



United Nations

FCCCC/KP/CMP/2014/6



Framework Convention on  
Climate Change

Distr.: General  
12 November 2014

Original: English

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**Conference of the Parties serving as the meeting  
of the Parties to the Kyoto Protocol**  
Tenth session  
Lima, 1–12 December 2014

Item 7(a) of the provisional agenda  
**Adaptation Fund**  
**Report of the Adaptation Fund Board**

## **Report of the Adaptation Fund Board**

### **Note by the Chair of the Adaptation Fund Board\***

#### *Summary*

This report has been prepared in response to decision 1/CMP.3 requesting the Adaptation Fund Board to report on its activities at each session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), and covers the period from 1 August 2013 to 31 July 2014. The report also contains the views of the Adaptation Fund Board, agreed at its twenty-fourth meeting, on the matters included in the terms of reference for the second review of the Adaptation Fund annexed to decision 2/CMP.9. The Chair will report orally to the CMP at its tenth session on other activities carried out from 1 August 2014 to 30 November 2014. The report provides information on progress made with respect to the Adaptation Fund, in particular on the implementation of tasks mandated by the CMP, and recommends actions to be taken by the CMP, as appropriate. The report contains, inter alia, amended and restated terms and conditions of services to be provided by the International Bank for Reconstruction and Development as trustee for the Adaptation Fund for approval by the CMP in accordance with decision 1/CMP.4, and information on decisions and actions taken by the Adaptation Fund Board to be noted by the CMP.

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\* This document was submitted after the due date in order to include the views of the Adaptation Fund Board on the matters included in the terms of reference for the second review of the Adaptation Fund. Those views were agreed at the twenty-fourth meeting of the Adaptation Fund Board, held in October 2014 in Bonn, Germany.

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## **I. Introduction**

### **A. Mandate**

1. The Conference of the Parties (COP), at its seventh session, agreed to the establishment of the Adaptation Fund (the Fund).<sup>1</sup> The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), at its third session, decided that the operating entity of the Adaptation Fund would be the Adaptation Fund Board (the Board), serviced by a secretariat and an interim trustee (the trustee).<sup>2</sup>

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

### **B. Scope of the note**

3. This report provides information on progress made with respect to the Fund, in particular on the implementation of the mandate from the CMP, and recommends actions to be taken by the CMP, as appropriate. The report covers the period from 1 August 2013 to 31 July 2014.

### **C. Recommendations for action by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its tenth session**

4. The CMP may wish to take note of the information contained in this report and consider adopting a draft decision on the extension of and on the amendment to the terms and conditions of services to be provided by the World Bank as trustee for the Adaptation Fund (see annex D).

5. The Board invites the CMP to take note of the following key events, actions and decisions, taken in accordance with decision 1/CMP.4, paragraph 10:

(a) Accreditation of 16 national implementing entities (NIEs) that can directly access resources from the Adaptation Fund, including one during the reporting period; and accreditation of four regional implementing entities (RIEs), including two during the reporting period;

(b) Cumulative receipts into the Adaptation Fund Trust Fund reached USD 407.4 million, comprising USD 190.4 million from the monetization of certified emission reductions (CERs), USD 213.7 million from additional contributions and USD 3.2 million from investment income earned on Trust Fund balances as at 31 July 2014;

(c) Cumulative project and programme approvals reached USD 226.2 million as at 31 July 2014;

(d) Approval of the environmental and social policy of the Fund;

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

<sup>2</sup> Decision 1/CMP.3, paragraph 3.

(e) Approval of the readiness programme for direct access to climate finance, launched on 1 May 2014, and of its execution arrangements and eligibility criteria to allocate funds to accredited implementing entities for specific activities;

(f) Approval of one annual intersessional project/programme review cycle during an intersessional period of 24 weeks or more between two consecutive Board meetings;

(g) Funds available for new funding approvals amounted to USD 150.8 million as at 31 July 2014;

(h) Approval of six project/programme proposals submitted by implementing entities with a total amount of USD 41.3 million, including one proposal submitted by the NIE for Rwanda with an amount of USD 10.0 million. The other five approved proposals were submitted by multilateral implementing entities (MIEs) with a total amount of USD 31.3 million, which had previously been placed in the pipeline established by the Fund. These proposals had previously been recommended for approval by the Fund's Project and Programme Review Committee (PPRC), but could not be approved by the Board given the 50 per cent cap.<sup>3</sup> At the end of the reporting period, five proposals totalling USD 38.4 million requested funding remained in the pipeline;

(i) Establishment of a new fundraising target of USD 80 million per calendar year in 2014 and 2015;

(j) Pledges surpassed the Fund's fundraising goal of USD 100 million for the calendar years 2012 and 2013, totalling USD 104.3 million. As at 31 July 2014, a total of USD 224.1 million in cumulative pledges had been made to the Fund, of which USD equivalent 10.4 million was still outstanding.

## II. Work undertaken during the reporting period

6. The Board held two meetings during the reporting period, both of which were convened at the premises of the United Nations Convention to Combat Desertification secretariat in Bonn, Germany. The agendas and annotations (including background documentation on the agenda items) and detailed reports of the meetings are available on the Fund's website.<sup>4</sup>

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

### *Election of the Chair and Vice-Chair of the Adaptation Fund Board*

8. In accordance with decision 1/CMP.3, paragraph 13, the Board, at its twenty-second meeting, elected, by consensus, Mr. Mamadou Honadia (Burkina Faso, least developed countries) as Chair of the Adaptation Fund Board. The Board further elected intersessionally in February 2014, by consensus, Ms. Laura Dzelzyte (Lithuania, Eastern European States) as Vice-Chair of the Adaptation Fund Board.

### *Changes in the composition of the Adaptation Fund Board*

9. During the reporting period, a number of members and alternate members of the Board were replaced. Mr. W. L. Sumathipala (Sri Lanka, Asia-Pacific States), member, and Mr. Ilhomjon Rajabov (Tajikistan, Asia-Pacific States), alternate, left the Board. Mr. Nauman Bashir Bhatti (Pakistan) was elected as member for the Asia-Pacific States. Nomination of the alternate is pending. Mr. Anton Hilber (Switzerland) resigned from his

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<sup>3</sup> Adaptation Fund Board decision B.12/9.

<sup>4</sup> <<http://www.adaptation-fund.org>>.

position as member and was replaced by Ms. Yuka Greiler (Switzerland) for the Western European and other States. Mr. Kotaro Kawamata (Japan) resigned from his position as alternate and was replaced by Ms. Ana Fornells de Frutos (Spain) for Parties included in Annex I to the Convention (Annex I Parties). Nomination of the member is pending. Mr. Bruno Sekoli (Lesotho), member for Parties not included in Annex I to the Convention (non-Annex I Parties), left the Board. Mr. Boubacar Dembele Sidiki (Mali) replaced Mr. Sekoli as member and Ms. Wenhong Huang (China) became the alternate for non-Annex I Parties. It is with deep sadness that we report the passing of Mr. Peceli Vocea (Fiji), member for the small island developing States, in June 2014; the nomination for his seat is pending.

10. The complete list of Board members and alternate members is contained in annex II.

*Calendar of meetings of the Adaptation Fund Board in 2014*

11. The Board adopted a calendar of meetings for 2014 (see the table below) at its twenty-second and twenty-third meetings. Meetings of the PPRC and the Ethics and Finance Committee (EFC) immediately preceded each Board meeting.

**Calendar of meetings of the Adaptation Fund Board in 2014**

<i>Dates</i>	<i>Location</i>
20–21 March	Bonn, Germany
9–10 October	Bonn, Germany

*Workplan of the Adaptation Fund Board*

12. The Board, at its twenty-third meeting, adopted the workplan for the Adaptation Fund Board for the fiscal year from 1 July 2014 to 30 June 2015.<sup>5</sup>

*Budget of the Adaptation Fund Board, the secretariat and the trustee*

13. At its twenty-third meeting, the Board considered and approved resources to support the work of the Board and its secretariat and the trustee through to 30 June 2015 (see annex III).<sup>6</sup> The estimated administrative budget requirement approved for the fiscal year 2015 for the Board, the secretariat and the trustee is USD 4,273,658 as at 30 June 2014, representing a decrease of 9 per cent from the approved amount for the previous year due to the reduction in the number of Board meetings and their entailed travel costs. Over the course of the fiscal year 2014–2015, an additional USD 670,000 has been allocated to the administrative budget for the Board and the secretariat to implement the readiness programme for direct access to climate finance.

