the Accreditation Panel (Panel), which was more fully described in document AFB/B.16/4.

32. The Panel had considered applications for accreditation from seven new NIEs and one new MIE. By the time of the 16th Board meeting, the Panel had concluded its review of the Ministry of Natural Resources of Rwanda (MINIRENA), the Ministry of Planning and International Cooperation of Jordan (MOPIC) and the United Nations Educational, Scientific, and Cultural Organization (UNESCO). Twelve further applications, nine for potential NIEs, one for a potential RIE, and two potential MIEs, were still under review by the Panel.

33. The Board had approved up to four field visits to be undertaken by the Panel during the fiscal year July 2011 to June 2012. The Panel had undertaken two field visits so far (to MINIRENA in Rwanda and MOPIC in Jordan). One field visit had also been proposed in relation to the application from NIE017, possibly to be undertaken during the first quarter of 2012. Thus one field visit remained to be selected by June 2012.

34. Responding to a question from the Board Chair, the Chair of the Accreditation Panel explained that the two national entities recommended for accreditation, namely those in Rwanda and Jordan, were government ministries.

35. The Board Chair recalled that previous applications by ministries had not been successful, largely owing to the difficulty of identifying the unit within the ministry that was specifically responsible for project/programme implementation.

36. The Chair of the Accreditation Panel, while agreeing that that was generally the case, explained that they had studied the issue carefully with regard to the applications from Rwanda and Jordan, and were satisfied that there was in fact a specific unit with that remit in the applicant entities from those countries. More details about the two accredited NIEs can be found on Annex I and II to the Accreditation Panel report.

37. The Board Chair suggested that lessons might be learned from those two experiences, and that the Accreditation Panel terms of reference (TOR) could be made more specific in requiring the regular compilation and discussion of lessons learned from the Accreditation process. The TOR should also make clear which of the documentation absolutely had to be provided in English. She supported the desirability of documentation to be provided in digital format and suggested that those issues could be examined further at the Board's next meeting.

Accreditation of the Ministry of Natural Resources (MINIRENA) of Rwanda

38. Having considered the recommendations of the Accreditation Panel as contained in document AFB/B.16/4, paragraphs 4 to 10 and the conclusions contained in Annex I, the Adaptation Fund Board decided to accredit the Ministry of Natural Resources (MINIRENA) of

Rwanda (MINIRENA) as the National Implementing Entity for Rwanda on the understanding that:

- (a) MINIRENA should submit to the secretariat, on an annual basis, a procurement audit report issued by the Auditor General's Office, or an independent auditor, on the Adaptation Fund project/s under implementation in relation to the effectiveness of its procurement systems and practice, as well as continuous availability of qualified resources in project cycle management; and
- (b) The report referred to above should correlate recommendations identified by the internal auditor of MINIRENA and any relevant review by the Ministry of Economy and Finance (MINECOFIN), taking also into account any issues raised by stake holders.

(Decision B.16/1)

Accreditation of the Ministry of Planning and International Cooperation (MOPIC) of Jordan

39. Having considered the recommendations of the Accreditation Panel as contained in document AFB/B.16/4, paragraphs 11 to 15 and the conclusions contained in Annex II, the Adaptation Fund Board decided to accredit the Ministry of Planning and International Cooperation (MOPIC) as the National Implementing Entity for Jordan on the understanding that it would submit to the secretariat of the Adaptation Fund Board, by 30 June 2012, an update on the implementation of its impacts assessment system.

(Decision B.16/2)

Accreditation of the United Nations Educational, Scientific, and Cultural Organization (UNESCO)

40. Having considered the recommendations of the Accreditation Panel as contained in document AFB/B.16/4, paragraphs 16 and 17 and the conclusions contained in Annex III, the Adaptation Fund Board decided to accredit the United Nations Educational, Scientific and Cultural Organization (UNESCO) as a Multilateral Implementing Entity.

(Decision B.16/3)

Accreditation Panel observations of applications under review

41. NIE017 had been under review since the 4th meeting of the Panel. Following further interaction between the Panel and the applicant additional information had been provided by the end of November 2011. As a result, the Panel believed that many of the gaps in the application had been properly addressed and that the entity seemed to have several of the required systems in place. In consequence, the Panel had decided to undertake a field visit to gather more evidence relating to the project management cycle and the applicant's plans to improve internal controls in the areas of payments and disbursements, procurement and anti-fraud policies. The Panel therefore requested authorization from the Board to submit a recommendation on this application intersessionally, should the Panel conclude that the outcome of the field visit was satisfactory.

42. NIE028, NIE029, NIE030, NIE03 and NIE032: the Panel had noted that these applications showed potential for a prompt conclusion of the review once all the required information had been made available. Therefore, the Panel requested authorization from the

Board to submit a recommendation on the accreditation of Implementing Entities intersessionally, should the Panel's assessment of the additional documentation reviewed result in a satisfactory outcome.

43. Having considered the recommendations of the Accreditation Panel as contained in document AFB/B.16/4, the Adaptation Fund Board decided to authorize the Accreditation Panel to make a recommendation for an intersessional decision on the applications of the following applicant entities: NIE017, NIE028, NIE029, NIE030, NIE031 and NIE032.

(Decision B.16/4)

Closing of consideration and review due to lack of response

44. NIE019: The application had first been considered by the Panel at its 6th meeting in May 2011. A list of gaps and issues had been identified and additional information had been requested soon after the meeting. The applicant provided some information in August 2011 but no further response was received thereafter. In view of the lack of response to several follow-up communications, the Panel had closed its consideration of the application, in accordance with decision B.12/2.

Ongoing reviews

45. NIE018: The application had been sent in February 2011. Several information gaps had been identified at the screening stage and repeated requests had been sent to the applicant entity for additional information. The application had been forwarded to the Panel for consideration at its 8th meeting. The Panel had set a deadline for response by the applicant, to which the applicant entity had finally responded by requesting more time to provide the additional information. The Panel had therefore decided to continue its consideration of this application.

46. NIE022: The application had been submitted in June 2011. The Panel had identified several issues needing clarification by the applicant. At its 8th meeting, the Panel had decided to continue its consideration of this application and had sent a request for further information.

47. NIE005: The Panel had also started consideration of a resubmission of an application by this potential NIE and would continue it at its next meeting.

48. RIE002: The Panel had decided to continue its consideration of this application on the basis of information recently submitted by the applicant.

49. One Board member asked whether this entity might be recommended for accreditation intersessionally, but the Chair of the Accreditation Panel replied that consideration of the information provided was not yet sufficiently advanced.

50. MIE010 and MIE011: The Panel was awaiting further information and clarifications from the applicant entities.

51. In addition to the application reviews, the Accreditation Panel had discussed several other issues.

Regional accreditation workshops

52. The Panel had examined the outcome of the second regional workshop, mandated by the CMP and organized by the UNFCCC in Panama City, Panama, on 10 – 12 November. It had been pleased to learn that the workshop had been a success, and thanked the UNFCCC for its efforts in organizing it. The Panel was now looking forward to discussing any new lessons learned, as well as the assessment by participants, with the UNFCCC secretariat. Given the success of the workshop, the Panel recommended that the Board maintain the suggested workshop schedule, with each workshop being of three days' duration.

53. While recognizing the cost implications of having a third day, the Board agreed that they were greatly outweighed by the value of the opportunities to exchange information.

54. Members of the secretariat described their experiences at the Panama City workshop. Participant countries had seemed very positive, and had expressed their intention to pursue the accreditation of NIEs. They had welcomed the opportunity for bilateral consultations on the requirements for accreditation.

55. In response to a question, the representative of the secretariat explained that the official participants were invited by the secretariat of the UNFCCC. In most cases, one participant per country came from the designated authority and one from the entity that might seek accreditation.

56. One Board member asked whether additional participants could attend, at the country's own expense. The Board Chair considered that a good idea.

57. Adding her own experience of the workshop, which she considered very positive and constructive, she reported that some countries had requested that the accreditation toolkit should be updated. Some had also objected to the scope of the information required, and the fact that it all had to be in English. Some, too, had indicated that they had experienced difficulties in understanding the timelines and status of their applications at different stages of the accreditation process.

58. The Chair of the Accreditation Panel accepted that translations into English remained a challenge for some applicant NIEs. The Panel was making every effort to facilitate the accreditation process when documents were submitted in other languages, but as English was the working language of the Panel, all relevant documentation must be supplied in that language.

59. On the question of timelines and status of the applications, he said that the Panel never simply dropped an application if information was missing. The Panel was prepared to extend the deadline for the submission of documentation, but all too often the country stopped responding. He also pointed out that the timelines and status of applications would be made more understandable and clear once the accreditation workflow is in place.

60. On the subject of accreditation workflow, the Panel continued to discuss ways to enhance the accessibility and user-friendliness of the application process. Having been briefed by the secretariat on work in progress to develop and implement a full online workflow to enhance the accreditation process, the Panel had welcomed the initiative and provided feedback on the design of the system.

61. Having considered the recommendations of the Accreditation Panel, the Adaptation Fund Board decided:

- (a) That the remaining regional accreditation workshops continue with a duration of three days, and include information on project/programme reporting requirements;
- (b) To invite the UNFCCC secretariat to consider allowing additional participants from Parties to the Regional Accreditation Workshops, if the cost is covered by their Parties.

(Decision B.16/5)

62. The Board also decided to amend the TOR of the Accreditation Panel to include the requirement for applicants to submit the relevant supporting documentation in English and in electronic format.

(Decision B.16/6)

Agenda item 6: Report of the seventh meeting of the Project and Programme Review Committee (PPRC)

63. The Chair of the Project and Programme Review Committee (PPRC), Mr. Hans Olav Ibrek (Norway, Western European and Others Group) introduced document AFB/PPRC.7/16, which contained the seventh report of the PPRC. In his presentation he said that the Committee had made good progress and had considered 11 project proposals, making positive recommendations on six fully-developed proposals. He also said that the quality of the reviews had improved over the past year and the Committee had been impressed by the high quality of work by the secretariat. A summary of the PPRC funding recommendations is presented in Annex III to the meeting report.

