



ADAPTATION FUND

AFB/EFC.9/2
21 June 2012

Ethics and Finance Committee
Ninth Meeting
Bonn, Germany, 26-27 June 2012

ANNOTATED PROVISIONAL AGENDA

1. Opening of the meeting:

The meeting will be opened by the Chair of the Ethics and Finance Committee (EFC), Mr. Yutaka Matsuzawa (Japan, Annex I Parties)

2. Organizational matters

a) Adoption of the agenda:

Documents: AFB/EFC.9/1/Rev.1 Provisional agenda and AFB/EFC.9/2 Annotated provisional agenda.

Action expected: The EFC will be invited to adopt the agenda for the meeting and to raise any other matters it may wish to discuss. These other matters will be included on the agenda under item 9.

b) Organization of work:

Documents: AFB/EFC.9/1/Rev.1 Provisional agenda and AFB/EFC.9/2 Annotated provisional agenda.

Background: The Chair will propose to the EFC the organization of work as suggested in the attached provisional timetable.

Action expected: The EFC will be invited to approve the organization of work as proposed by the Chair.

3. Investigative procedure:

Document: AFB/EFC.9/3 *Investigative procedure*

Background: The Board at its 16th meeting considered a document prepared by the secretariat on how to trigger a review or an investigation, including procedures to address cases of financial mismanagement.¹ Following consideration of the document above, and following the recommendation of the EFC, the Board decided to request the secretariat to present a proposed investigative procedure for consideration at the next EFC meeting, including the cost implications of implementing the proposed procedure and taking into account any possible conflicts of interest.² The Board at its 17th meeting considered the proposal prepared by the secretariat and, following the recommendation by the EFC, decided to request comments from Board members. It also decided to request the secretariat to continue its consultations on the proposal and present a revised version at the 18th Board meeting. The secretariat concluded its consultations and incorporated comments made by EFC members during the discussion of the document. Document AFB/EFC.9/3 presents a revised version of the procedure for consideration by the EFC.

Action expected: The EFC will be invited to consider the investigative procedure contained in the annex to document AFB/EFC.9/3, and make a recommendation to the Board for approval.

4. Implementation of the 50 percent cap on MIE projects approvals:

Document: None.

Background: The Board at its 17th meeting considered submissions by members and alternates on how to implement the 50 percent cap for projects/programmes implemented by multilateral implementing entities (MIE). As a result of the ensuing discussion, the Board decided to maintain the 50 percent cap as established by decision B.12/9, and exclude project/programme concepts from the 50 percent calculation. It further decided to establish a pipeline of fully developed projects/programmes that have been recommended by the PPRC for approval by the Board, but exceeding the 50 percent cap; and approved criteria for the prioritization of proposals in the pipeline. Finally, the Board requested that the EFC consider at its 9th meeting the suspension of project/programme submissions as the last measure and elaborate on a clear threshold that indicates when the measure should be applied (e.g. 60 percent excess of the cap).³

Action expected: The EFC will be invited to consider the issue above and to elaborate on a proposed threshold that indicates when suspension of project/programme submissions will apply. The proposed threshold will go before the Board for approval.

¹ Document AFB/EFC.7/5.

² Decision B.16/22.

³ Decision B.17/19.

5. Project performance report (PPR) review process:

Documents: AFB/EFC.9/4 *Project Performance Report (PPR) Review Process*, and AFB/EFC.9/4/Add.1 *Draft guidance to complete project performance review reports*.

Background: The Board at its 16th meeting approved a reporting process and a project performance report (PPR) template,⁴ and requested the secretariat to develop a review process of the PPR and establish a set of criteria for clearing PPRs.⁵ Following this mandate, the secretariat has prepared a draft review process and criteria for clearing PPRs, and draft guidance to complete PPRs, for consideration by the EFC. These drafts are contained in documents AFB/EFC.9/4 and AFB/EFC.9/4/Add.1

Action expected: the EFC will be invited to consider the draft review process and draft guidance documents and make a recommendation to the Board for approval.

6. Implementing Entities fees:

Document: none.

Background: Following consultations/information received from project proponents, the EFC will discuss to what extent implementing entities can charge for execution activities performed by them in the context of approved projects/programmes, in addition to the fees approved by the Board.

Action expected: the EFC will be invited to discuss the issue above and make a recommendation to the Board for approval.

7. Implementation of the code of conduct:

Document: none.

Background: The Board at its 17th meeting decided to request accredited implementing entities to abstain from providing assistance to Board members/alternates for lobbying activities that may undermine the integrity and professionalism of the Board's work, and also requested the secretariat to consider draft amendments to the code of conduct for consideration at the 10th EFC meeting.⁶ The secretariat has considered the issue and came to the conclusion that guidance from the Board would be required on the following issues: a) definition of "lobbying activities" and b) internal procedure at the EFC/Board level to deal with such cases. In addition, under this agenda item EFC members can raise any issues related to the implementation of the code of conduct for deliberation by the EFC.

⁴ Document AFB/EFC.7/4/Rev.2.

⁵ Decision B.16/21.

⁶ Decision B.17/22.

Action expected: the EFC will be invited to provide guidance to the secretariat on the issues identified and to make recommendations to the Board on the issues raised, as appropriate.