*Accreditation of implementing entities*

14. Decision 1/CMP.3, paragraph 30, provides that “in order to submit a project proposal, Parties and implementing...entities shall meet the criteria adopted by the Adaptation Fund Board...in order to access funding from the Adaptation Fund”.

15. The Accreditation Panel met three times during the reporting period. The Board elected Ms. Angela Churie-Kallhauge (Sweden, Western European and other States) as Chair and Mr. Philip Weech (Bahamas, Latin American and Caribbean States) as Vice-Chair. The Accreditation Panel is constituted by these two Board members, along with four independent expert members.

<sup>5</sup> Adaptation Fund Board decision B.23/20.

<sup>6</sup> Adaptation Fund Board decision B.23/21.

16. In line with the decision referred to in paragraph 14 above, during the reporting period the Board considered the recommendations of the Accreditation Panel and approved the accreditation of two additional NIEs, the Peruvian Trust Fund for National Parks and Protected Areas and the Desert Research Foundation of Namibia; two additional RIEs, the Secretariat of the Pacific Regional Environment Programme and the Development Bank of Latin America; and one additional MIE, the European Bank for Reconstruction and Development. The total number of accredited implementing entities as at the date of this report amounted to 17 NIEs, four RIEs and 11 MIEs. The list of accredited implementing entities is contained in annex IV.

#### *Adaptation Fund Board committees*

17. The EFC and the PPRC, established by the Board in 2009, met three times during the reporting period, scheduling their meetings two days prior to the subsequent Board meetings. Mr. Ezzat Lewis Hannalla Agaiby (Egypt, African States) was elected as Chair of the PPRC and Mr. Markku Kanninen (Finland, Western European and other States) was elected as Vice-Chair. Ms. Su-Lin Garbett-Shiels (United Kingdom of Great Britain and Northern Ireland, Annex I Parties) was elected as Chair of the EFC and Ms. Irina Helena Pineda Aguilar (Honduras, Latin American and Caribbean States) was elected as Vice-Chair.

18. The EFC considered and made recommendations to the Board on the following items: zero tolerance policy for corruption; risk management in the Fund's operations; complaint handling mechanism; fundraising campaign and strategy; implementation of the 50 per cent cap for MIEs; the annual report; project performance reports; overall evaluation of the Fund; core indicator methodologies; CER monetization; and the budget of the Board and the secretariat, and the trustee.

19. Up to the end of the reporting period, the PPRC had reviewed 10 project concepts and 10 fully developed proposals, representing 20 distinct proposed projects, reviewed during two meetings and one intersessional review period. It also discussed and conveyed the outcomes of its deliberations to the Board on issues related to the intersessional review and approval of project/programme proposals, possible effects on administrative costs of the use of multiple executing entities and implementing partners, and the publication on the website of its reports.

#### *Funding decisions on adaptation projects and programmes*

20. Decision 1/CMP.4, paragraph 10, "requests the Adaptation Fund Board to start processing proposals for funding projects, activities or programmes, as applicable, and to report back on progress made to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol".

21. In line with the provision referred to in paragraph 20 above, the Board approved six proposals for funding for a total amount of USD 41.3 million, at the Adaptation Fund Board meetings and intersessionally during the reporting period (see annex V). During the reporting period, two proposals recommended for approval by the PPRC were added to the pipeline which, by the end of the reporting period, included five proposals, for a total project amount of USD 38.4 million. The Parties whose proposals were approved for funding during the reporting period are: Cuba, Guatemala, Myanmar, Rwanda, Seychelles and Uzbekistan. It deserves to be noted that, with the exception of the project in Rwanda, which is implemented by an NIE, these projects were proposed by MIEs and were placed in the pipeline in 2012 and 2013 (see para. 26 below). The resources available for funding these five MIE proposals were provided by donor Parties following pledges made during 2013, particularly at CMP 9.

22. In addition to the funding decisions listed above, the Board endorsed seven project concepts for a total amount of USD 40.6 million at its meetings during the reporting period, and approved project formulation grants for six of those projects that had been submitted by NIEs, for a total amount of USD 179,100. The Parties whose concepts were endorsed during the reporting period are: Costa Rica, India, Indonesia, Jordan and Morocco.

23. The sectors represented in the approved fully developed proposals and endorsed concepts included: agriculture, food security, coastal management, rural development and water resources management.

24. Responding to the suggestions and requests from the civil society and non-governmental organization observers, all project/programme proposals are posted on the Adaptation Fund website as they are received, and interested stakeholders may post online comments pertaining to the proposals.

#### *Project/programme pipeline*

25. The Board decided to maintain the 50 per cent cap on the funding of projects/programmes implemented by MIEs.

26. At the nineteenth Board meeting, the recommended projects/programmes implemented by MIEs had reached the cap, and the Board had established a pipeline of fully developed projects/programmes that had been recommended by the PPRC for approval by the Board, but whose approval would exceed the 50 per cent cap on available resources in the Trust Fund. At the end of this reporting period, five recommended proposals with a total funding request of USD 38.4 million had been placed therein, waiting to be approved by the Board as resources become available. The order of priority of the proposals in the pipeline is the following: Belize, Ghana, Mali, Nepal and Indonesia. As mentioned in paragraph 21 above, five projects and programmes that had previously been placed in the pipeline were funded during the reporting period. One additional project may be funded with resources that have become available during the reporting period, subject to the conclusion of administrative procedures and a legal agreement with the implementing entity.

#### *Portfolio monitoring*

27. Over the course of the reporting period, the Board considered the fourth annual performance report of the Fund, covering the fiscal year 2014 (1 July 2013 to 30 June 2014). As at July 2014, 24 projects had started implementation, including two projects during the fiscal year 2014. A total of USD 96 million was transferred to projects during the period covered by this report, including USD 39.7 million in the fiscal year 2014. The largest amount of grant funding approved thus far has been to the Asia-Pacific region with 13 projects totalling USD 79.8 million in grants (36 per cent),<sup>7</sup> followed closely by Latin America and the Caribbean with 10 projects totalling USD 70.3 million in grants (31 per cent) and Africa with 10 projects totalling USD 70.1 million in grants (31 per cent). In terms of sectors, the largest grant amount has gone to adaptation projects in the agriculture sector with USD 38.6 million approved (17 per cent), closely followed by the water management sector with USD 33.9 million approved (15 per cent).

28. The Fund also tracks the breakdown of the proposed grant amount by Fund level outcome under the Adaptation Fund Strategic Results Framework (SRF). The largest amount of grant funding proposed is channelled towards outcome five of the SRF, "Increased ecosystem resilience in response to climate change and variability-induced stress" (USD 49.4 million, 29 per cent), and outcome four, "Increased adaptive capacity within relevant development and natural resource sectors" (USD 48.8 million, 28 per cent).

<sup>7</sup> The Asia-Pacific region includes projects in the Pacific Island States.

*Second review of the Adaptation Fund*

29. The initial review of the Adaptation Fund concluded at CMP 8. On that occasion, the CMP noted “with concern issues related to the sustainability, adequacy and predictability of funding from the Adaptation Fund based on the current uncertainty on the prices of certified emission reductions and the continuation of the Adaptation Fund during and beyond the second commitment period of the Kyoto Protocol”.<sup>8</sup> The CMP further requested “the Adaptation Fund Board to report to the Subsidiary Body for Implementation at its thirty-eighth session on the status of resources of the Fund, trends in the flow of resources and any identifiable causes of these trends”.<sup>9</sup> The requested information was prepared by the Board, with the support of the trustee, and submitted to the Subsidiary Body for Implementation for consideration.

30. In accordance with decision 1/CMP.9, paragraph 7, at its twenty-fourth meeting the Board decided to provide its views on the matters included in the terms of reference for the second review of the Adaptation Fund for consideration at CMP 10 (see annex VI).

*Amendment to the Kyoto Protocol adopted at CMP 8: share of proceeds of other Kyoto Protocol mechanisms*

31. The amendment to the Kyoto Protocol adopted by decision 1/CMP.8, following Article 12, paragraph 8, of the Kyoto Protocol, maintained at 2 per cent the share of the proceeds of the CERs issued for project activities, except those in least developed country Parties. In addition, the amendment states “that for the second commitment period, the Adaptation Fund shall be further augmented through a 2 per cent share of the proceeds levied on the first international transfers of AAUs and the issuance of ERUs for Article 6 projects immediately upon the conversion to ERUs of AAUs or RMUs previously held by Parties”.