Lessons learned on the review process

64. The Chair of the PPRC said that the PPRC had also considered the document on lessons learned from the review process which the Board, at its 15th meeting, had requested the secretariat to prepare, and he encouraged the other members of the Board to look at that paper as well, as it gave a good summary of the time needed for the review of projects and programmes and information on the project cycle. He said that a number of issues had come up during that discussion that were related to the Operational Policies and Guidelines, which would be kept under review for consideration together at a later date when a further revision of the Operational Policies and Guidelines was being contemplated by the Board.

65. Having considered the comments and recommendations of the Project and Programme Review Committee, the Adaptation Fund Board decided to request the secretariat to:

- (a) Prepare a short summary of the analysis contained in document AFB/PPRC.7/3 and to post it, together with the presentation made to the Project and Programme Review Committee at its seventh meeting, on the website of the Adaptation Fund;
- (b) Prepare a short and concise guidance document for project and programme proponents to better apprehend the different sections of the proposal template, and more specifically on:
 - (i) The demonstration that the project or programme supports concrete adaptation actions;

- (ii) The demonstration of the cost effectiveness of the projects and programmes;
 - (iii) The use of relevant national technical standards by the projects and programmes;
 - (iv) The areas of vulnerability; and
 - (v) The stakeholder consultative process that is necessary to prepare the project and programme proposals.
- (c) Based on the guidance document referred to above, to consider the possibility of developing a specific template for project and programme concepts, with tailored guidelines on how to complete the mandatory sections.

(Decision B.16/7)*Issues identified during the screening/technical review process*

66. The Chair of the PPRC said that the secretariat had identified one issue during the screening/technical review process for the PPRC to consider: the issue of an implementing Entity also acting as an Executing Entity. However, that policy issue had been considered to be outside the mandate of the PPRC and it was therefore recommending to the Board that the issue be taken up by the EFC.

67. Having considered the comments and recommendations of the Project and Programme Review Committee, the Adaptation Fund Board decided to request the Ethics and Finance Committee (EFC) to consider under what circumstances, conditions, and criteria Implementing Entities could act as Executing Entities.

(Decision B.16/8)*Level of funding approved for projects implemented by MIEs, in the context of the 50 per cent cap on MIEs*

68. The Chair of the PPRC noted that the EFC had also taken up consideration of the same issue and had an alternate recommendation to propose to the Board and he recommended that the proposal of the PPRC be considered at the same time as that of the EFC. He also informed the Board that the Government of Sweden had executed a donation agreement with the trustee for a donation of SEK 100 million to the Adaptation Fund Trust Fund.

69. The Chair of the Adaptation Fund Board said that the two recommendations would be considered together when considering the report of the EFC. She also welcomed the new donation from the Government of Sweden to the Adaptation Fund.

*Proposals from National Implementing Entities*Uruguay: Building Resilience to Climate Change and Variability in Vulnerable Smallholders (Fully-developed project document; ANII; URY/NIE/Agri/2011/1; US \$9,967,678)

70. The Chair of the PPRC introduced the fully-developed project, which planned to contribute to building national capacity to adapt to climate change and variability by focusing on the extensive livestock sector and targeting specifically vulnerable stakeholders.

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

- (a) Approve the project document, as supplemented by the clarification response provided by the Agencia Nacional de Investigación e Innovación (ANII) to the request made by the technical review;
- (b) Approve the funding of US \$9,967,678 for the implementation of the project, as requested by ANII; and
- (c) Request the secretariat to draft an agreement with ANII as the National Implementing Entity for the project.

(Decision B.16/9)

Proposals from Multilateral Implementing Entities

Cambodia: Enhancing Climate Resilience of Rural Communities Living in Protected Areas of Cambodia (Project concept; UNEP; KHM/MIE/Food/2011/1; US \$4,915,362)

72. The Chair of the PPRC introduced the project concept, which planned to address the reduction in food supplies caused by climate change hazards of erratic rainfall in protected areas in Northern Cambodia.

73. Having considered the comments and recommendations 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 United Nations Environment Programme (UNEP) to the request made by the technical review;
- (b) Request that UNEP reformulate the proposal taking into account the following:
 - (i) The project design should be expanded to represent a comprehensive approach to landscape management in order to achieve adaptation benefits for communities, drawing on the stated preferences of the communities, and addressing also: (i) the sustainability of the approach and (ii) earlier experience in the region with such approaches;
 - (ii) The proposal should elaborate on the expected impact of the proposed project outside the immediate target community protected areas (CPAs), through the above-mentioned landscape-level ecosystem management and through changes in stakeholder behaviour and arrangements related to, for example, forest law enforcement and land tenure;
 - (iii) The proposal should consider including ways to strengthen the currently weak knowledge base of climate change impacts on landscapes and production systems, for example, through simple ways of monitoring the impacts of project activities on the outlined adaptation challenges;
 - (iv) The proposal should assess whether and what kind of input is needed for the establishment of home gardens, which form a part of the traditional culture and have

been established without external incentives, considering that offering financial subsidies to such activity might undermine sustainability and stakeholder commitment; and

- (v) The proposal should re-assess its scaling up strategy, to be able to draw on the project results, and base any recommendation on the adaptation impact foreseen.
- (c) Request UNEP to transmit the observations referred to under item (b) above to the Government of Cambodia.

(Decision B.16/10)

Cook Islands: Akamatutu'anga i te iti tangata no te tuatau manakokore ia e te tau'anga reva - Strengthening the Resilience of our Islands and our Communities to Climate Change (SRIC - CC) (Fully-developed programme document; UNDP; COK/MIE/Multi/2011/1; US \$5,381,600)

74. The Chair of the PPRC introduced the fully-developed programme, which planned to strengthen the ability of all Cook Island communities, and the public service, to make informed decisions and manage anticipated climate change driven pressures, including extreme events, in a pro-active, integrated and strategic manner.

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

- (a) Approve the programme document;
- (b) Approve the funding of US \$5,381,600 for the implementation of the programme, as requested by the United Nations Development Programme (UNDP); and
- (c) Request the secretariat to draft an agreement with UNDP as the Multilateral Implementing Entity for the programme.

(Decision B.16/11)

Egypt: Building Resilient Food Security Systems to Benefit the Southern Egypt Region (Project Concept; WFP; EGY/MIE/Food/2011/1; US \$7,287,658)

76. The Chair of the PPRC introduced the project concept, which targeted major climate change risks and vulnerabilities in Egypt, especially for the agricultural sector and implications for food security in the middle and southern regions of Egypt.

77. Having considered the comments and recommendations 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 World Food Programme (WFP) to the request made by the technical review;
- (b) Request the secretariat to transmit to WFP the following observations:

- (i) The revised proposal indicates that the project budget had been lowered, which has not resulted in any adjustment of project or component cost, and the full proposal must reflect the cost efficiencies referenced in that revision; and
- (ii) Although the issues related to project risks, including political and security-related issues, had not been considered during the technical review of the project concept, those issues should be given further attention during the development of the fully-developed project document.
- (c) Request WFP to transmit the observations under item (b) to the Government of Egypt; and
- (d) Encourage the Government of Egypt to submit through WFP a fully-developed project proposal that would address the observations under item (b).

(Decision B.16/12)

Georgia: Developing Climate Resilient Flood and Flash Flood Management Practices to Protect Vulnerable Communities of Georgia (Fully-developed project document; UNDP; GEO/MIE/DRR/2010/1; US \$5,316,500)

78. The Chair of the PPRC introduced the fully-developed project, the objective of which was to improve the resilience of highly exposed regions in Georgia to hydro-meteorological threats that were increasing in frequency and intensity as a result of climate change.

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

- (a) Approve the project document, as supplemented by the clarification response provided by the United Nations Development Programme (UNDP) to the request made by the technical review;
- (b) Approve the funding of US\$ 5,316,500 for the implementation of the project, as requested by UNDP; and
- (c) Request the secretariat to draft an agreement with UNDP as the Multilateral Implementing Entity for this project.

(Decision B.16/13)

Madagascar: Promoting Climate Resilience in the Rice Sector through Pilot Investments in Alaotra-Mangoro Region (Fully-developed project document; UNEP; MAD/MIE/Agri/2010/1; US \$5,104,925)

80. The Chair of the PPRC introduced the fully-developed project, which sought to address the vulnerability of the rice sub-sector to climate variability and projected climate change, as the potential basis for agricultural and rural growth.

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

- (a) Approve the project document, as supplemented by the clarification response provided by the United Nations Environment Programme (UNEP) to the request made by the technical review;
- (b) Approve the funding of US \$5,104,925 for the implementation of the project, as requested by UNEP; and
- (c) Request the secretariat to draft an agreement with UNEP as the Multilateral Implementing Entity for this project.

(Decision B.16/14)

Mauritania: Enhancing Resilience of Communities to the Adverse Effects of Climate Change on Food Security in Mauritania (Project concept; WFP; MTN/MIE/Food/2011/1; US \$7,639,287)

82. The Chair of the PPRC introduced the project concept, which planned to increase the resilience and food security of communities to the impacts of climate change by providing them the information, organization, skills and means to improve the foundations on which their livelihoods were based.

83. Having considered the comments and recommendations 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 World Food Programme (WFP) to the request made by the technical review;
- (b) Request the secretariat to transmit to WFP the following observations:
 - (i) At the full proposal stage, more information should be provided on the technical staff that will be trained and the specific services that will be supported, as well as their current capacities, including the size and level of coverage at the communal, regional, national levels;
 - (ii) New tools and technologies to be implemented under this project should be compatible with existing tools and frameworks in use by the Government. That also applies to any methodologies and approaches that have not been developed in coordination with WFP;
 - (iii) More details on the amount of investment and training costs will be needed in the full project proposal in order to be able to assess the cost-effectiveness of these interventions. Different activities under component 3 require different amounts of physical investments vs. training, and that should be clearly reflected;
 - (iv) Evaluate the possibility of establishing an ecological monitoring system, which would be essential to assess the success of the restoration activities. In doing so, it should also assess which scope would fit best for such a system;
 - (v) Include more detailed analysis and description of the proposed safety nets (cash or food for work) in the full project proposal; and
 - (vi) Ensure that costing efficiencies will be looked at, for all project activities, during the full proposal preparation stage.