8. Financial issues

a) *Fundraising campaign and strategy:*

Document: AFB/EFC.9/5 *Options for a fundraising campaign and strategy*

Background: The Board at its 16th meeting considered the constraints being faced by the Fund due to the modest level of resources available, caused in part by low levels in CER prices. Following discussion, the secretariat was asked 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.⁷ A document prepared by the secretariat was considered at the 8th EFC meeting.⁸ Following consideration of the EFC recommendation, the Board decided to set an initial fundraising target of US\$ 100 million on an interim or experimental basis initially up until the end of 2013; and requested the secretariat, among other actions, to prepare a briefing note, for presentation at the next meeting of the EFC, on relevant ongoing mechanisms being discussed in various fora, assessments of how the Fund might benefit from selected mechanisms, and inputs from all interested stakeholders that have been collected through a public call for comment; a list of potentially relevant meetings to be organized or attended up until the end of 2012; continue exploring the interest of other potential partner entities in establishing other mechanisms to encourage individual donations; provide a detailed implementation plan for the issuance of adaptation certificates, as well as operational details and implications for the consideration of the EFC at its 9th meeting; provide further implementation and operational details on options to facilitate cash flow management, as well as potential implications, for the consideration of the EFC at its 9th meeting; and continue its analysis of the suitability and feasibility of the concepts listed in section IV.4 of document AFB/EFC.8/6 as potential fundraising mechanisms for the Fund and to report back to the EFC at its 9th meeting. Document AFB/EFC.9/5 addresses the Board's requests and decisions.

Action expected: the EFC will be invited to consider the options contained in the document prepared by the secretariat and make a recommendation to the Board for approval.

b) *Financial status of the Adaptation Fund Trust Fund:*

Document: AFB/EFC.9/8 *Adaptation Fund Trust Fund financial report prepared by the trustee (as at 31 March 2012)*.

⁷ Decision B.16/24.

⁸ Document AFB/EFC.8/6.

Background: The trustee will report on the financial status of the trust fund to the Board.

Action expected: The EFC will be invited to consider and take note of the report presented by the trustee.

c) *Administrative budgets of the Board and secretariat, and the trustee for the fiscal year 2013:*

Document: AFB/EFC.9/6/Rev.1, Board and secretariat, and trustee administrative budget for fiscal year 2013.

Background: the secretariat and the trustee will present the budget request for fiscal year 1 July 2012 – 30 June 2013.

Action expected: the EFC will be invited to consider and recommend to the Board for approval the Board and secretariat, and trustee's budgets for the fiscal year 2013.

d) *Work programme for the fiscal year 2013:*

Document: AFB/EFC.9/7, Work plan for fiscal year 2013

Background: the secretariat will present the proposed work plan for fiscal year 2013 for consideration by the EFC.

Action expected: the EFC will be invited to consider and recommend to the Board for approval the work plan for FY2013.

e) *FY2013 work plan and budget for the evaluation function:*

Document: AFB/EFC.9/10, FY2013 work programme and budget for the evaluation function.

Background: the Board at its 15th meeting approved the option of entrusting the evaluation function to the GEF evaluation office, for an interim three-year period. The evaluation function is presenting its proposal of a work plan and budget for the fiscal year 2013, including the request to establish a separate budget for the evaluation function.

Action expected: the EFC will be invited to consider the proposed work programme and budget for the evaluation function, including the proposal to establish a separate budget, and to make a recommendation to the Board for approval.

f) *CER monetization – proposed amendments to monetization guidelines:*

Document: AFB/EFC.9/9/Rev.1, Direct CER sales to governments – Issues for consideration and required amendments to the CER monetization guidelines.

Background: The Board at its 17th meeting required the World Bank as interim trustee to present a concrete proposal for direct CER sales to governments--including the preparation of a standard legal agreement, options for price maximization--and propose the appropriate amendments to the guideline, taking into account the principle of transparency. Document AFB/EFC.9/9/Rev.1 responds to the Board's request.

Action expected: The EFC will be invited to consider the issues raised by the trustee and the proposed amendments to the CER monetization guidelines presented by the trustee, and make a recommendation to the Board for approval.

9. Other matters:

Board members will be invited to discuss any other matters raised during the adoption of the agenda.

10. Adoption of the recommendations and report.

11. Closure of the meeting.

PROVISIONAL TIMETABLE**26 June 2012***Morning Session*

9:15 – 9:30

1 Opening of the meeting

2 a) Adoption of the agenda

2 b) Organization of work

9:30 – 10:15

4 50 percent cap on MIE (threshold)

10:15 – 10:45

3 Investigative procedure

*10:45 – 11:00**Coffee break*

11:00 – 11:30

5 Project performance report review process

11:30 – 12:30

6 Implementing entities fees

Afternoon Session

14:00 – 14:30

7 Implementation of the code of conduct

14:30 – 15:30

8 a) Fundraising campaign and strategy

*15:30 – 15:45**Coffee break*

15:45 – 16:30

8 b) Financial status of the Trust Fund

16:30 – 17:15

8 f) Amendments to CER monetization guidelines

27 June 2012*Morning Session*

9:00 – 10:00

8 c) Administrative budgets Board, secretariat, and Trustee FY13

10:00 – 10:30

8 d) Work programme Board FY13

*10:30 – 10:45**Coffee break*

10:45 – 11:15

8 e) Evaluation function work programme and budget

11:15 – 12:15

9 Other matters

Afternoon Session

16:00 – 17:30

Adoption of the report