32. At its twentieth meeting, the Board received a presentation by the UNFCCC secretariat. The need to request clarification from the CMP about the timing of and procedures/responsibilities for the levy in relation to the conversion of emission reduction units (ERUs) was raised. Particularly, the Board should: (a) decide on the hosting of the account for new allowances, and whether to request the Executive Board of the clean development mechanism (CDM) to facilitate arrangements to use the CDM registry; and (b) identify the appropriate entity to monetize assigned amount units (AAUs) and ERUs. The presentation noted that, in the event that the trustee is identified as such an entity, the Board would need to request the services of the trustee for such purposes and negotiate with the trustee amended terms and conditions of services to be provided to the Adaptation Fund. The Board has identified the trustee, and such a request has been made, as further described below and in annex I.

*International Aid Transparency Initiative*

33. At its twenty-first meeting, the Board agreed on an implementation schedule to publish International Aid Transparency Initiative (IATI)-compliant data by the end of September 2013. The Fund published its project data in the registry in April 2014, making its data public and searchable on the IATI platform.

*Environmental and social policy of the Fund*

34. At its twenty-second meeting, the Board approved a revised proposal of environmental and social policy (the policy) for the Fund, which incorporated inputs received following a public call for comments. In order to operationalize the policy, the Board also approved amendments to the Fund’s operational policies and guidelines for

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<sup>8</sup> Decision 3/CMP.8, paragraph 4.

<sup>9</sup> Decision 3/CMP.8, paragraph 5.

Parties to access resources from the Adaptation Fund, its related templates and instructions. Finally, the Board approved a tiered approach to deal with already accredited implementing entities and applicants under review, and amendments to the accreditation application that incorporated the requirements of the policy into the accreditation process.<sup>10</sup> The policy aims at strengthening and streamlining the application of environmental and social safeguards in the Fund's policies and procedures. The Board further decided to hire two environmental and social policy experts to assist the secretariat and the Accreditation Panel in operationalizing the policy. The secretariat is currently working on a guidance document for implementing and executing entities to better understand the principles of the policy and their application to the accreditation process and project/programme cycle.

*Readiness programme for direct access to climate finance*

35. At its twenty-second meeting, the Board approved phase 1 of the readiness programme for direct access to climate finance, on the basis that it would follow performance-based funding principles.<sup>11</sup> At its twenty-third meeting, the Board further approved the programme's execution arrangements and eligibility criteria to allocate funds to accredited implementing entities for specific activities, as well as a timeline of activities. The objectives of the programme are to increase the number of applicant national entities seeking accreditation and the number of high-quality proposals submitted to the Board within a reasonable time after accreditation.<sup>12</sup>

36. Over the reporting period, the following activities have been carried out:

(a) The first readiness seminar for direct access to climate finance (held in Washington, D.C., United States of America, on 1–2 May 2014). It focused on convening experts and thought leaders in climate finance readiness, sharing experiences and charting the path forward for the programme;

(b) Launch of South–South cooperation grants for already accredited NIEs to assist potential applicant national entities in preparing accreditation applications (May 2014). The deadline for submissions was 15 August 2014;

(c) The Africa NIE workshop (held in Nairobi, Kenya, on 2–4 July 2014), in partnership with the Heinrich Boell Foundation, the Climate and Development Knowledge Network and the National Environment Management Authority of Kenya. It focused on sharing the experiences of the already accredited NIEs in Africa;

(d) The second readiness seminar for direct access to climate finance (held in Washington, D.C., on 15–17 July 2014). It focused on readiness throughout the project cycle.

*Communications*

37. The Board increased its efforts to disseminate news and stories about the Fund's work during the reporting period. The Fund's website and social media were improved and registered record numbers of visits and followers. Outreach materials illustrating the Fund's activities and results, its direct access modality and the new readiness programme for direct access to climate finance were created and disseminated. The secretariat, at the Board's request, initiated dialogues with potential private-sector partners and collaborators.

38. Board members and the secretariat participated in a number of events to showcase the Fund's experience. At the invitation of the Government of the Bahamas, the secretariat organized a one-day workshop entitled "Supporting direct access to climate finance in the

<sup>10</sup> Adaptation Fund Board decision B.22/23.

<sup>11</sup> Adaptation Fund Board decision B.22/24.

<sup>12</sup> Adaptation Fund Board decision B.21/28.

Caribbean region”. The workshop provided an opportunity for representatives from four non-Annex I Parties that are Parties to the Kyoto Protocol as well as a representative from the Caribbean Development Bank to interact and learn about the accreditation process. Other events in which the Board or its secretariat participated include: the 2014 Carbon Expo in Cologne, Germany; the Open Knowledge Conference in Geneva, Switzerland; the 2013 Annual Meeting of the Notre Dame Global Adaptation Index in Washington, D.C.; the Eighth Conference on Community-based Adaptation in Kathmandu, Nepal; the first United Nations World Food Programme Adaptation Fund Workshop in Rome, Italy; the Third International Climate Change Adaptation Conference in Fortaleza, Brazil; the Second Forum of the UNFCCC Standing Committee on Finance and the 2014 Climate Investment Funds Partnership Forum in Montego Bay, Jamaica; the fortieth sessions of the subsidiary bodies of the UNFCCC in Bonn; the fifth, sixth and seventh meetings of the Green Climate Fund Board in Paris, France, in Bali, Indonesia, and in Songdo, Republic of Korea, respectively, and the fifth, sixth and seventh meetings of the Standing Committee on Finance in Bonn.

*Resources in the Adaptation Fund Trust Fund*

39. As at 30 June 2014, the trustee had sold 20.7 million Adaptation Fund CERs, at an average price of EUR 6.70, generating revenues of USD 190.4 million. Receipts from the monetization of CERs amounted to USD 2.1 million during the 12 months to 30 June 2014. As at 30 June 2014, 8.50 million CERs were still available to be sold, in accordance with the CER Monetization Guidelines adopted by the Adaptation Fund Board. The Board has instructed the trustee to transfer a total of USD 99.5 million to implementing entities as at 30 June 2014.

40. Funds available for new funding approvals amounted to USD 150.8 million as at 30 June 2014.

*Dialogue with civil society organizations*

41. At its twelfth meeting, the Board initiated regular dialogue sessions with civil society organizations in order to listen to their proposals, receive feedback on the issues comprising the Board agenda and exchange views. The sessions are part of the Board agenda.

*Amendment to the terms and conditions of services provided by the World Bank as interim trustee for the Adaptation Fund*

42. The mandate of the World Bank as interim trustee for the Adaptation Fund expires on 30 May 2015. The Adaptation Fund Board considered this issue at its twenty-third meeting in March 2014 and decided to request that the mandate of the World Bank as trustee be extended for an additional two years.

43. In accordance with the Doha Amendment to the Kyoto Protocol, adopted through decision 1/CMP.8, the CMP decided “that for the second commitment period, the Adaptation Fund shall be further augmented through a 2 per cent share of the proceeds levied on the first international transfers of AAUs and the issuance of ERUs for Article 6 projects immediately upon the conversion to ERUs of AAUs or RMUs previously held by Parties”. CMP 9 adopted decision 1/CMP.9, which states that the CMP:

“Requests the Adaptation Fund Board to consider the arrangements for the monetization of the 2 per cent share of proceeds referred to in paragraph 8 above, including the appropriate entity or entities to monetize the share of proceeds, and to forward a recommendation to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol for consideration at its tenth session;

“Also requests the Adaptation Fund Board to develop and approve the legal arrangements with the trustee regarding the services for the 2 per cent share of proceeds referred to in paragraph 8 above for approval by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.”

44. The Adaptation Fund Board considered these matters at its twenty-third meeting and decided to recommend that the CMP select the World Bank as the entity to monetize the share of proceeds from AAUs and ERUs. Amendments to the terms and conditions of services provided by the World Bank as trustee for the Adaptation Fund presented in annex I are required to enable such monetization.

45. Hence, the Adaptation Fund Board recommends that the CMP adopt a decision based on the text contained in annex I, which is as an amendment to the terms and conditions found in the appendix to annex III to decision 1/CMP.4. This revision will be effective upon adoption by the CMP, and subsequently by agreement of the World Bank as trustee.

### **III. Support to the Adaptation Fund Board for the implementation of its mandate**

46. Decision 4/CMP.5, paragraph 9, “encourages Parties included in Annex I to the Convention and international organizations to provide funding to the Adaptation Fund, which will be additional to the shares of the proceeds from clean development mechanism project activities”. Further, by decision 6/CMP.7, paragraph 5, the CMP continues to encourage the provision of funding by Annex I Parties and international organizations.