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

(Decision B.16/15)

Myanmar: Addressing Climate Change Risks on Water Resources and Food Security in the Dry Zone of Myanmar (Project Concept; UNDP; MMR/MIE/Rural/2011/1; US \$7,909,026)

84. The Chair of the PPRC introduced the project concept, which focused on the dry zone of Myanmar, responding to the high vulnerability of local rural communities to rainfall variability and drought, and addressed the improvement of the adaptive capacity of farmers. He said that the proposal also raised the issue of an Implementing Entity acting as an Executing Entity as well, which was an issue that had also been discussed as a matter arising out of the screening/technical review process. He pointed out that the Implementing Entity had been proactive as it had not needed to disclose its implementation arrangements at the concept stage, although it would have to expand on the implementation and execution arrangements in the full proposal.

85. Having considered the comments and recommendations 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 United Nations Development Programme (UNDP) to the request made by the technical review;
- (b) Request the secretariat to transmit to UNDP the following observations:
 - (i) The proposal should be more precise, in terms of citing specific time frames, with climate change projections, with particular emphasis on how they have informed the project;
 - (ii) While the proposal is based on participatory selection of activities, community consultation is required for the project preparation phase. Many of the assessments envisioned for the implementation phase may be more appropriately reflected in the fully-developed proposal and should contribute to the design of the project;
 - (iii) The fully-developed proposal should present a balanced approach that incorporates existing traditional practices and indigenous knowledge and introduces innovations, new species, and enhanced practices in a participatory way; and
 - (iv) The proponent should expand on the implementation/execution arrangements in the full proposal, including the separation of functions and responsibilities, as well as explore cost efficiencies given UNDP's role as both Implementing and Executing Entity.
- (c) Request UNDP to transmit the observations under item (b) to the Government of Myanmar; and

- (d) Encourage the Government of Myanmar to submit through UNDP a fully-developed project proposal that would address the observations under item (b).

(Decision B.16/16)

Papua New Guinea: Enhancing adaptive capacity of communities to climate change-related floods in the North Coast and Islands Region of Papua New Guinea (Fully-developed programme document; UNDP; PNG/MIE/DRR/2010/1; US \$6,530,373)

86. The Chair of the PPRC introduced the fully-developed programme, which aimed to strengthen the ability of communities in Papua New Guinea to make informed decisions about and adapt to climate change driven hazards affecting both coastal and riverine communities. He also said that the programme had already been considered twice as a programme concept and twice as a fully-developed programme.

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

- (a) Not approve the programme document, as supplemented by the clarification response provided by the United Nations Development Programme (UNDP) to the request made by the technical review;
- (b) Suggest that UNDP reformulates the proposal taking into account the following:
- (i) The cost of the establishment of mangroves, which had been raised as a concern in the review, is very high. The explanation given to justify such a rate was not adequate, as it draws on a single example of another budget, the cost per hectare for which was significantly higher than other rates given in literature, and did not provide any additional reasoning for those high costs; and
- (ii) The proposal has not explained how it could ensure sustainable management of the mangrove to be established, in a situation where forest law alone has not been successful in halting deforestation. Elaboration of control mechanisms based on the activity of the communities themselves was also not provided.
- (c) Request UNDP to transmit the observations referred to in paragraph (b) above to the Government of Papua New Guinea.

(Decision B.16/17)

Samoa: Enhancing resilience of coastal communities of Samoa to climate change (Fully-developed programme document; UNDP; WSM/MIE/Multi/2011/1; US \$8,732,351)

88. The Chair of the PPRC introduced the fully-developed programme, which aimed to strengthen the ability of Samoan communities and the public service to make informed decisions and manage likely climate change driven pressures in a pro-active, integrated and strategic manner.

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

- (a) Approve the programme document;

- (b) Approve the funding of US \$8,732,351 for the implementation of the programme, as requested by the United Nations Development Programme (UNDP); and
- (c) Request the secretariat to draft an agreement with UNDP as the Multilateral Implementing Entity for this programme.

(Decision B.16/18)

Tanzania (United Republic of): Implementation of concrete adaptation measures to reduce vulnerability of livelihoods and economy of coastal communities of Tanzania (Fully-developed project document; UNEP; TZA/MIE/Coastal/2010/1; US \$5,008,564)

90. The Chair of the PPRC introduced the fully-developed project, which responded to the impacts of sea-level rise and changes in precipitation patterns caused by climate change and their direct and indirect effects, such as droughts, floods, infrastructure degradation and environmental degradation. The objective of the project was to reduce vulnerability of livelihoods, ecosystems, infrastructures and economy in Tanzania through the implementation of concrete and urgent adaptation measures.

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

- (a) Approve the project document, as supplemented by the clarification response provided by the United Nations Environment Programme (UNEP) to the request made by the technical review;
- (b) Approve the funding of US \$5,008,564 for the implementation of the project, as requested by the United Nations Environment Programme (UNEP); and
- (c) Request the secretariat to draft an agreement with UNEP as the Multilateral Implementing Entity for this project.

(Decision B.16/19)

Agenda item 7: Report of the seventh meeting of the Ethics and Finance Committee (EFC)

92. The Chair of the EFC, Mr. Zaheer Fakir (South Africa, African Group) gave a report on the seventh meeting of the Ethics and Finance Committee, described in detail in document AFB/EFC.7/L.1 He noted that he had alerted the Committee to the need to start consultations on a new Chair and Vice-Chair. He had also asked the EFC members to declare any conflicts of interest they might have in relation to any items on the agenda, of which there were none.

Reports on project/programme implementation: CSE

93. The Chair recalled that at its 11th meeting the Board had decided to approve funding for the programme "Adaptation to coastal erosion in vulnerable areas" (Senegal), to be implemented by the NIE Centre de Suivi Ecologique (CSE). The agreement signed between the Board and CSE had stated that CSE shall provide to the Board semi-annual progress reports on

the status of the programme implementation, including the disbursements made during the relevant period. The Board at its 15th meeting had considered the first report submitted by CSE and requested further clarifications on a number of issues. CSE had provided additional data and information to the secretariat on October 12, 2011, which was contained in the Annex to document AFB/EFC.7/3.

94. The representative of the secretariat had reported that the information provided sufficiently addressed the secretariat's concerns, giving more detailed information on disbursements to date, the work plan and associated disbursement schedule for the coming year, and procurement details. Having considered the recommendation of the Ethics and Finance Committee, the Adaptation Fund Board decided to approve the disbursement of the second tranche of funds to CSE in the amount of US \$1,765,000.

(Decision B.16/20)

Annual Performance Report

95. The representative of the secretariat had introduced document AFB/EFC.7/4, clarifying that since it was the first performance report for the Fund, and since at present only a handful of projects were under implementation, the bulk of the report dealt with proposed reporting procedures and the proposed reporting template.

96. In order to define exactly when a project started, so as to have a firm point in time against which to measure its progress, the secretariat was proposing that the Implementing Entity should send an inception workshop report; the date of the workshop would then be taken as the start date of the project. The Implementing Entity would then be required to submit annual performance reports, and a completion report six months after the close of the project. It would also have to submit an audited financial statement, six months after the end of its own fiscal year in which a project was completed.

97. Information from individual reports would be amalgamated into the Annual Performance Report to the Board, for which it was proposed that its coverage period should be 1 July to 30 June. A major goal was to tie the reporting process to the disbursement schedule.

98. She also presented the proposed Project Performance Reporting Template, contained in Annex 3 of document AFB/EFC.7/4/Rev.2, adding that the secretariat would be preparing guidelines for completing the template, and intended to have them completed by the seventeenth Board meeting.

99. The representative of the secretariat revised the document taking into consideration suggestions from the Committee and resubmitted a new version before the end of the meeting (submitted as document AFB/EFC.7/4/Rev.2).

100. Having considered the recommendation of the Ethics and Finance Committee, the Adaptation Fund Board decided to:

- (a) Approve:
 - (i) The reporting process contained in the document AFB/EFC.7/4/Rev.2 (attached as Annex IV to the meeting report) including the request to Implementing Entities to submit inception workshop reports;

- (ii) The Project Performance Report (PPR) Template as contained in Annex 3 of document AFB/EFC.7/4/Rev.2;
 - (iii) The Adaptation Fund Level Effectiveness and Efficiency Results Framework as contained in the document, requesting the Trustee to identify additional appropriate financial indicators to measure, in particular, the performance of the CER monetization process vis-à-vis relevant market benchmarks; and the secretariat to explore adequate performance indicators related to AFB performance in attracting additional donor contributions for inclusion in future reports;
 - (iv) The proposed disbursement procedures outlined in paragraph 10, including linking the submission of a project's annual report to the disbursement schedule. The secretariat's review of the PPR and recommendation will be circulated intersessionally to the Board for two weeks on a "non-objection" basis. If any Board member objects to the recommendation, then the PPR will be discussed at the next Board meeting. If there are no objections, the Chair of the Board will direct the Trustee to transfer the next tranche of funds; and
 - (v) The disbursement template contained in Annex 4 of document AFB/EFC.7/4/Rev.2; requesting the secretariat to include the template as part of the project agreements.
- (b) Request:
- (i) The secretariat to develop a review process of the PPRs and establish a set of criteria for clearing PPRs. The procedures and criteria should be presented to the EFC at the 17th meeting of the Adaptation Fund Board.

(Decision B.16/21)

Investigation to address cases of misuse of funds

101. The Manager of the secretariat had recalled that the Board at its 15th meeting had decided to request the secretariat to present at the next EFC meeting a document on how to trigger a review or an investigation, including to address cases of financial mismanagement. Following this request, the secretariat had prepared document AFB/EFC.7/5, which contained a summary of the rules and procedures of other funds, an overview of relevant provisions and suggestions on how to move forward.

102. The examination of the procedures of other funds had revealed a distinction between funds that relied on the investigative rules and procedures of their Implementing Entities, and those that had established an investigative function. Examples of the first were the Climate Investment Funds (CIF), the GEF, and the Multilateral Fund for the implementation of the Montreal Protocol. Examples of the second kind included the GAVI Alliance, which had established an internal audit function under the Internal Audit Director, and the Global Fund, which had an Office of the Inspector General, an independent unit reporting to the Fund's Board.

