



## Global Environment Facility

GEF/LDCF.SCCF.5/Inf.4  
October 16, 2008

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LDCF/SCCF Council Meeting  
November 13, 2008

### ADAPTATION FUND REPORT

## **BACKGROUND**

1. At the Conference of the Parties serving as the third Meeting of the Parties to the Kyoto Protocol, held in Bali, Indonesia from December 3 to 14, 2007, the Adaptation Fund Board was requested to develop a number of mechanisms and proposals that would enable the Fund to become operational. The Board has made significant progress and has established the necessary institutional infrastructure for the Fund to be ready for operations in 2009, should the proposals of the Board be adopted by the 4<sup>th</sup> Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.

2. The Adaptation Fund Board has held three meetings during the reporting period (March 2008, June 2008, and September 2008), all convened in Bonn, Germany. The agenda, the annotated agenda, including documentation supporting agenda items, and the reports of the Adaptation Fund Board meetings have been made publicly available on the Adaptation Fund website at <http://www.adaptation-fund.org/>.

## **ACCOMPLISHMENTS**

3. Over the course of its meetings during 2008, the Board has approved and decided to forward to the CMP for its final approval:

- (a) *Draft Rules of Procedure of the Adaptation Fund Board;*
- (b) *Draft Legal Arrangements for the Adaptation Fund Secretariat*, including a Draft Memorandum of Understanding between the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and the Council of the Global Environment Facility Regarding Secretariat Services to the Adaptation Fund and to the Board of the Adaptation Fund;
- (c) *Draft Legal Arrangements between the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and the International Bank for Reconstruction and Development (World Bank) Regarding the Services to be Provided by the Trustee for the Adaptation Fund*, including Draft Terms and Conditions of Services to be provided by the International Bank for Reconstruction and Development as the Trustee for the Adaptation Fund;
- (d) *Draft Strategic Priorities, Policies and Guidelines of the Adaptation Fund;*

4. In addition, the Board has adopted the following documents:

- (a) Role and Responsibilities of the Adaptation Fund Board
- (b) Role and Responsibilities of the Adaptation Fund Secretariat
- (c) Roles and Responsibilities of the Implementing and Executing Entities
- (d) 2008 Work Plan of the Adaptation Fund Board
- (e) 2008 Budgets for the Adaptation Fund Board and Secretariat

5. The Board also recommended to the CMP, for its approval, procedures and a timetable for the reimbursement, if requested, of the contributions made by Parties to finance the administrative expenses for operating the Adaptation Fund in an interim phase, until the monetization of the share of proceeds of certified emission reductions to meet the costs of adaptation is operational.

6. The Board has further agreed that endowing the Adaptation Fund with a legal status of some kind deserves further consideration and decided to commission a feasibility study. Recognizing that such an approach is likely to take considerable time, the Board also agreed to consider an alternative approach that would provide fiduciary risk management through legal entities established and/or existing at the national level to enable direct access to resources. For this purpose, the Board agreed to develop criteria and guidelines for the accreditation by the Board of such legal entities that would enable similar international fiduciary standards to be applied to the execution of programmes and projects approved by the Board.

7. On the monetization of the CERs of the Adaptation Fund, the Board agreed to commence as early as practicable after an agreement is finalized between the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and the International Bank for Reconstruction and Development (World Bank) regarding the services to be provided by the Trustee to the Adaptation Fund. The expectation is that this would be in the first quarter of 2009.

### **Challenges**

8. One of the immediate challenges facing the Board and the Fund is the availability of resources to support its work. There are significant costs associated with operationalizing this new fund: costs of staff, organizing meetings, travel, etc. As indicated, early support from some countries was essential for the conduct of the first three meetings, and for supporting the work of the Secretariat. Without additional financial resources, the Secretariat is constrained from having more dedicated staff to support the work of the Board as well as additional meetings early next year prior to completion of the monetization process.

9. Another challenge facing the Board as it operationalizes the Fund is to ensure that transaction costs associated with making resources available to eligible Parties are kept to a minimum level.

### **Future Work**

10. The Board plans to hold a meeting in December 2008 in Bonn, Germany, at the conclusion of the fourth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol. At this meeting, the Board expects to approve a Work Plan for 2009 to be carried out over the course of four meetings to be scheduled in 2009. Some of the major elements of the work plan for the future include:

- (a) Conclusion of legal arrangements with the Secretariat and the Trustee, upon approval by the fourth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (b) The launch of monetization of CERs, in 2009, to finance the Adaptation Fund;
- (c) Operationalization of an Adaptation Fund project cycle, including monitoring and evaluation, based on the strategic priorities, policies and guidelines, and operational policies and guidelines;
- (d) Accreditation with by the Board of legal entities to function as implementing and executing entities, to assist Parties with the preparation and implementation of concrete adaptation activities;
- (e) Putting in place measures to enhance the capacities of executing entities, including direct access; and
- (f) Consideration of proposals prepared by eligible Parties to undertake concrete adaptation activities, and approval of projects for support with resources from the Adaptation Fund

#### **CALENDAR OF MEETINGS OF THE BOARD**

11. The following are the forthcoming meetings of the Board:

<u>Dates</u>	<u>Location</u>
December 15-17, 2008	Bonn, Germany
March 2009	Bonn, Germany
June 2009	Bonn, Germany
September 2009	Bonn Germany
December 2009	Copenhagen, Denmark