47. At its twenty-second meeting, the Board approved a fundraising strategy. The Board held two sessions of the dialogue with donors on the margins of COP 19/CMP 9 in Warsaw, Poland, in December 2013 and of the fortieth sessions of the subsidiary bodies of the UNFCCC in Bonn in June 2014. Another session is scheduled to take place on the margins of COP 20/CMP 10 in Lima, Peru.

48. Pledges by donor Parties made during COP 19/CMP 9 surpassed the fundraising target of USD 100 million established by the Board for the period 16 March 2012 to 31 December 2013, with USD 31.8 million received prior to COP 19/CMP 9, and the equivalent of approximately USD 72.2 million pledged during the sessions. As at the date of this report, USD 94.2 million of the pledges made towards the fundraising target had been deposited into the Trust Fund. However, with pledges equivalent to around USD 10.4 million still outstanding, the fundraising target has yet to be fulfilled. No contributions have been received against the fundraising target for the period 1 January 2014 to 31 December 2014.

49. At its twenty-third meeting, the Board decided to extend the mandate of the fundraising task force to continue implementing the fundraising strategy, with the new fundraising target of USD 80 million per calendar year in 2014 and 2015.<sup>13</sup> The task force is composed of Ms. Ana Fornells de Frutos (Spain, Annex I Parties), Ms. Angela Churie-Kallhauge (Sweden, Western European and other States), Ms. Su-Lin Garbett-Shiels (United Kingdom, Western European and other States), Ms. Laura Dzelzyte (Lithuania, Eastern European States), Mr. Jeffery Spooner (Jamaica, Latin American and Caribbean States) and Mr. Mamadou Honadia (Burkina Faso, least developed countries), adding Mr. Marc-Antoine Martin (France, Annex I Parties) as a new member, and extending the term of Mr. Zaheer Fakir (South Africa, African States) as its Coordinator.

<sup>13</sup> Adaptation Fund Board decision B.23/25.

50. During the reporting period, the Fund received contributions from: Austria, EUR 500,000 (USD equivalent 690,250); Finland, EUR 5 million (USD equivalent 6.8 million); France, USD 53,340; Germany, EUR 30 million (USD equivalent 40.8 million); Norway, 15 million Norwegian kroner (USD equivalent 2.4 million); Switzerland, 10 million Swiss francs (USD equivalent 10.9 million); and the Brussels Capital Region in Belgium, EUR 500,000 (USD equivalent 680,250).

51. The Board would like to express its gratitude to the Governments of Austria, Finland, Germany, Norway, Sweden, Switzerland and the Brussels Capital Region in Belgium for their support to the Fund in meeting its 2012–2013 fundraising target. The Board also recognizes the support of the Polish Presidency of COP 19/CMP 9 in its fundraising efforts, the Adaptation Fund Board secretariat, the trustee and the UNFCCC secretariat.

52. In accordance with decision 1/CMP.3, paragraph 18, the dedicated team of officials at the Adaptation Fund Board secretariat comprises four professional staff members, namely: the secretariat's Manager, one Senior Climate Change Specialist, one Adaptation Officer and one Operations Officer (monitoring and accreditation), as well as a Programme Assistant, a Junior Professional Associate, an Extended-Term Consultant (communications) and a Short-Term Consultant (support to operations).

## Annex I

[English only]

### **Amended and restated terms and conditions of services to be provided by the International Bank for Reconstruction and Development as trustee for the Adaptation Fund**

#### **I. Recitals**

(a) A clean development mechanism (CDM) was established under Article 12 of the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the Convention) (the Kyoto Protocol).

(b) The Conference of the Parties decided in its decision 10/CP.7 that an adaptation fund (the Adaptation Fund) shall be established to finance concrete adaptation projects and programmes in developing country Parties that are Parties to the Kyoto Protocol, as well as activities identified in decision 5/CP.7, paragraph 8.

(c) The decision was further endorsed by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) through its decision 28/CMP.1.

(d) In decision 1/CMP.3, the CMP decided that the Adaptation Fund shall finance concrete adaptation projects and programmes that are country driven and are based on the needs, views and priorities of eligible Parties, and that the Adaptation Fund Board shall be established as the operating entity of the Adaptation Fund.

(e) The CMP, in its decision 1/CMP.3, invited the International Bank for Reconstruction and Development (the World Bank) to serve as the trustee for the Adaptation Fund (the World Bank in such capacity, the Trustee) on an interim basis, and requested the Adaptation Fund Board to present the necessary legal arrangements to be concluded between the CMP and the trustee, for adoption by the CMP at its fourth session.

(f) The CMP and the World Bank concluded the legal arrangements necessary for the World Bank to serve as Trustee on an interim basis by way of adopting and accepting the terms and conditions of services to be provided by the International Bank for Reconstruction and Development as trustee for the Adaptation Fund (the Terms and Conditions) as contained in the appendix to annex III to decision 1/CMP.4.

(g) The Terms and Conditions were amended twice to extend the term of the Trustee's services thereunder on an interim basis, as set out in decision 5/CMP.6, paragraph 1, and decision 1/CMP.9, paragraph 1.

(h) The CMP, in its decision 1/CMP.9, requested the Adaptation Fund Board to develop and approve the legal arrangements with the trustee regarding the services for the 2 per cent share of proceeds levied in accordance with decision 1/CMP.8, paragraph 21, for approval by the CMP.

(i) The Adaptation Fund Board has developed and approved the legal arrangements with the Trustee for approval by the CMP, which are proposed to be concluded between the CMP and the Trustee by amending and restating the Terms and Conditions.

(j) The CMP and the World Bank wish to amend and restate the Terms and Conditions as follows.

## **II. Terms and conditions**

### **A. Role and responsibilities of the Trustee**

1. The World Bank shall act as the Trustee on an interim basis in accordance with the Terms and Conditions set forth herein.
2. The Trustee shall comply with the principles and modalities for operations stipulated in the relevant decisions of the CMP and decisions of the Adaptation Fund Board. The Trustee shall be closely consulted in the development of decisions, taken by the CMP or the Adaptation Fund Board after the effective date of the Terms and Conditions, which relate in any way to the functions of the Trustee performed or to be performed, and the Terms and Conditions stipulated below shall be applicable. The Trustee shall perform its functions under the Terms and Conditions in accordance with the applicable provisions of the World Bank's Articles of Agreement, by-laws, policies and procedures.
3. The CMP hereby: (1) confirms its designation, under its decision 1/CMP.3, of the Adaptation Fund Board as its designee and delegatee in respect of the Adaptation Fund, acting under the authority and guidance of the CMP; and (2) imbues the Adaptation Fund Board with the capacity, power and authority to render decisions and provide instructions, directions and guidance to the Trustee hereunder and to cause to be effectuated the sale or disposal, for the purpose of monetization (Sale), of certified emission reductions (CERs), assigned amount units (AAUs) or emission reduction units (ERUs) collected as the share of proceeds for the Adaptation Fund (any such CERs, AAUs or ERUs, hereinafter referred to individually or collectively as the Share of Proceeds), pursuant to paragraphs 24, 25, 26, 27 and 28 below.
4. The Trustee, in the performance of its functions under the Terms and Conditions, shall be accountable to the Adaptation Fund Board.
5. Without prejudice to any other provisions of the Terms and Conditions, the Trustee shall, in performing its functions under the Terms and Conditions, act upon decisions, instructions, directions or guidance of the CMP or the Adaptation Fund Board (or such other person designated in writing by the Adaptation Fund Board for that purpose (Authorized Designee)) only if such decisions, instructions, directions or guidance are provided to the Trustee in writing. The Trustee shall not be responsible for inquiring or investigating if any decisions, instructions, directions or guidance of the Adaptation Fund Board or, as the case may be, any Authorized Designees, do not contravene an existing decision or act of the CMP, and shall have no liability for relying in good faith on any written decision, instruction, direction or guidance of the CMP, Adaptation Fund Board or any Authorized Designees, without further inquiry or investigation on its part or otherwise for any actions taken, or omitted to be taken, in good faith.
6. The CMP acknowledges that the Trustee may disclose information obtained by it in connection with its functions under the Terms and Conditions, if such disclosure is required or otherwise necessary in carrying out the services and activities set out herein, in accordance with the World Bank's policies and procedures.
7. The Trustee shall establish a trust fund for the Adaptation Fund (the Trust Fund), and shall hold in trust, as a legal owner, and administer the funds, assets and receipts, which constitute the Trust Fund, on behalf of the Adaptation Fund supervised and managed by the Adaptation Fund Board.
8. For the purpose of the monetization of the Share of Proceeds for the Adaptation Fund, the Trustee, in its capacity as agent of the CMP, is hereby authorized by the CMP to administer Sales of the Share of Proceeds under the instructions, direction and guidance of

the Adaptation Fund Board consistent with its responsibility for the monetization of the Share of Proceeds, pursuant to paragraphs 24, 25, 26, 27 and 28 below.