103. In the case of the Adaptation Fund, the Operational Policies and Guidelines conferred on the Board the right to carry out independent reviews, evaluations or investigations of projects and programmes; the right to investigate the use of Fund resources, if there was any indication

of inappropriate allocations; the right to suspend or cancel accreditation if an Implementing Entity provided intentionally false information at the time of accreditation or when submitting proposals; and to suspend transfer of funds if there was evidence of misappropriation. The Fund's standard legal agreement provided for suspension of a project in case of financial irregularities. Reporting obligations for Implementing Entities were tools to detect irregularities, which might be revealed by annual progress reports, project completion reports, mid-term or final evaluation, or the final audited financial statements of an Implementing Entity grant account.

104. However, there was a lack of specific rules or procedures on how to carry out investigation, and no specific investigative function at the Board or secretariat level.

105. If the Board were to decide to set up such a function, it would need to choose between having an independent investigative officer or unit accountable to the Board (option (a)), or a dedicated staff position within the secretariat (option (b)). It would also be necessary to decide whether or not the results of an investigation should be communicated to the relevant Party; to consider the steps to take pending the outcome of an investigation and in the event that corruption/mismanagement were proven; and to examine the case for including information on the Fund's website about mechanisms for handling complaints concerning an accredited Implementing Entity.

106. Since all of the Implementing Entities had to have mechanisms and channels for dealing with misuse and corruption in order to be accredited, the Fund's website should contain indications to draw people's attention to those mechanisms and channels. Similarly, any investigative function that the Board was to develop should complement whatever mechanisms the Implementing Entities already had.

107. The issue of a complaint lodged against the Implementing Entity itself had been raised: could it be relied on to investigate conscientiously? One representative had suggested that in such cases, a complainant could approach the secretariat rather than the Implementing Entity. Another had suggested that the secretariat might undertake initial investigations, and if it found that a complaint had merit, it could then refer the matter to whatever mechanism the Board had established.

108. Having considered the recommendation of the Ethics and Finance Committee, the Adaptation Fund Board decided to:

- (a) Request the secretariat to present a proposal for an investigative procedure for consideration at the next EFC meeting, including the cost implications of implementing such proposal and taking into account any possible conflict of interest;
- (b) Instruct the secretariat that the procedure should contain the following elements:
 - (i) Establishment of a specific function to carry out investigations (option a) or b) above);
 - (ii) Adequate mandate to initiate, undertake and complete an investigation to address cases of corruption/mismanagement of funds that may have occurred in the context of project/programme preparation and implementation;

- (iii) The outcome of an investigation will be shared with the relevant Party so that the process at the domestic level is initiated. The process will establish the nature of the communications related to the case under investigation;
 - (iv) The EFC will consider the outcome of the investigation and subsequently forward a recommendation to the Board for a decision;
 - (v) The procedure shall clearly establish the steps to take pending the outcome of an investigation and in the event that the case of corruption/mismanagement is proven.
- (c) Pending the establishment of an investigative procedure, request the secretariat to:
- (i) Include information on the Fund's website about the mechanisms for handling complaints about accredited Implementing Entities and the possibility to communicate directly with the secretariat;
 - (ii) Assign one of its staff members the task of receiving complaints related to project implementation on a temporary basis until the investigative mechanism is fully established.

(Decision B.16/22)

Level of funding approved for projects and programmes implemented by MIEs, in the context of the 50% cap on MIEs

109. The Manager of the secretariat had reported that as of 30 September 2011, the cumulative funding decisions for projects and programmes submitted by MIEs (US \$61.07 million) represented 25.7 per cent of the sum of cumulative project funding decisions and funds available to support funding decisions (US \$237.18 million). If all fully-developed proposals considered in the current meeting were to be approved, the cumulative budget allocation would represent 41.0% of the sum of cumulative project funding decisions and funds available to support funding decisions.

110. The endorsed concepts submitted by MIEs as of 30 September 2011 totalled US \$52.12 million. If all of those were to be approved as full proposals with their endorsement-stage budgets, the total funding allocation to MIEs would be US \$113.19 million, which equated to 47.7 per cent. If, together, all currently considered full proposals and the endorsed concepts that were not being considered at the present meeting were to be approved, the total funding allocation to MIEs would be US \$145.27 million, equal to 61.2 per cent.

111. The Chair of the EFC pointed out that it was a fundamental aim of the Fund to stimulate more NIEs to emerge, and to prevent their being crowded out by MIEs. For many countries, it would seem easier to assign their national projects to an MIE rather than accredit an NIE, but gradually, the number of NIEs was increasing, and this trend could be expected to accelerate as more training workshops were given. The 50 per cent cap was there to ensure them a share of the funding. At the same time, the aim was not to stop adaptation projects and programmes altogether, by reaching the 50 per cent cap for MIEs too soon. It was for that reason that the EFC favoured not counting endorsed concepts towards the 50 per cent.

112. It was also suggested that before reaching a point where projects and programmes from MIEs would have to be refused because the 50 per cent level had been reached, those entities should be encouraged to slow down their rate of project submission, and also to slow down the development of endorsed concepts into full projects. Even if the accreditation process was slow, the Board must stop approving new MIE projects at 50 per cent, in order to give NIEs time to be accredited, which was the fundamental reason for the cap to be established.

113. It was suggested that a prioritization criteria would have to be developed, at the latest by the next Board meeting. One approach would be to consider which areas of adaptation were to be prioritized, rather than simply approving projects in the order in which they had been received. It was suggested that the secretariat should prepare, for the seventeenth meeting of the Board, an approach to prioritization to assist decisions on which projects had to go forward and which could be delayed. Members of the Board were urged to submit suggestions for that prioritization process.

114. It was pointed out that a related and fundamental problem was the Fund's modest level of resources, caused in part by low CER prices. It was suggested that the Manager of the secretariat should undertake a specific campaign to seek funds, particularly from donor governments, and should inform the Board periodically of its progress. However, if fundraising was to be attempted, it should be done in a structured fashion. The secretariat was asked to prepare a fundraising strategy for the seventeenth meeting of the Board.

115. The Chair recalled the unsuccessful attempts to raise private donations through its website. However, the Chair suggested that the secretariat should continue efforts to establish a partnership with the United Nations Foundation, and report on progress at the next meeting of the Board.

116. In response to questions from the Chair related to the trustee's investment management strategy for undisbursed balances in the Adaptation Fund Trust Fund, the trustee explained that the US \$229 million of funds currently held in trust was invested in a "tranche zero" cash account, which was an investment pool of trust fund monies that needed to be immediately available in liquid form for cash transfer requests by the Board for projects and programs. The total amount in the World Bank tranche zero pool amounted to about US \$4 billion, and while the rate of return on the cash tranche was very low, capital preservation, not income maximization, was the goal, in accordance with the Terms and Conditions of Service of the trustee with the CMP. Despite financial market volatility, this tranche had never exhibited negative returns. The Trustee indicated that, however, if the Board could confirm a minimum level of resources that it knew it would not need for projects and programs for at least, one year, then it would be possible to look at investment possibilities with a longer time horizon.

117. While appreciating the work of the trustee and encouraging a continued safe and sound investment policy, the Chair requested the trustee to further facilitate the understanding of the Board by presenting at its next meeting the investment management strategy for the investment of the Trust Fund resources and also by discussing other potential investment options. She then made a proposal with regard to the 50% cap for MIEs.

118. Having considered the comments and recommendations of the PPRC and EFC on the 50 per cent cap on MIEs, and after examination of the Chair's proposal, the Adaptation Fund Board decided to:

- (a) Maintain the 50 per cent cap for fully-developed proposals submitted by Multilateral Implementing Entities (MIEs);
- (b) Invite the members of the Board to submit by 15 January 2012 proposals to the secretariat on how best implement the 50 per cent cap and on how to prioritize new project/programme proposals submitted by MIEs;
- (c) Request the secretariat to provide a report for consideration by the Chairs and Vice-Chairs of the PPRC and EFC on the submissions related to the prioritization criteria for new proposals; and for consideration by the EFC the implementation of the 50 percent cap, which should also contain all the relevant figures and financial implications for the implementation of the cap;
- (d) Prioritize project/programme concepts submitted by MIEs endorsed up to and including the 16th Board meeting, in compliance with the cap referred to in (a); and
- (e) Encourage National Implementing Entities to expedite the submission of their project and programme proposals.

(Decision B.16/23)

119. Concerning the need to raise additional funds, the Board also decided to request:

- (a) The Manager of the Adaptation Fund Board secretariat to undertake fundraising activities with donors in consultation with the Board Chair;
- (b) The secretariat to report to the Board at its 17th meeting on its fundraising activities and its negotiations with the United Nations Foundation to facilitate the collection of private donations, as well as options for a fundraising campaign and strategy, in collaboration with the Trustee; and
- (c) The Trustee to provide advice at the Board's 17th meeting on options for potential investments taking into account its mandate and the Adaptation Fund risk profile and liquidity needs.

(Decision B.16/24)*Implementation of the code of conduct*

120. No issues had been raised under this agenda item.

Financial status of the Adaptation Fund Trust Fund

121. The Committee received an analysis of the current CER market situation and options for consideration from the trustee, contained in document AFB/B.16/Inf.5, as well as a report by the trustee on the financial status of the Adaptation Fund Trust Fund, the content of which is more fully described in document AFB/EFC.7/6. The trustee pointed out that there had not been significant changes since the previous meeting. CER monetization had continued until 5 October 2011, when the CDM registry had closed in order to improve its security procedures following an attempted theft of CERs. The registry remained closed; and the CDM registry had given no date for its reopening. The trustee had not sold any CERs since 5 October 2011.

122. Cash transfers for projects were at the same level as in the previous report. Total donations to date were US \$86 million, and there had been investment income of about US \$1 million – a low return, resulting from low rates prevailing in the market and the need to maintain Adaptation Fund trust fund balances in highly liquid short-term investments to meet the expected disbursement needs. Resources available to support funding decisions currently totalled US \$167 million.

123. The trustee drew attention to Table 5 in the above-referenced report, which gave estimates of total resources available up to the end of December 2012, based on different assumptions regarding the projected rate of CER issuance by the CDM, and low, medium and high price scenarios for CERs and exchange rates.