9. The Trustee shall be responsible only for performing those duties and responsibilities specifically and expressly set forth in the Terms and Conditions and shall not be subject to any other duties or responsibilities (express or implied), including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of equity, trust or fiduciary obligations and/or any other legal or equitable principles. To the extent that Sales of the Share of Proceeds are conducted by the Trustee pursuant to paragraphs 24, 25, 26, 27 and 28 below, the Trustee shall not be responsible for the legality, validity or enforceability of any such Sales of the Share of Proceeds, the value obtained from such Sales of the Share of Proceeds (including any reduction in the value of the CERs, AAUs or the ERUs from the time they are credited to the CDM Account (as defined in paragraph 24 below) to the time such Sales are consummated) or any expenses or liabilities incurred in connection with such Sales.

10. The Trustee shall not be liable for any failure to carry out its obligations under the Terms and Conditions where such failure is a result of a Force Majeure Event and, for so long as such circumstances continue, shall be relieved of its obligations under the Terms and Conditions which it has been prevented from fulfilling as a result of that Force Majeure Event without liability; provided that the Trustee shall, notwithstanding that it is relieved from its obligations hereunder, take all reasonable and practical steps to minimize any loss and/or disruption resulting from any such Force Majeure Event. For the purpose of this paragraph, "Force Majeure Event" means any event beyond the reasonable control of the person affected including, without limitation, labor dispute, act of God, war, act or circumstance of terrorism, riot, civil commotion, malicious damage, accident, breakdown of essential computer software, hardware or system failure, fire, flood and/or storm and other unforeseen circumstances materially and adversely affecting the performance of the functions of the Trustee under the Terms and Conditions.

11. The CMP acknowledges that the World Bank shall have the right to engage in any of the types of activities described in the Terms and Conditions for its own account or for the account of clients other than the Adaptation Fund whether acting as trustee, adviser or in any other capacity vis-à-vis such clients. The CMP agrees that the World Bank, in carrying out such activities for its own account or for the account of others, may decide to adopt approaches and courses of actions, which differ from the approaches and courses of action that the Trustee decides to take in performing the services for the Adaptation Fund described in the Terms and Conditions. In engaging in such activities for its own account or for the account of others, the World Bank will put in place measures designed to avoid or mitigate conflicts of interest arising from its functions under the Terms and Conditions relating to the Sale of the Share of Proceeds for the Adaptation Fund.

12. If a decision by the CMP or the Adaptation Fund Board after the effective date of the Terms and Conditions relates to the functions of the Trustee performed or to be performed under the Terms and Conditions, such a decision shall be developed in close consultation with the Trustee. In the absence of such consultation with and the agreement of the Trustee, the Trustee shall not be bound by any decision of the CMP or the Adaptation Fund Board, to the extent that such a decision relates to the functions of the Trustee performed or to be performed under the Terms and Conditions.

13. The CMP agrees that the Trustee shall be fully indemnified, out of the assets held for the Adaptation Fund, including the Trust Fund resources, for any liabilities, claims, losses, costs and expenses, including attorneys' fees and expenses, incurred by the Trustee in connection with or in any way arising out of its activities as Trustee, including but not limited to any activities of the Trustee in connection with the Sale or the facilitation of the Sale of the Share of Proceeds. Such indemnity shall not include any liabilities, claims,

losses, costs or expenses incurred by the Trustee as a direct result of its own gross negligence or willful misconduct.

14. The privileges and immunities accorded to the World Bank shall apply to the property, assets, archives, operations and transactions of the Trust Fund. Nothing in the Terms and Conditions shall be considered a waiver of any privileges or immunities of the World Bank under its Articles of Agreement or any applicable law, all of which are expressly reserved.

15. The CMP agrees that the Trustee shall be reimbursed annually from the assets held for the Adaptation Fund, including the Trust Fund resources, for the fees, costs and expenses incurred by it in connection with performing its functions under the Terms and Conditions, including, without limitation, the costs and expenses incurred in connection with the establishment and administration of the Trust Fund, the Sale of the Share of Proceeds, and any and all services provided hereunder, including attorneys' fees and expenses and external auditors' costs, costs of insurance policies and relevant service providers' fees. For this purpose, the Trustee shall submit to the Adaptation Fund Board a proposal for mutual agreement for the services and activities to be provided by the Trustee and estimated fees, costs and expenses to carry out such services and activities for the initial and/or upcoming fiscal year, as applicable. Upon approval by the Adaptation Fund Board of such a proposal, the Trustee shall deduct and transfer the amount of the estimated fees, costs and expenses to its own account from the Trust Fund resources or such other assets held for the Adaptation Fund; provided that the amount of the fees, costs and expenses transferred may be subject to an end of year adjustment based on actual costs and expenses incurred, as such an arrangement may be agreed between the Adaptation Fund Board and the Trustee in connection with the aforementioned proposal.

16. In order to enable the Trustee to carry out its functions enumerated in the Terms and Conditions, the Trustee shall be entitled to attend any meetings of the Adaptation Fund Board and, as an observer, any meetings of the CMP which may concern the operations and activities of the Adaptation Fund. Further, the CMP hereby requests the secretariat servicing the Adaptation Fund Board in accordance with decision 1/CMP.3, and the secretariat of the Convention (the UNFCCC secretariat), to cooperate fully with the Trustee.

## **B. Administration of the Trust Fund**

17. The Trustee shall receive and hold in the Trust Fund any proceeds from the Sale of the Share of Proceeds conducted pursuant to paragraphs 24, 25, 26, 27 and 28 below. If requested by the Adaptation Fund Board, the Trustee may accept, on terms mutually agreed between the Trustee and the Adaptation Fund Board, contributions from donors to support the operations of the Adaptation Fund. For the avoidance of doubt, no Share of Proceeds shall be held in the Trust Fund.

18. Subject to paragraphs 2 and 12 above, the Trustee shall administer the funds, assets and receipts of the Trust Fund only for the purpose of, and in accordance with, the Terms and Conditions and the relevant decisions of the CMP and the Adaptation Fund Board.

19. In accordance with decision 1/CMP.3, paragraph 21, and in conformity with the administrative and investment arrangements of the Trustee, the Trustee shall hold the funds, assets and receipts that constitute the Trust Fund separate and apart from the funds of the World Bank. The Trustee shall establish and maintain separate records and accounts to identify the resources of the Trust Fund, the commitments financed out of the Trust Fund, and the receipts and transfers of funds in the Trust Fund.

20. The Trustee shall invest the funds held in the Trust Fund, pending their transfer under paragraphs 15 above and 22 below, in accordance with the Trustee's policies and procedures for the investment of trust funds administered by the World Bank, including commingling of the resources of the Trust Fund for administrative and investment purposes with other trust fund assets maintained by the World Bank. The commingling of Trust Fund resources for administrative and investment purposes should not affect the amount of resources from proceeds of monetization of the Share of Proceeds available in the Trust Fund for transfer of funds for Adaptation Fund operations, activities, projects and programmes. The Trustee shall credit all income from such investment to the Trust Fund to be used for the same purposes as other funds held in the Trust Fund. The CMP acknowledges that no warranty is given by the Trustee as to the performance or profitability of the investment of the funds held in the Trust Fund.

21. The funds held in the Trust Fund may be freely exchanged by the Trustee into other currencies as may facilitate their administration and transfer.

22. The Trustee shall, subject to the availability of resources held in the Trust Fund, record commitments and make transfers of funds from the Trust Fund in the manner agreed between the Trustee and the Adaptation Fund Board, and only at, and in accordance with, the written direction provided to the Trustee by the Adaptation Fund Board or any Authorized Designee. Upon the transfer of funds, the Trustee shall not have any responsibility for the use of the Trust Fund funds transferred and activities carried out therewith, including but not limited to any responsibility with respect to supervising, monitoring, reporting on or verifying activities carried out with the Trust Fund funds transferred by the Trustee herein.