124. In response to questions, the trustee reported that about 5.5 million CERs were still available to be monetized, but up to 12.6 million of additional CERs could be available to the Adaptation Fund, based on the UNEP Risø Centre (URC) estimates of CER issuance to end-2012. Based on historical CER issuance, of those 12.6 million, two-thirds could reasonably be assumed to represent industrial gases, primarily HFC23, and those should be sold within the course of 2012. The remaining third could be assumed to be so-called “green CERs,” which would be marketable up to 2015. So far, 9.6 million CERs had been sold by the trustee, locking in the much higher historical prices.

125. The trustee pointed out that it had been following the Monetization Guidelines and had not engaged in large OTC trades as there had not been a requirement for additional liquidity for projects and programs, and market conditions were poor. On 22 November the Board had instructed the trustee not to sell any more CERs while the price was still below a defined price level. The trustee noted, however, that it would not be advisable to stay out of the market for too long: some sales should re-start reasonably soon, in order to avoid building up an excessive inventory of Adaptation Fund CERs.

126. Several speakers had expressed concern that there might at some point be insufficient liquidity. It had been suggested that a strategy should be developed to ensure that there was always an amount of around US \$200 million available at each Board meeting, when funding decisions were to be taken.

127. The trustee noted that the key objective of the CER monetization program deriving from Decision 1/CMP.3 was to monetize CERs to provide liquidity for projects and programs, and pointed out that several major players in the market had widely differing views of how prices were going to move in the future. Some private sector analysts have suggested that prices might be expected to rise somewhat in February, when demand would begin to rise for compliance reasons, and others had differing views. The trustee added that it would recommend a change in the CER Monetization Guidelines on the need to hold a minimum level of about 1 million CERs, to ensure that all of the industrial gases CERs were monetized.

128. Having considered the recommendation of the Ethics and Finance Committee, the Adaptation Fund Board decided to instruct the trustee to continue to refrain from CER sales until market prices increased to a level defined by the Board. If CER prices did not increase to the defined price level set by the Board, by the defined date set by the Board, the trustee would nevertheless resume sales as of that date, according to the CER Monetization Guidelines of the Adaptation Fund, unless otherwise instructed by the Board. As the level and date must remain confidential they would be communicated to the trustee in a separate letter from the Chair of the Adaptation Board.

(Decision B.16/25)

129. Taking into account the instructions contained in the paragraph above, the Adaptation Fund Board also decided to request the trustee to:

- (a) Sell the Adaptation Fund's CERs related to HFCs as a matter of priority;
- (b) Continue to provide the Board with relevant information and continuous advice which would guide it on the above decision; and
- (c) Continue to report on the individual and average prices for the CERs sold and how they compared with the market prices to facilitate the Board's understanding of the monetization process.

(Decision B.16/26)*Letters received from UNDP, UNEP and the World Food Programme (WFP)*

130. The Manager of the secretariat had recalled that this agenda item refers to the standard legal agreement approved by the Board at its 12th meeting after consultation with the accredited implementing entities. Since February 2011 the UNDP and WFP had returned to the Manager of the secretariat original copies of the agreements for each of the projects approved for funding, together with letters questioning some of the provisions of the agreement, notably with regard to the application and precedence of the Adaptation Fund's operational policies and guidelines in relation to the implementation of projects and programmes funded by the Fund, and the requirement to submit audited financial statements, among others. They had also proposed changes to the agreement. On that occasion, following the mandate by the Board, the Chair had responded in writing reaffirming the terms of the agreement as approved by the Board. The Manager of the secretariat had also recalled that, on 30 November 2011, Board members had received a new letter sent jointly by UNDP, UNEP and WFP, with similar text. This time around, the MIEs had stated that they were not in a position to sign the agreement. They had also questioned the amendment to the operational policies and guidelines (new paragraph 37), in particular the reference to an independent audit of the use of the Fund resources. On the latter, the MIEs had referred to the single audit principle for UN organizations.

131. The Committee had felt strongly that the Board's Operational Policies and Guidelines took precedence over the rules of any individual MIE. Therefore, it should be made clear to the MIEs that the Fund would require an independent audit only of the Adaptation Fund projects/programmes that the implementing entities were implementing; not, as they interpreted, all of the entity's operations. Further, the audit by the UN was considered an independent audit.

132. Having considered the recommendations of the Ethics and Finance Committee, including to consider the matter in an open session, the Adaptation Fund Board decided to:

- (a) Reinforce its previous position on the matter, clarifying that the audit referred to in the standard legal agreement and in paragraph 37 of the Operational Policies and Guidelines was an independent audit of the project/programmes funded by the Adaptation Fund;

- (b) Request the secretariat to send letters to the relevant designated authorities informing them about the delays resulting from the legal issues raised by these Multilateral Implementing Entities (MIEs);
- (c) Request the secretariat to send letters to all designated authorities or focal points informing them about the legal issues related to these MIEs.

(Decision B.16/27)

Agenda item 8: Issues remaining from the 15th Board meeting

Consideration of issues related to regional project/programmes

133. The representative of the secretariat reminded the Board that it had decided at its 13th meeting, as a temporary measure, to approve a cap of US \$10 million for each country and had requested the secretariat to present a proposal on how regional projects and programmes would be considered within that cap. At the 15th meeting the secretariat had presented a document that had elaborated this issue, after which the Board had requested the secretariat to revise its paper taking into consideration the experience on regional projects and programmes gained by other agencies, such as the United Nations Environment Programme, the Global Environment Facility, the World Bank, the Pilot Programme on Climate Resilience, as well as that of the regional development banks; and present a proposal on the definition of regions in the context of regional projects and programmes at its 16th meeting.

134. In his presentation of the issues, which were more fully described in document AFB/B.16/5/Rev.2, the representative of the secretariat explained the value added and additional challenges related to regional approaches, the definition of “region”, “regional projects” and “regional programmes”, the allocation of funds among countries to regional projects and programmes, the quality considerations in regional projects and programmes, and the related project/programme review criteria, as well as draft recommendations that the Board might wish to consider.

135. In response to a question on the recommendation that each regional project and programme could be granted up to US \$5 million in additional funds above the temporary country cap, the representative of the secretariat said that there were two ways to establish incentives for regional projects and programmes. One way was to provide an additional cap on the cap of US \$10 million per country, although some concerns had been expressed whether such a cap was the best way to allocate resources. The other possibility was the allocation of an additional US \$5 million dollars per regional project or programme.

136. It was also pointed out by the Board that it would be important to look at concrete examples of cross-border adaptation challenges and how they had been addressed by regional institutions as well as countries. It was also suggested that transboundary issues could be addressed by working with organizations undertaking regional projects as well as through regional organizations, and that while it was also important to get countries to work together to undertake adaptation activities, the proposed amount of US\$ 5 million per project or programme was too low to capitalize on the work already being done.

137. The representative of the secretariat explained that once a country had used its country cap it could only access a proportional amount from the US \$5 million for its regional participation. The suggested additional allocation was not an additional US \$5 million per

country participating in the regional activity but an additional US \$5 million to be divided among the countries participating in the activity.

138. He also explained, in response to a question on whether the only risk to regional projects and programmes was that of a lack of coordination and cooperation, that political risks were always a real issue with the use of cross-border natural resources. He also said that the secretariat had not considered the issue of how single-country MIE projects could be linked to regional projects. The representative of the secretariat concluded by responding to a question on whether National Implementing Entities could function in the role of Executing Entities in regional projects or programmes funded by the Fund by stating that there was no reason, in principle, to prevent this but that the secretariat had not considered the possibility when preparing the document..

139. Having heard the report of the secretariat on the issues related to regional project/programmes, the Board decided to:

- (a) Request the secretariat to prepare a revised paper that took into account the comments made during the discussion at the present meeting;
- (b) Request the Project and Programme Review Committee (PPRC) to consider the revised paper mentioned above, excluding the issues of the effect of the 50 per cent cap on the MIEs and the granting of an additional US\$ 5 million for regional projects;
- (c) Request that the Ethics and Finance Committee (EFC) consider the revised paper mentioned above specifically with respect to the issues of the effect of the 50 per cent cap on the MIEs and the granting of an additional US \$5 million for regional projects; and
- (d) Taking into account the recommendations of the EFC and the PPRC, consider developing a policy on the approval of regional projects and programmes at its 17th meeting.

(Decision B.16/28)

Implementation of decision B.15/25, paragraph (c)

140. The Chair recalled that by its decision B.15/25 the Board had recalled the importance of maintaining trust and integrity among the Board members, had reminded members that engaging in lobbying activities constituted a breach of the code of conduct; and had requested the member whose behaviour had been brought to the attention of the EFC to explain the situation presented by the PPRC Chair to the Board for its further consideration. She said that by examining the issues raised by decision B.15/25, the Board was sending a signal that it took itself and its functions seriously.

141. One member expressed the view that the issue was not the behaviour of one individual, but the very integrity and professionalism of the Board. Another added that as the Fund was seeking to obtain the trust and confidence of donors and governments, such professionalism was highly necessary.

142. While all members agreed that improper lobbying was unacceptable, some cautioned that a clear definition of what constituted lobbying was needed. Without such a definition, a perfectly harmless conversation between Board members might be misconstrued as improper.

Furthermore, other members suggested that a formal process should be defined to address such cases in the future.

143. Having considered the views expressed by its members, given the absence of the Board member concerned, the Board decided to:

- (a) Defer consideration of the agenda item until its 17th meeting; and
- (b) Request the EFC to consider the implementation of the code of conduct at its next meeting.

(Decision B.16/29)

Regional workshops on the accreditation of NIEs

144. Discussion of the agenda item took place under agenda item 5: “Report on the Accreditation Panel”.

Dialogue with bilateral and multilateral entities on support to accreditation

145. The Chair reported on the dialogue with bilateral and multilateral entities to support NIEs which had taken place back-to-back with the present meeting. She said that those entities that participated presented their experience so far in assisting countries in the preparation of their application for NIE accreditation. . Questions were raised related to the working language of the accreditation process, and the application for accreditation of regional implementing entities. Although the working language of the Accreditation Panel is English, it is necessary to translate essential documents into English. On the applications submitted by Regional Implementing Entities, the amended Operational Policies and Guidelines state that the application had to be endorsed by the designated authorities of at least two countries in the region.