23. The Trustee shall prepare and furnish the Adaptation Fund Board with financial reports of the Trust Fund annually (or at any other such frequency agreed between the Trustee and the Adaptation Fund Board), and provide records and accounts of the Trust Fund for audit by its external auditors annually (or at any other such frequency agreed between the Trustee and the Adaptation Fund Board), in accordance with the policies and procedures of the Trustee. Furthermore, the Trustee shall prepare and furnish the Adaptation Fund Board with reports on the Sale of the Share of Proceeds for the Adaptation Fund and on the status of commitments and transfers of Trust Fund funds annually (or at any other such frequency agreed between the Trustee and the Adaptation Fund Board).

### **C. Sales of Share of Proceeds**

24. The CMP hereby authorizes the Sale of the Share of Proceeds from the account established and maintained at the CDM registry for the Adaptation Fund to hold and transfer the Share of Proceeds to assist in meeting the costs of adaptation in accordance with Article 12, paragraph 8, of the Kyoto Protocol (the CDM Account) in the manner set forth hereunder.

25. The Sale of the Share of Proceeds from the CDM Account shall be administered under the instructions, direction and guidance of the Adaptation Fund Board consistent with its responsibility to supervise and manage the Adaptation Fund and for the monetization of the Share of Proceeds.

26. Pursuant to the authority provided under paragraph 3 above, the Adaptation Fund Board may cause to be entered into any and all contracts necessary for the Sale of the Share of Proceeds from the CDM Account by granting to the Trustee any necessary power of attorney on behalf of the CMP, so that the Trustee may execute contracts of Sale with the relevant third-party Share of Proceeds purchasers and such other contracts necessary in

connection with the Sale or the facilitation of the Sale of the Share of Proceeds, at the direction of the Adaptation Fund Board pursuant to paragraph 28 below.

27. Pursuant to the authority provided under paragraph 8 above, and in furtherance of paragraphs 24, 25 and 26 above, the Trustee may, at the direction of the Adaptation Fund Board pursuant to paragraph 28 below: (1) cause the transfer of the title to the Share of Proceeds to the relevant third-party purchasers, or the cancellation of the Share of Proceeds, upon receipt of payment in respect of the transfer or cancellation; (2) enter into arrangements with the CDM Registry Administrator to effectuate such transfers or cancellations of the Share of Proceeds; (3) engage with relevant service providers for the purposes of execution, clearance, settlement and other logistic matters in connection with the Sale or the facilitation of the Sale of the Share of Proceeds; and (4) take other such actions as necessary to effectuate the Sale of the Share of Proceeds for the benefit of the Adaptation Fund.

28. Sale of the Share of Proceeds and transfer of title or cancellation of the Share of Proceeds in respect of such Sale pursuant to paragraphs 24, 25, 26 and 27 above shall be effected by the Trustee only in accordance with the guidelines agreed in writing between the Trustee and the Adaptation Fund Board.

#### **D. Dispute resolution: notices**

29. The CMP and the Trustee shall, to the extent possible, strive to resolve promptly and amicably questions of interpretation and application of the Terms and Conditions and settle any disputes, controversy or claim arising out of or relating to the Terms and Conditions.

30. Any dispute, controversy or claim arising out of or relating to the Terms and Conditions, which has not been settled by agreement between the CMP and the Trustee, shall be submitted to arbitration in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) in force on the effective date of the Terms and Conditions, and the following provisions: (1) the appointing authority shall be the Secretary-General of the Permanent Court of Arbitration; and (2) the language of the arbitral proceedings shall be English.

31. Any arbitral award under paragraph 30 above shall be final and binding upon the CMP and the Trustee. The provisions set forth in paragraphs 29 and 30 above shall be in lieu of any other procedure for the settlement of disputes between the CMP and the Trustee.

32. Any notice or request required or permitted to be given or made under the Terms and Conditions and any other agreement between any of the parties contemplated by the Terms and Conditions shall be in writing. Any such notice or request shall be deemed to have been duly given or made once it has been delivered by hand, mail, facsimile or, if so designated by the parties, by other electronic means, to the World Bank or the UNFCCC secretariat, in the case of the CMP, to which it is required or permitted to be given or made at such party's address designated by notice to the World Bank or in the case of the CMP, the UNFCCC Secretariat, giving such notice or making such a request. Deliveries made by facsimile or other electronic means shall also be confirmed by mail.

#### **E. Amendment and termination**

33. Any amendment to the Terms and Conditions shall become effective only upon approval and acceptance by the CMP and the World Bank.

34. The Trustee's role as trustee servicing the Adaptation Fund under the Terms and Conditions shall be automatically terminated on 30 May 2017, unless the CMP and the

Trustee affirmatively agree in writing to extend beyond this date the term of the Trustee's services under the Terms and Conditions.

35. Notwithstanding paragraph 34 above, the CMP may at any time terminate the appointment of the Trustee as trustee servicing the Adaptation Fund under the Terms and Conditions. The Trustee's role as trustee servicing the Adaptation Fund shall be terminated three months after receipt by the Trustee of the notice in writing of the termination of the appointment.

36. Notwithstanding paragraph 34 above, the Trustee may at any time terminate its role as trustee servicing the Adaptation Fund by giving the CMP notice in writing no less than three months prior to any session of the CMP. The Trustee's role as trustee servicing the Adaptation Fund shall be terminated immediately after the session of the CMP which immediately follows the notice by the Trustee. In the event that no session of the CMP is held within 12 months of the Trustee giving notice, however, the Trustee's role shall be terminated 12 months after the Trustee has given notice.

37. Following termination of the Trustee's role as trustee servicing the Adaptation Fund pursuant to paragraphs 34, 35 or 36 above, the Trustee shall carry on no business for the Adaptation Fund except for the purpose of winding up its affairs. The Trustee shall take all necessary action for winding up its affairs in an expeditious manner, and for meeting the commitments already made by the Trustee and the transfer of any remaining funds, assets and receipts in the Trust Fund, as directed by the Adaptation Fund Board. The CMP hereby mandates that in such circumstances the Adaptation Fund Board shall provide such direction to the Trustee without undue delay. All of the powers and rights of the Trustee under the Terms and Conditions, including the right to be reimbursed for the fees, costs and expenses incurred under paragraph 15 above, shall continue until the affairs of the Trustee shall have been wound up.

## **F. Effectiveness**

38. The Terms and Conditions or any amendments to the same shall become effective and constitute an agreement between the CMP and the World Bank upon decisions by the CMP and the World Bank to approve and accept the Terms and Conditions or any amendments to the same.

## Annex II

[English only]

**Adaptation Fund Board members and alternate members**

<i>Term of office<sup>a</sup></i>	<i>Position</i>	<i>Name</i>	<i>Country</i>	<i>Constituency represented</i>
March 2013 to March 2015	Member	Mr. Yerima Peter Tarfa	Nigeria	African States
	Alternate member	Mr. Petrus Muteyauli	Namibia	African States
(CMP 8 to CMP 10) <sup>b</sup>	Member	Mr. Ezzat Lewis Hannalla Agaiby	Egypt	African States
	Alternate member	Mr. Zaheer Fakir	South Africa	African States
	Member	Mr. Mohamed Shareef	Maldives	Asia-Pacific States
	Alternate member	Mr. Alamgir Mohammed Monsurul Alam	Bangladesh	Asia-Pacific States
	Member	Mr. Nauman Bashir Bhatti	Pakistan	Asia-Pacific States
	Alternate member	-	-	Asia-Pacific States
	Member	Mr. Valeriu Cazac	Moldova	Eastern European States
	Alternate member	Ms. Medea Inashvili	Georgia	Eastern European States
	Member	Ms. Laura Dzelzyte	Lithuania	Eastern European States
	Alternate member	Mr. Aram Ter-Zakaryan	Armenia	Eastern European States
	Member	Mr. Philip S. Weech	Bahamas	Latin American and Caribbean States
	Alternate member	Mr. Jeffery Spooner	Jamaica	Latin American and Caribbean States
	Member	Mr. Raúl Pinedo	Panama	Latin American and Caribbean States
	Alternate member	Ms. Irina Helena Pineda Aguilar	Honduras	Latin American and Caribbean States
Member	Ms. Yuka Greiler	Switzerland	Western European and other States	
Alternate member	Mr. Hans Olav Ibrekk	Norway	Western European and other States	

<i>Term of office<sup>a</sup></i>	<i>Position</i>	<i>Name</i>	<i>Country</i>	<i>Constituency represented</i>
	Member	Ms. Su-Lin Garbett-Shiels	United Kingdom of Great Britain and Northern Ireland	Western European and other States
	Alternate member	Mr. Marc-Antoine Martin	France	Western European and other States
	Member	-	-	Small island developing States
	Alternate member	Mr. Paul Elreen Phillip	Grenada	Small island developing States
	Member	Mr. Mamadou Honadia	Burkina Faso	Least developed countries
	Alternate member	Mr. Adao Soares Barbosa	Timor-Leste	Least developed countries
	Member	-	-	Annex I Parties
	Alternate member	Ms. Ana Fornells de Frutos	Spain	Annex I Parties
	Member	Ms. Angela Churie-Kallhauge	Sweden	Annex I Parties
	Alternate member	Mr. Markku Kanninen	Finland	Annex I Parties
	Member	Ms. Margarita Caso Chavez	Mexico	Non-Annex I Parties
	Alternate member	Ms. Patience Damptey	Ghana	Non-Annex I Parties
	Member	Mr. Boubacar Dembele Sidiki	Mali	Non-Annex I Parties
	Alternate member	Ms. Wenhong Huang	China	Non-Annex I Parties

*Abbreviation:* CMP = The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.