146. The Board took note of the report by the Chair.

Performance review of the secretariat and trustee

147. The Chair recalled that the Board had already received the final report of Mr. Tarek Rouchdy, the consultant selected by the Board to prepare the performance review of the secretariat and the trustee. She also recalled that CMP 7 had requested the Board to submit to UNFCCC secretariat its views on the report as soon as possible after the first Board meeting of 2012, for consideration by the Subsidiary Body for Implementation (SBI) at its 36th session. She suggested that the Board create a working group to consider the performance review of the secretariat and trustee and report back to the Board at its 17th meeting.

148. The Board decided to:

- (a) Establish a working group composed of:
 - (i) Mr. Peceli Vocea (Fiji, SIDS);
 - (ii) Ms. Angela Churie-Kallhauge (Sweden, WEOG);
 - (iii) Mr. Yutaka Matsuzawa (Japan, Annex I);

- (iv) Mr. Jeffery Spooner (Jamaica, GRULAC);
 - (v) Mr. Luis Santos (Uruguay, GRULAC); and
 - (vi) Ms. Ana Fornells de Frutos (Spain, Annex I).
- (b) Request the working group to consider the performance review of the secretariat and trustee and report to the Board at its 17th meeting.

(Decision B.16/30)

Agenda item 9: Issues arising from CMP 7

149. The Board decided to defer consideration of the agenda item until its 17th meeting.

(Decision B.16/31)

Agenda item 10: Accreditation of non-invited MIEs (decision B.13/28)

150. The Chair said that in view of the ongoing deliberations on the 50 per cent cap for MIEs the consideration of the issue of non-invited MIEs would be deferred until a later point.

151. The Board decided not to invite any additional MIEs to apply for accreditation and to reconsider the issue of the accreditation of non-invited multilateral institutions at a later point.

(Decision B.16/32)

Agenda item 11: Communications

Website

152. The Manager of the secretariat acknowledged that there had been some problems in updating the website, and in keeping the information displayed current. She said that the secretariat had recently engaged an intern, at a modest monthly salary, to work on those aspects. The intern would start working at the secretariat immediately after the current meeting, initially for a trial period of three months.

153. In addition, the secretariat was engaging a consultant to help develop the workflow of accreditation applications, to which she had already alluded.

Photo contest: further steps

154. The Board discussed how to build on the success of the photo contest. If it was to become a permanent feature of the Fund's work, there would be a need to establish a standardized procedure for it, with a fixed timetable for receiving the entries, and a process that would allow better management of the amount of work involved. It would probably be advantageous if the rules of the contest stipulated that the pictures should concentrate on adaptation projects financed by the Fund.

155. It was suggested that one or more NGOs might be willing and able to help with organizing the contest.

156. A representative of an NGO present at the meeting said that his organization (German Watch), and the network to which it belonged (Adaptation Fund NGO Network), would be pleased to help with the contest. It was agreed that future action should be discussed between the organization and the secretariat.

157. The Board decided to:

- (a) Request the secretariat to consult with civil society organizations, including the Adaptation Fund NGO Network, to help organize a second photography contest; and
- (b) Maintain the photography contest as an annual event.

(Decision B.16/33)

Agenda item 12: Report on Pilot Programme on Climate Resilience Subcommittee meeting

158. Mr. Zaheer Fakir (South Africa, Africa) gave a report on his attendance at the Pilot Programme on Climate Resilience (PPCR) Subcommittee meeting, which had been held on 2 November 2011.

159. The PPCR Subcommittee had reviewed the Semi-Annual Report on PPCR Operations, and had expressed a wish for more detailed information on the projects being developed and implemented, including a breakdown of co-financing and its sources.

160. The Subcommittee had heard a presentation by the Caribbean Community Climate Change Centre on progress in developing the regional track of the Caribbean programme, to be submitted for endorsement by December 2011. It had then heard a presentation by the Asian Development Bank on progress in developing the regional track of the Pacific programme, to be submitted for endorsement by March 2012. The specific programmes for Papua New Guinea and Tonga were expected to be available by December 2011 and January 2012, respectively.

161. The Subcommittee had examined issues of debt sustainability, and had agreed that countries assessed as being at high risk of debt distress were not eligible to access PPCR credits for public sector projects. However, all countries could utilize PPCR credits for private sector investments.

162. Countries assessed as being at moderate risk of debt distress could access PPCR credits for public sector investments provided that they conducted a macro-economic analysis to evaluate the potential for PPCR credits to impact their debt sustainability.

163. The PPCR Subcommittee, having reviewed the Strategic Programme for Climate Resilience for Bolivia, had taken note of the requested funding of US \$50 million in grant funding and US \$60 million in other concessional resources. The range of funding agreed for a single country pilot programme was US \$40-50 million in grant resources, and US \$36 million in other concessional resources. It had also approved a total of US \$2.5 million in PPCR funding as a preparation grant.

164. The Subcommittee had then reviewed the Strategic Programme for Climate Resilience for Jamaica, as part of the Caribbean Regional Programme, and taken note of the requested

funding of US \$15 million in grant funding and US \$10 million in other concessional resources. The range of funding agreed for a regional pilot programme was US \$60-75 million in grant resources, and US \$36 million in other concessional resources. The Subcommittee had approved a total of US \$300,000 in PPCR funding as a preparation grant.

165. The Subcommittee had reviewed the Strategic Programme for Climate Resilience for Yemen, and had requested the Government of Yemen, once the World Bank had lifted its temporary suspension, to consult with the Subcommittee prior to submitting a revised programme for endorsement, as a basis for the further development of the projects and approval of PPCR funding.

166. The Subcommittee had approved an allocation of US \$7 million in PPCR grant resources and US \$10 million in PPCR credits for the project entitled Cambodia: Provincial Roads Improvement Project submitted by the Asian Development Bank on behalf of the Government of Cambodia.

167. On the issue of the gender balance in the PPCR roster of experts, the Subcommittee had requested the CIF Administrative Unit to undertake efforts to improve it. It had noted that the CIF Administrative Unit was currently reviewing the resumes of seven additional female candidates to be included in the roster.

168. The Board took note of the report of Mr. Fakir's attendance at the Pilot Programme on Climate Resilience Subcommittee meeting.

Agenda item 13: Financial Issues

CER monetization

169. The Board heard an update by the trustee on the CER monetization programme as well as recent events in the carbon markets. Over the course of the CER monetization programme to date, the trustee had sold 9.96 million CERs, at an average price of EUR 12.43. The current low CER prices could be attributed to two separate factors: uncertainty and perceived risk caused by the ongoing European debt crisis and the economic repercussions; and the large supply of carbon credits that had recently come onto the market. CER issuance had increased significantly in recent months and continued at a record pace. Also, due to the closure of the CDM registry in order to improve its security procedures, the trustee had not sold any CERs since October 5, 2011.

170. In response to a question about the attempted theft of the CERs from the CDM registry the representative of the trustee explained that the security procedures at the CDM had already been improved after the thefts of European Union Allowances (EUAs) from several national registries which had taken place early in 2011, and that although the thieves had penetrated the security system of the CDM they had not actually been able to remove any CERs from the registry.

171. The Board took note of the report by the trustee on CER monetization.

Financial status of the Adaptation Fund Trust Fund

172. The trustee reported that the Single Audit of the Adaptation Fund Trust Fund had been distributed to all the members of the Board by e-mail and that the External Audit of the trust fund

was currently being finalized by the Bank's external auditors and would be available shortly. As reported by the trustee in AFB/EFC.6/6, the financial situation of the trust fund as at end-September 2011 was little changed from end-June 2011. Cumulative receipts from CER sales, donations and investment income amounted to US \$254.9 million as at that date, funds held in trust amounted to US \$229.3 million, and the amount available to support new Adaptation Fund Board funding decisions was US \$167.4 million. The total potential resources available to the fund to the end-2012 at current (record low) prices could amount to approximately US \$250 million. The trustee also informed the Board it had just signed a donation agreement with Sweden for SEK 100 million.

173. On the subject of investment income, the trustee reported that recent returns were low, but positive, as the Adaptation Fund trust fund liquid balance was invested in a pool following a very conservative strategy. The trustee noted that the uncertainty of the Adaptation Fund's project and program disbursement timetable made liquidity a primary consideration for the investment portfolio.

174. The Board took note of the presentation by the trustee.

Agenda item 14: Election of Board Chair and Vice-Chair for the term of office starting at the 17th Board Meeting (March 2012)

175. Following a discussion, the Board decided to endorse the nominations by both developed and developing countries as follows:

- (a) Mr. Luis Santos (Latin American and Caribbean Countries), will be Chair of the Adaptation Fund Board; and
- (b) Mr. Anton Hilber (Western European and Others Group), will be Vice-Chair of the Adaptation Fund Board.

(Decision B.16/34)

Agenda item 15: Election of the Chairs and Vice-Chairs of the PPRC and the EFC for the term of office starting at the 8th meetings (March 2012)

176. Following a discussion, the Board decided to endorse the nominations by both developed and developing countries as follows:

- (a) Mr. Jeffery Spooner (Latin American and Caribbean Countries), will be Chair of the Project and Programme Review Committee;
- (b) Mr. Yutaka Matsuzawa (Annex I Parties), will be Chair of the Ethics and Finance Committee;
- (c) Mr. Hans Olav Ibrekk (Western European and Others Group), will be Vice-Chair of the Project and Programme Review Committee; and
- (d) Ms. Medea Inashvili (Eastern Europe), will be Vice-Chair of the Ethics and Finance Committee.

(Decision B.16/35)

Agenda item 16: Election of the Accreditation Panel members among Board members for the period of office 2012-2013

177. Following a discussion, the Board decided to endorse the nominations by both developed and developing countries as follows:

- (a) Ms. Angela Churie-Kallhauge (Western European and Others Group), will be Chair of the Accreditation Panel;
- (b) Mr. Santiago Reyna (Latin American and Caribbean Countries), will be Vice-Chair of the Accreditation Panel.

(Decision B.16/36)

Agenda item 17: Board meetings for 2012

178. After recalling decision B.15/32, under which the 17th meeting of the Board would be held in Bonn, Germany, from Wednesday, 14 March to Friday, 16 March 2012; the 18th would be held in Bonn from Wednesday, 20 June to Friday, 22 June 2012; and the 19th would be held in Bonn from Wednesday, 12 September to Friday, 14 September 2012, the Chair suggested that, following the pattern of 2010 and 2011, the fourth meeting in 2012 might be held immediately after the Conference of Parties to the UNFCCC.

179. A number of members questioned whether that was an advantageous idea. If the COP were to hand down any guidance for the work of the Fund, it would be better for the Board to consider it after a period of time allowing its implications to be examined. Furthermore, attendance at the COP followed by attendance at the Board meeting made members' absences from their home bases very long.

180. It was pointed out that, if it was decided not to hold the 20th meeting immediately after the COP, it could not be held immediately before it, because of the various regional consultations that would be taking place. The Manager of the secretariat added that if the fourth meeting of the year were held too early, there would not be sufficient time between the third and the fourth for the secretariat to review project proposals.

181. One member pointed out that trying to hold the meeting a few weeks after the COP would run into the various year-end festivities. One possibility would be to hold the 20th meeting early in 2013.

182. Some members suggested that, with the Board's work and procedures now firmly established, it might be time to change to a schedule of three meetings a year, possibly of slightly longer duration, rather than four. This would also allow some savings, giving the current resource availability. The issue could be discussed again at the next meeting, by which time the secretariat would have had time to assess the implications for its workload of the number of meetings in a year. Some suggested the need to consider mechanisms to avoid that the reduction in the number of meetings has a negative impact on the review of proposals and the accreditation process.

183. Following the presentation of the Manager of the Adaptation Fund Board secretariat the Board decided to:

- (a) Request the secretariat to present at the 17th meeting of the Board:
- (i) Information on the cost savings of reducing the number of meetings a year to three;
 - (ii) Procedures for taking intersessional decisions in lieu of at Board meetings; and
 - (iii) Implications for both the project and programme cycle and the accreditation process on reducing the number of Board meetings held each year.
- (b) Consider the frequency of its meetings at the 17th meeting of the Board, taking into account the information presented by the secretariat.

(Decision B.16/37)

Agenda item 18: Other matters

184. The Chair invited the Board to discuss any other matters raised during the adoption of the agenda.

Offer by the Government of Sweden to host a meeting of the Accreditation Panel

185. Ms. Angela Churie-Kallhauge (Sweden) extended an invitation from the Government of Sweden to host the next meeting of the Accreditation Panel in Stockholm, Sweden. Since the secretariat's staff would already be in Europe for the meeting of the UNFCCC Subsidiary Bodies in Bonn and the Accreditation Panel members travels would be shorter, holding the Accreditation Panel meeting immediately afterwards would be less expensive than holding it in Washington, and it would also provide an opportunity for widening awareness of the Fund's work. The Accreditation Panel had also discussed the possibility of holding its 10th meeting in Stockholm, an option that would result in reduced logistical costs and improved access by all Panel members at that particular time.

186. The Board decided that the tenth meeting of the Accreditation Panel would take place in Stockholm, Sweden from 10 and 11 May, 2012 provided that there are no additional costs to the Adaptation Fund.

(Decision B.16/38)

Agenda item 11: Adoption of the Report

187. The Board adopted document AFB/B.16/L.1/Add.1 which contained the decisions taken by the Board at its present meeting and which were also incorporated, under the relevant agenda items, in the draft report of the meeting (AFB/B.16/L.1). The present report was prepared based on AFB/B.16/L.1 and AFB/B.16/L.1/Add.1 for intersessional adoption by the Board.

Agenda item 12: Closure of the Meeting

188. Following the customary exchange of courtesies, the Chair declared the meeting closed on Wednesday, December 14 2011 at 6.30 p.m.

**MEMBERS AND ALTERNATES PARTICIPATING AT THE SIXTEENTH MEETING OF THE
ADAPTATION FUND BOARD**

MEMBERS		
Name	Country	Constituency
Mr. Cheikh Ndiaye Sylla	Senegal	Africa
Mr. Zaheer Fakir	South Africa	Africa
Ms. Medea Inashvili	Georgia	Eastern Europe
Ms. Barbara Letachowicz	Poland	Eastern Europe
Mr. Jeffery Spooner	Jamaica	Latin America and the Caribbean
Mr. Luis Santos	Uruguay	Latin America and the Caribbean
Mr. Hans Olav Ibrekk	Norway	Western European and Others Group
Ms. Angela Churie-Kallhauge	Sweden	Western European and Others Group
Mr. Peceli Vocea	Fiji	Small Island Developing States
Ms. Ana Fornells de Frutos	Spain	Annex I Parties
Mr. Marc-Antoine Martin	France	Annex I Parties
Mr. Ricardo Lozano Picón	Colombia	Non-Annex I Parties
Mr. Farrukh Iqbal Khan	Pakistan	Non-Annex I Parties

ALTERNATES		
Name	Country	Constituency
Mr. Richard Mwendandu	Kenya	Africa
Mr. Ezzat Lewis Hannalla Agaiby	Egypt	Africa
Mr. Damdin Dagvadorj	Mongolia	Asia
Mr. Valeriu Cazac	Moldova	Eastern Europe;
Mr. Luis Paz Castro	Cuba	Latin America and the Caribbean
Mr. Santiago Reyna	Argentina	Latin America and the Caribbean
Mr. Anton Hilber	Switzerland	Western European and Others Group
Mr. Markku Kanninen	Finland	Western European and Others Group
Mr. Monowar Islam	Bangladesh	Least-Developed Countries
Mr. Yutaka Matsuzawa	Japan	Annex I Parties
Ms. Sally Biney	Ghana	Non-Annex I Parties
Mr. Bruno Sekoli	Lesotho	Non-Annex I Parties

ADOPTED AGENDA OF THE SIXTEENTH MEETING

1. Opening of the Meeting
2. Organizational Matters:
 - (a) *Adoption of the Agenda;*
 - (b) *Organization of Work;*
 - (c) *Declarations of conflict of interest*
3. Report on intersessional activities of the Chair
4. Report on the activities of the secretariat
5. Report of the eighth meeting of the Accreditation Panel
6. Report of the seventh meeting of the Project and Programme Review Committee (PPRC):
 - (a) *Lessons learned on the review process;*
 - (b) *Issues identified during project and programme review;*
 - (c) *Level of funding approved for projects implemented by MIEs in the context of the 50 per cent cap on MIEs;*
 - (d) *Review of project and programme proposals.*
7. Report of the seventh meeting of the Ethics and Finance Committee (EFC):
 - (a) *Reports on project/programme implementation: CSE;*
 - (b) *Annual performance report;*
 - (c) *Investigation to address the misuse of funds and other forms of malpractice;*
 - (d) *Levels of funding approved for projects implemented by MIEs, in the context of the 50 per cent cap on MIEs;*
 - (e) *Implementation of the code of conduct;*
 - (f) *Financial issues.*
8. Issues Remaining from the 15th Board meeting:
 - (a) *Consideration of issues related to regional project/programmes;*
 - (b) *Implementation of decision B.15.25, paragraph (c);*
 - (c) *Regional workshops on accreditation on NIEs;*
 - (d) *Dialogue with bilateral and multilateral entities to support NIE accreditation;*
 - (e) *Performance review of the secretariat and trustee*
9. Issues arising from CMP 7
10. Accreditation of non-invited MIEs (decision B.13/28)
11. Communications
12. Report on Pilot Programme on Climate Resilience Subcommittee meeting
13. Financial Issues:
 - (a) *CER Monetization;*
 - (b) *Financial status of the Adaptation Fund Trust Fund.*
14. Election of Board Chair and Vice-Chair for the term of office starting at the 17th Board meeting (March 2012)

15. Election of the Chairs and Vice-Chairs of the PPRC and the EFC for the term of office starting at the 8th meetings (March 2012)
16. Election of the Accreditation Panel members among Board members for the period of office 2012-2013
17. Board meetings for 2012
18. Other Matters
19. Adoption of the Report
20. Closure of the Meeting

PPRC Funding Recommendations (December 12, 2011)

	Country/Title	IE	Document Ref	Project	Fee	NIE	MIE	IE fee %	Total Amount	Decision
1. Projects and Programs:										
	Uruguay	ANII	AFB/PPRC.7/5	9,471,428.00	496,250.00	9,967,678.00		5.2%	9,967,678.00	approved
	Cook Islands	UNDP	AFB/PPRC.7/7	4,960,000.00	421,600.00		5,381,600.00	8.5%	5,381,600.00	approved
	Georgia	UNDP	AFB/PPRC.7/9	4,900,000.00	416,500.00		5,316,500.00	8.5%	5,316,500.00	approved
	Madagascar	UNEP	AFB/PPRC.7/10	4,705,000.00	399,925.00		5,104,925.00	8.5%	5,104,925.00	approved
	Samoa	UNDP	AFB/PPRC.7/14	8,048,250.00	684,101.00		8,732,351.00	8.5%	8,732,351.00	approved
	Tanzania	UNEP	AFB/PPRC.7/15	4,616,188.00	392,376.00		5,008,564.00	8.5%	5,008,564.00	approved
	Papua New Guinea	UNDP	AFB/PPRC.7/13	6,018,777.00	511,596.00		6,530,373.00	8.5%		not approved
	Sub-total			42,719,643.00	3,322,348.00	9,967,678.00	36,074,313.00	7.8%	39,511,618.00	
2. Concepts:										
	Egypt	WFP	AFB/PPRC.7/8	6,849,773.00	437,885.00		7,287,658.00	6.4%	7,287,658.00	endorsed
	Mauritania	WFP	AFB/PPRC.7/11	7,180,274.00	459,013.00		7,639,287.00	6.4%	7,639,287.00	endorsed
	Myanmar	UNDP	AFB/PPRC.7/12	7,289,425.00	619,601.00		7,909,026.00	8.5%	7,909,026.00	endorsed
	Cambodia	UNEP	AFB/PPRC.7/6	4,530,288.00	385,074.00		4,915,362.00	8.5%		not endorsed
	Sub-total			25,849,760.00	1,901,573.00		27,751,333.00	7.4%	22,835,971.00	
3. Total (3 = 1 + 2)				68,569,403.00	5,223,921.00	9,967,678.00	63,825,646.00	7.6%	62,347,589.00	

REPORTING PROCESS REQUIREMENTS

1. Reporting on projects/programmes is important to capture results and implementation progress. It is also an important accountability tool. The following section outlines the specific reporting requirements proposed for the Adaptation Fund. Most of the reporting requirements are embedded in the Operational Procedures and Guidelines (OPG), RBM Approach paper, Evaluation Framework, and the standard legal agreement between AFB and implementing entities¹. There is an additional reporting requirement, the project/programme inception report being introduced for the first time here for the Board's consideration.
2. To balance simplicity and accountability the proposed reporting system consists of six main reports as outlined in table two and described in the paragraphs below.