<sup>a</sup> Members and alternate members shall serve for a term of two years and shall be eligible to serve a maximum of two consecutive terms (see decision 1/CMP.3). At the seventh session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, half of the members of the Adaptation Fund Board, and their alternate members from the same group, shall continue to serve in office for one additional and final year. The terms as members do not count towards the terms as alternate members, and terms as alternate members do not count towards the terms as members (see decision 1/CMP.4).

<sup>b</sup> The term of office of a member, or an alternate, shall start at the first meeting of the Board in the calendar year following his or her election and shall end immediately before the first meeting of the Board in the calendar year in which the term ends (see decision 4/CMP.5).

## Annex III

[English only]

### Actual fiscal year 2014 and approved fiscal year 2015 budget of the Adaptation Fund Board and the secretariat, and the trustee

(United States dollars)

	<i>Approved FY 2014</i>	<i>Actual estimated FY 2014</i>	<i>Approved FY 2015</i>
<b>Board and secretariat</b>			
01 Personnel	1 239 491	1 199 074	1 451 938
02 Travel	773 400	352 036	414 000
03 General operations	263 870	175 634	293 870
04 Meetings	630 000	276 847	340 000
<b>Subtotal secretariat administrative services (a)</b>	<b>2 906 761</b>	<b>2 003 591</b>	<b>2 499 808</b>
05 Overall evaluation (b)	-	-	335 000
06 Accreditation (c)	432 000	373 577	460 000
<b>Subtotal secretariat (a) + (b) + (c)</b>	<b>3 338 761</b>	<b>2 377 167</b>	<b>3 294 808</b>
07 Readiness programme (d)	236 150	86 101	433 850 <sup>a</sup>
<b>Subtotal secretariat (a) + (b) + (c) + (d)</b>	<b>3,805,761</b>	<b>2,463,268</b>	<b>3,410,658</b>
<b>Trustee</b>			
01 Certified emission reduction monetization	455,000	387,393	246,000
02 Financial and programme management	210,000	210,655	210,000
03 Investment management	70,000	98,850	101,000
04 Accounting and reporting	56,000	48,804	56,000
05 Legal services	20,000	20,299	40,000
External counsel <sup>b</sup>	-	145,044	150,000
06 External audit	60,000	44,536	60,000
<b>Subtotal trustee</b>	<b>871,000</b>	<b>955,581</b>	<b>863,000</b>
<b>Grand total all components</b>	<b>4,676,761</b>	<b>3,418,849</b>	<b>4,273,658</b>

*Abbreviation:* FY = fiscal year.

<sup>a</sup> The unspent portion of the readiness programme budget in FY 2014 will also be carried over to FY 2015 in addition to this amount.

<sup>b</sup> The amount approved by the Board for FY 2015 was used in FY 2014 instead, further to the request by the Board to prepare draft arrangements for the monetization of AAUs and ERUs for submission to CMP 10 (Adaptation Fund Board document AFB/B.23/7).

## Annex IV

[English only]

### List of accredited implementing entities

(In alphabetical order)

#### A. National implementing entities (NIEs)

1. Agencia de Cooperación Internacional de Chile (Chile)
2. Agencia Nacional de Investigación e Innovación (Uruguay)
3. Agency for Agricultural Development (Morocco)
4. Centre de Suivi Ecologique (Senegal)
5. Desert Research Foundation of Namibia (Namibia)
6. Fundecooperación para el Desarrollo Sostenible (Costa Rica)
7. Mexican Institute of Water Technology (Mexico)
8. Ministry of Natural Resources (Rwanda)
9. Ministry of Planning and International Cooperation (Jordan)
10. National Bank for Agriculture and Rural Development (India)
11. National Environment Fund (Benin)
12. National Environment Management Authority (Kenya)
13. Peruvian Trust Fund for National Parks and Protected Areas (Peru)
14. Planning Institute of Jamaica (Jamaica)
15. Protected Areas Conservation Trust (Belize)
16. South African National Biodiversity Institute (South Africa)
17. Unidad para Cambio Rural (Argentina)

#### B. Multilateral implementing entities (MIEs)

1. African Development Bank (AfDB)
2. Asian Development Bank (ADB)
3. European Bank for Reconstruction and Development (EBRD)
4. Inter-American Development Bank (IDB)
5. International Fund for Agricultural Development (IFAD)
6. United Nations Development Programme (UNDP)
7. United Nations Educational, Scientific and Cultural Organization (UNESCO)
8. United Nations Environment Programme (UNEP)

9. United Nations World Food Programme (WFP)
10. World Bank (International Bank for Reconstruction and Development)
11. World Meteorological Organization (WMO)

**C. Regional implementing entities (RIEs)**

1. Corporación Andina de Fomento (Latin America and the Caribbean)
2. Observatoire du Sahara et du Sahel/Sahara and Sahel Observatory (North, West and East Africa)
3. Secretariat of the Pacific Regional Environment Programme (the Pacific)
4. West African Development Bank (West Africa)

## Project funding approvals by the Board between 1 August 2013 and 31 July 2014

(United States dollars)

### AFB 22 Funding Decisions (30 October 2013)

	Country/Title	IE	Document Ref	Project	Fee	NIE	RIE	MIE	IE fee %	Set-aside Funds	Decision
<b>1. Projects and programmes</b>											
	Benin	FNE	AFB/PPRC.13/9	8,244,255	669,000	8,913,255			8.1%		Not approved
	Kenya	NEMA	AFB/PPRC.13/10	9,279,556	720,331	9,999,886			7.8%		Not approved
	Rwanda	MINIRENA	AFB/PPRC.13/11	9,366,982	602,637	9,969,619			6.4%	9,969,619	Approved
	Nepal	WFP	AFB/PPRC.13/12	8,780,793	746,367			9,527,160	8.5%		Placed in pipeline
	<b>Subtotal</b>			<b>35,671,586</b>	<b>2,738,335</b>	<b>28,882,760</b>		<b>9,527,160</b>	<b>7.7%</b>	<b>9,969,619</b>	
<b>2. Project formulation grant</b>											
	Chile	AGCI	AFB/PPRC.13/4/Add.1	30,000		30,000					Not approved
	Costa Rica	Fundecooperación	AFB/PPRC.13/5/Add.1	30,000		30,000				30,000	Approved
	Jordan	MOPIC	AFB/PPRC.13/6/Add.1	29,500		29,500				29,500	Approved
	<b>Subtotal</b>			<b>89,500</b>		<b>89,500</b>				<b>59,500</b>	
<b>3. Concepts</b>											
	Chile	AGCI	AFB/PPRC.13/4	9,170,000	800,000	9,970,000			8.7%		Not endorsed
	Costa Rica	Fundecooperación	AFB/PPRC.13/5	9,220,000	750,000	9,970,000			8.1%		Endorsed
	Jordan	MOPIC	AFB/PPRC.13/6	8,503,000	723,000	9,226,000			8.5%		Endorsed
	Morocco	ADA	AFB/PPRC.13/7	10,000,000	0	10,000,000			0.0%		Not endorsed
	Indonesia	WFP	AFB/PPRC.13/8	5,477,000	463,375			5,940,375	8.5%		Endorsed
	<b>Subtotal</b>			<b>42,370,000</b>	<b>2,736,375</b>	<b>39,166,000.0</b>			<b>0</b>	<b>6.5%</b>	
<b>4. Total (4 = 1 + 2 + 3)</b>				<b>78,131,086</b>	<b>5,474,709.8</b>	<b>68,138,260.3</b>		<b>9,527,160</b>	<b>7.0%</b>	<b>10,029,119</b>	