TABLE 2: REQUIRED REPORTS

Report Type	Frequency	Responsibility	Proposed/OPG
1. Project/Programme Inception Report	Start of project/programme	Implementing Entity	Proposed for first time
2. Project/Programme Performance Report (PPR)	Yearly, rolling basis	Implementing Entity	RBM Approach (AFB/EFC.1/3/Rev. 2), OPG (para. 56)
3. Project/Programme Mid-term/Terminal Evaluations	Mid-term/End of project/programme	Implementing Entity	OPG (para 57); Evaluation Framework
4. Audited financial statement	Once, end of project/programme	Implementing Entity	Standard Legal Agreement (p. 6, para 7.01)
5. Adaptation Fund Annual Performance Report (AFAPR)	Yearly, fiscal year	AF secretariat	RBM Approach (AFB/EFC.1/3/Rev. 2)
6. Adaptation Fund Evaluation Report	Yearly, fiscal year ²	AF independent evaluation function	RBM Approach (AFB/EFC.1/3/Rev. 2)

² An evaluation report will first be presented to the Board when the first AF has completed a terminal evaluation

3. **Project/program Inception Report:** Implementing Entities have different definitions for project start dates. In order to have a consistent definition, the Adaptation Fund, will consider the start date to be the date the inception workshop for the project/program takes place. The Implementing Entity must therefore submit both the date of the inception workshop and the entity's inception report to the Fund secretariat no later than one month after the workshop has taken place.

4. **Project/Programme Performance Report (PPR):** Once a project is approved and the first funds are transferred to the project, the implementing entity is required to submit a project/programme performance report (PPR) on an annual basis to the Ethics and Finance Committee (EFC) through the secretariat.³ The PPR should be submitted on a rolling basis, one year after the start of project implementation (date of inception workshop) and the last such report should be submitted six months after project completion. This will be considered the project completion report.⁴

The PPR requires reporting on a number of areas including, financial, procurement, risk, implementation progress, and progress toward outputs and outcomes, and against the identified milestones. The proposed reporting template is attached as Annex 3. Details of each part of the template are included in the following section.

The disbursement schedule will be linked to the submission of the PPR. Once the PPR is submitted, the secretariat will review the report and provide a recommendation to the Board within two weeks of the report's submission as to whether additional funds should be transferred. In order to ensure that projects/programmes are not delayed the Board may consider accepting the secretariat's recommendation intersessionally on a "non-objection" basis. The Secretariat will circulate the recommendation and the PPR document for two weeks. If any Board member objects to the recommendation, then the PPR for the project/programme will be discussed at the next Board meeting. A proposed disbursement template is presented in Annex 4.

The secretariat will develop procedures for the review of the PPRs and establish a set of criteria the secretariat will use for clearing PPRs. The procedures and criteria will be provided to the next Board meeting for approval.

5. **Project/Program Mid-term and Terminal Evaluations:** According to the Adaptation Fund's operational policies and guidelines all projects/programmes are required to undertake a terminal evaluation. A mid-term evaluation must be undertaken for projects/programmes that are under implementation for over four years. Guidelines for terminal evaluations were approved at the 14th Board meeting (AFB/EFC.5/5). These guidelines provide the minimum requirements of the Fund for undertaking terminal evaluations.

6. **Audited Financial Statement:** As described in the standard legal agreement a final audited financial statement of the Implementing Entity Grant Account, prepared by an independent auditor or evaluation body, must be submitted to the Ethics and Finance Committee through the secretariat within six (6) months of the end of the Implementing Entity's financial year during which the project/programme is completed.

³ An annual report is the minimum requirement. There may be cases where the Board requests more frequent reporting or additional reports, as for example through requirements linked to the accreditation of an implementing entity.

⁴ The standard legal agreement requires a project/programme completion report (p.6): "including any specific [Project]/[Programme] implementation information, as reasonably requested by the Board through the Secretariat, within six (6) months after [Project]/[Programme] completion."

7. **Adaptation Fund Annual Performance Report (AFAPR):** Fund level portfolio outcome monitoring will occur on an annual basis to track progress towards reaching intended outcomes. The status of portfolio monitoring will be presented annually at the Board meetings, through an *Adaptation Fund Annual Performance Report* (AFAPR). Individual project/program reports will be analyzed and reported on through the AFAPR⁵. In addition to analysis of project level data, the AFAPR will report on Fund efficiency and effectiveness (process monitoring) to track whether the Fund's portfolio is being implemented as intended, standards are being met, and resources are being used efficiently. The present document is the first AFAPR submitted to the Board.

8. **Adaptation Fund Evaluation Report:** Once project/programmes have undertaken a terminal evaluation, the organization undertaking the evaluation function for the Adaptation Fund will undertake a review of these evaluations and present the report to the Ethics and Finance Committee on an annual basis.

FIGURE 1: REPORTING PROCESS



⁵ Upon request from the Board individual reports may be analyzed and reported on at any Board meeting.

**THE DIALOGUE WITH CIVIL SOCIETY ON DECEMBER 11, 2011 AT THE
PROTEA HOTEL UMHLANGA RIDGE, DURBAN, SOUTH AFRICA**

1. The meeting was opened by the Chair of the Adaptation Fund Board, Ms. Ana Fornells de Frutos, who asked Ms. Rachel Berger (representing both Practical Action and the Adaptation Fund NGO Network) to introduce the participants.
2. Ms. Berger introduced the speakers and said that her organization had supported the work of the Adaptation Fund by supporting the work of civil society in countries where the Board had established National Implementing Entities.
3. The following speakers spoke for the civil society organizations:

Ms. Indi McLymont-Lafayette, PANOS Caribbean Jamaica;

Mr. Emmanuel Seck, Enda, Senegal;

Mr. Issac Ferrera, Fundacion Vida, Honduras; and

Mr. Krystel Dossou, OFEDI, Benin.

Mr. Alpha Kaloga, Germanwatch and the Adaptation Fund NGO Network, also gave a presentation on the initial Project/Programme Review of the CSE.
4. In response to questions on how civil society organizations perceived the Adaptation Fund, Ms. McLymont-Lafayette said that while a limited number of specialists were aware of its activities it was not otherwise widely known. Mr. Seck added that the Adaptation Fund was not well known at the local level although its work was understood by National Focal Points, as well those in academia. Mr. Ferrera agreed that while those directly involved in the projects were aware of it, it was unclear if that was also true for society at large.
5. In response to a question on how to improve the participation of NGOs, Mr. Ferrera said that civil society could help with consultations when the Implementing Entities entered into agreements at the country level.
6. In response to whether climate change was perceived as a real threat, Ms. McLymont-Lafayette said that most people were concerned by the phenomenon especially as there had been much flooding recently, as well as unexpected rainfall, both of which had had an impact on GDP. Mr. Seck also added that perceptions of risk often depended on how the effects of climate change were explained to local populations, while Mr. Ferrera said that although populations were aware of the effects of climate change there was a lack of knowledge of the scientific explanations for those changes.
7. In response to a question on the effort needed for the accreditation of NIEs, Mr. Seck said that the process was an important part of capacity-building and institutional strengthening, a view with which Ms. McLymont-Lafayette and Mr. Ferrera both agreed.
8. Following the presentation on the initial Project/Programme Review of the CSE by Mr. Alpha Kaloga, the Chair said that it was important to get the input of civil society and so

understand what was happening on the ground. She then asked the representatives of civil society whether they had any questions for the Board.

9. Mr. Ferrera then asked the Board how the civil society organizations could help.
10. Mr. Ezzat L.H. Agaiby (Egypt, Africa) said that although the Adaptation Fund helped vulnerable countries adapt to the effects of climate change, those countries also needed technical support to prepare their proposals for projects and programmes. However, those projects and programmes also had to meet the real needs of each country and not just those of the specialists being professionally employed to develop them. Civil society had to keep an eye on those processes to ensure positive outcomes in each country.
11. Mr. Berger said that her organization operated in 12 countries and said that it understood those needs while the governments concerned, as well as the professionals retained by those governments, sometimes did not. She observed that the feedback-loop from the MIEs went back to the Governments concerned during the development of projects and programmes, a process often did not deal adequately with the issue of vulnerability. The feedback of the Board on that issue was important, and with the help of the NGOs and civil society on the ground, that could be corrected.
12. Mr. Seck said that it was important for the Board to have the feedback of civil society.
13. Mr. Yutaka Matsuzawa (Japan, Annex I Parties) said that the relationship between the NGOs and the Adaptation Fund was necessarily experimental, and that it was important for the NGOs to continue to monitor both the Fund and its projects and programmes.
14. Mr. Kaloga said that the evaluation of projects by the Adaptation Fund was a good opening for civil society but that it was difficult to provide input when the information was only made available after the Board had already taken a decision. He pointed out that in certain countries the NGOs were involved in the projects being proposed but that it was not clear to them why those proposals were sometimes not endorsed. He asked that the Board consider being more flexible about disclosing that information.
15. Mr. Jeffery Spooner (Jamaica, Latin American and Caribbean Countries) explained that when the projects and programmes had not yet been approved, feedback was only provided to the Implementing Entities and the designated authorities of the country concerned. The NGOs would have to approach the designated national authorities if they wished more information. He also said that it was difficult to distinguish changes in meteorological events from those of climate change. Those effects often meant a reduction of the period for the implementation of adaptation projects and programmes, delays which had to be factored into the approval process.
16. Mr. Luis Santos (Uruguay, Latin American and Caribbean Countries), said that the civil society organizations were undertaking important work to address the issue of the vulnerability of populations to the effects of climate change.
17. In response to question by Mr. Krystel Dossou, the Manager of the Adaptation Fund Board secretariat explained that the secretariat followed up the applications by NIEs closely in order to answer their questions about the process.

The meeting was closed by the Chair at 20.40.