### AFB 23 Funding Decisions (19 March 2014)

	Country/Title	IE	Document Ref	Project	Fee	NIE	RIE	MIE	IE fee %	Set-aside Funds	Decision
<b>1. Projects and programmes</b>											
	India (4)	NABARD	AFB/PPRC.14/9	544,333	46,268	590,601			8.5%		Not approved
	India (5)	NABARD	AFB/PPRC.14/10	571,877	48,610	620,487			8.5%		Not approved
	Kenya	NEMA	AFB/PPRC.14/11	9,278,085	720,217	9,998,302			7.8%		Deferred
	Indonesia	WFP	AFB/PPRC.14/12	5,525,959	469,707			5,995,666	8.5%		Placed in pipeline
	<b>Subtotal</b>			<b>15,920,254</b>	<b>1,284,802</b>	<b>11,209,390</b>		<b>5,995,666</b>	<b>8.1%</b>	<b>0</b>	
<b>2. Project formulation grant</b>											
	India (1)	NABARD	AFB/PPRC.14/4/Add.1	29,900		29,900				29,900	Approved
	India (2)	NABARD	AFB/PPRC.14/5/Add.1	30,000		30,000				30,000	Approved
	India (3)	NABARD	AFB/PPRC.14/6/Add.1	29,700		29,700				29,700	Approved
	Morocco	ADA	AFB/PPRC.14/7/Add.1	30,000		30,000				30,000	Approved
	<b>Subtotal</b>			<b>119,600</b>		<b>119,600</b>				<b>119,600</b>	
<b>3. Concepts</b>											
	India (1)	NABARD	AFB/PPRC.14/4	1,131,000	96,000	1,227,000			8.5%		Endorsed
	India (2)	NABARD	AFB/PPRC.14/5	1,601,718	136,146	1,737,864			8.5%		Endorsed
	India (3)	NABARD	AFB/PPRC.14/6	2,335,053	198,480	2,533,533			8.5%		Endorsed
	Morocco	ADA	AFB/PPRC.14/7	9,188,940	781,060	9,970,000			8.5%		Endorsed
	Federated States of Micronesia	SPREP	AFB/PPRC.14/8	8,668,125	711,875	9,380,000	9,380,000		8.2%		Not endorsed
	<b>Subtotal</b>			<b>22,924,836</b>	<b>1,923,561</b>	<b>24,848,397</b>	<b>9,380,000</b>	<b>0</b>	<b>8.4%</b>		
<b>4. Total (4 = 1 + 2 + 3)</b>				<b>38,964,690</b>	<b>3,208,363</b>	<b>36,177,387</b>	<b>9,380,000</b>	<b>5,995,666</b>	<b>8.2%</b>	<b>119,600</b>	

## AFB Intersessional Decisions

	Country/Title	IE	Document Ref	Project	Fee	NIE	RIE	MIE	IE fee %	Set-aside Funds	Decision	Date
<b>1. Projects and Programmes</b>												
	Guatemala	UNDP	AFB/PPRC.10/12	5,000,000	425,000			5,425,000	8.5%	5,425,000	Approved	19 Sep 2013
	Uzbekistan	UNDP	AFB/PPRC.11/8	4,990,878	424,225			5,415,103	8.5%	5,415,103	Approved	20 Feb 2014
	Cuba	UNDP	AFB/PPRC.10/10	5,592,000	475,320			6,067,320	8.5%	6,067,320	Approved	20 Feb 2014
	Seychelles	UNDP	AFB/PPRC.10/15	5,950,000	505,750			6,455,750	8.5%	6,455,750	Approved	20 Feb 2014
	Myanmar	UNDP	AFB/PPRC.10/14	7,289,425	619,601			7,909,026	8.5%	7,909,026	Approved	27 Feb 2014
	Fiji	UNDP	AFB/PPRC.14-15/2	5,280,000	448,800			5,728,800	8.5%		Not approved	15 Jul 2014
	Mauritania	WMO	AFB/PPRC.14-15/3	1,990,764	169,216			2,159,980	8.5%		Not approved	15 Jul 2014
	<b>Subtotal</b>			<b>36,093,067</b>	<b>3,067,912</b>	<b>0</b>	<b>0</b>	<b>39,160,979</b>	<b>8.5%</b>	<b>31,272,199</b>		

## Annex VI

[English only]

### **Views of the Adaptation Fund Board on the matters included in the terms of reference for the second review of the Adaptation Fund**

1. With reference to decision 1/CMP.9 inviting the Adaptation Fund Board to provide its views on the second review of the Adaptation Fund, based on the terms of reference annexed to decision 2/CMP.9, the Board wishes to put forward the following submission.
2. In just a few short years, the Adaptation Fund has built a focused, effective and transparent climate adaptation financing instrument that directly aids the most vulnerable communities in developing countries. It is the only climate adaptation fund that includes these vulnerable communities as a strategic priority. In addition to pioneering direct access to funding, the Adaptation Fund is seeing preliminary results from its project portfolio, including allocating USD 265 million specifically towards measures that increase ecosystem and human resilience to climate change and variability-induced stress, and increase adaptive capacity within relevant development and natural resource sectors. Examples of work in these areas include restoration of ecosystem services, development of early warning systems to enable households to respond to disaster risks, diversified livelihoods for vulnerable farmers, investments in coastal protection infrastructure and increased access to irrigation and water production schemes.<sup>1</sup>
3. The Board has worked to keep the Adaptation Fund innovative and improve its systems, processes and effectiveness. As the Adaptation Fund has matured, the Board has reduced its meetings from four times per year to twice per year, undertaking a greater portion of its work and decisions intersessionally. The Board has also worked to build more partnerships, including at its twenty-fourth meeting (October 2014), agreeing to partner with the Climate Technology Centre and Network to link technical assistance with project financing from the Adaptation Fund. In addition, the Board launched a pilot programme on regional projects, not to exceed USD 30 million, to enable a greater number of partnerships among regional, multilateral and national implementing entities and other national institutions, including engaging other bodies under the Convention.
4. The Board launched a readiness programme, based on feedback from countries and the Adaptation Fund's experience with the accreditation process, that promotes lessons learned and exchange of best practices with regard to the full climate financing cycle, from accreditation to project design, proposal and implementation. Through this, the Adaptation Fund has established an engaged network of direct access practitioners, including civil society, that has fostered dialogue and greater collaboration, and contributed to increased coherence and streamlined approaches to climate finance readiness.<sup>2</sup>
5. The recent developments in the carbon market have resulted in the Adaptation Fund's primary revenue streams being significantly diminished.<sup>3</sup> In the light of the growing demand for support, which exceeds the present resources available and which is reflected in the pipeline of projects awaiting support, the Board has discussed, in its resource mobilization task force, the need to generate additional revenue to continue the Adaptation Fund's critical climate adaptation work in the most vulnerable developing countries and

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<sup>1</sup> See infographic at <<https://adaptation-fund.org/content/adaptation-fund-infographic>>. Also see Adaptation Fund Board document AFB/EFC.15/3.

<sup>2</sup> See details at <<https://adaptation-fund.org/node/3944>>.

<sup>3</sup> See Adaptation Fund Board document AFB/EFC.15/6.

explore various options. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) may wish to consider and provide further guidance to the Adaptation Fund on resource mobilization.

6. During the past year the Board has, through its secretariat, engaged with other climate funds, including the Global Environment Facility, the Green Climate Fund (GCF) and the Climate Investment Funds, both in terms of sharing lessons from the Adaptation Fund and collaborating through the Adaptation Fund's readiness programme. It will continue this engagement, including with other funds and the private sector as well as with other financing institutions at the regional level. The CMP may wish to provide guidance on the Adaptation Fund's institutional linkages with the GCF.

7. Finally, the Adaptation Fund Board secretariat undertakes portfolio monitoring field visits to projects under implementation.<sup>4</sup> The Board would like to extend an invitation to interested Parties and stakeholders who may wish to join one of the Adaptation Fund's field visits to witness at first-hand the results on the ground of projects being implemented with Adaptation Fund support.

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<sup>4</sup> Lessons learned from these visits are reflected in Adaptation Fund Board documents AFB/EFC.15/4/Rev.1, AFB/EFC.14/4 and AFB/EFC.10/5.