



## ADAPTATION FUND

AFB/EFC.11/2  
25 March 2013

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Ethics and Finance Committee  
Eleventh Meeting  
Bonn, Germany, 2-3 April 2013

### **ANNOTATED PROVISIONAL AGENDA**

**1. Opening of the meeting**

The meeting will be opened by the Vice-Chair of the Ethics and Finance Committee (EFC), Ms. Medea Inashvili (Georgia, Eastern European States).

**2. Transition of the Chair and Vice-Chair**

Ms. Medea Inashvili will take over the Chairmanship. Ms. Su-Lin Garbett-Shiels (United Kingdom, Western European and Other States) will take over the Vice-Chairmanship from Ms. Inashvili.

**3. Organizational matters**

*a) Adoption of the agenda:*

Documents: AFB/EFC.11/1, Provisional agenda and AFB/EFC.11/2, 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 10.

*b) Organization of work*

Documents: AFB/EFC.11/1, Provisional agenda and AFB/EFC.11/2, 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.

#### **4. Investigative procedure**

Document: None.

Background: The Board at its 16<sup>th</sup> 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. Following consideration of the information presented by the secretariat<sup>1</sup> and the recommendation by the EFC, the Board decided to request the secretariat a proposal of 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.<sup>2</sup> The Board at its 17<sup>th</sup> and 18<sup>th</sup> meetings considered the proposal prepared by the secretariat. At its 18<sup>th</sup> meeting the Board decided to request comments from Board members. It also requested the secretariat to present a revised version of the document and develop terms of reference for the investigative consultants for consideration by the EFC at its 10<sup>th</sup> meeting.<sup>3</sup> The secretariat prepared the requested revised document, in consultation with its former World Bank legal counsel. The current World Bank legal counsel, following a discussion with World Bank management, conveyed to the Board that an investigative function was not consistent with the function of the secretariat as had been established and agreed with the World Bank. The Board requested the secretariat to present to the EFC at its 11<sup>th</sup> meeting, a proposal by the World Bank legal counsel on options for implementing an Investigative Procedure. The options should: (a) Take into account the Board's legal status in Germany; (b) Provide an option for the Board to contract its own legal advisor; and (c) Specify cost implications for the different options.<sup>4</sup>

Action expected: The EFC will be invited to consider the proposal by the WB legal counsel and make a recommendation to the Board for approval.

#### **5. Letter from World Bank (decision B.19/28)**

Document: None.

Background: The Board Chair received a letter by the World Bank controller referring to the transfer of funds made by accredited implementing entities to executing entities. The letter stated that the trustee's Anti-Money Laundering and Combating the Financing of Terrorism Program deals specifically with its internal operations and, as such, is not a substitute for any required due diligence pertaining to the ultimate beneficiaries of disbursements that the World Bank processes as trustee for the Adaptation Fund. The letter also noted that the World Bank follows a protocol for fund transfers that includes

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<sup>1</sup> Document AFB/EFC.7/5.

<sup>2</sup> Decision B.16/22.

<sup>3</sup> Decision B.18/27.

<sup>4</sup> Decision B.19/21.

screening to ensure that the transfers do not contravene any Resolution issued by the United Nations Security Council, and that the World Bank expected the Adaptation Fund to have effective controls in place as well. Following consideration of the matter by the EFC, the Board decided to request the secretariat to present to the EFC at its 11th meeting a document prepared by the World Bank legal counsel to the secretariat that includes the following: (a) Proposals for "effective mechanisms" the Board can implement to, as the letter states, "ensure that the follow-on use of funds does not contravene any Resolution issued by the United Nations Security Council or other sanctions regimes which may apply to your entity"; (b) A risk analysis, that is both legal and practical, of the Fund's current project portfolio and measures that can be taken to mitigate any risks uncovered by the analysis; and (c) A review of how the Fund's fiduciary standards and accreditation process may be part of the due diligence undertaken by the Fund.<sup>5</sup>

Action expected: The EFC will be invited to consider the proposal by the World Bank legal counsel and make a recommendation to the Board for approval.

## **6. Legal support to the Board: current arrangements and conflict of interest**

Document: None.

Background: This agenda item had been introduced by the former Chair, Ms. Ana Fornells de Frutos (Spain, Annex I Parties). The issue has been discussed previously in the EFC (see Investigative procedure under agenda item 5), and the Board had requested to the secretariat a proposal by the World Bank legal counsel on this matter.

Action expected: The EFC will be invited to consider the proposal by the WB legal counsel and make a recommendation to the Board for approval, taking into account the discussion under agenda item 5 above.

## **7. Analysis of project delays**

Document: AFB/EFC.11/3, *Analysis of project delays*.

Background: Following the discussion of the annual performance report (APR) 2012, the Board decided to request the secretariat an analysis of project delays, in particular, start-up delays, for consideration by the EFC. Document AFB/EFC.11/3 contains the requested analysis.

Action expected: The EFC will be invited to consider the information presented by the secretariat in document AFB/EFC.11/3

## **8. Implementation of the code of conduct**

Under this agenda item EFC members can raise any issues related to the implementation of the code of conduct for deliberation by the EFC. The EFC will make recommendations to the Board on the issues raised, as appropriate. The code of conduct was amended at the 19<sup>th</sup> Board meeting and the revised text is available on the Fund's website.

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<sup>5</sup> Decision B.19/28.

## 9. Financial issues:

### a) *Fundraising campaign and strategy: report of the task-force*

Document: AFB/EFC.11/Inf.2, Communication materials prepared by the secretariat.

Background: Following the discussion on the objectives and further steps of the Fund (see Board agenda item 9.a), the Board decided to establish a task force of Board members that works in conjunction with the secretariat on outreach, strategy, and other efforts to achieve the interim US \$100 million fundraising target by the end of 2013; and appointed 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, Annex I Parties), Mr. Jeffery Spooner (Jamaica, Group of Latin America and Caribbean States), Mr. Mamadou Honadia (Burkina Faso, Least-Developed Countries), and Mr. Zaheer Fakir (South Africa, African States) as members of the task force, in accordance with their expressions of interest. The task force started working during the intersessional period and will report to the EFC on its activities.

Action expected: The EFC will be invited to consider the report by the task force and agree on a way forward.

### b) *Financial status of the Trust Fund and CER monetization*

Documents: AFB/EFC.11/4, Adaptation Fund Trust Fund: Financial report prepared by the trustee (as at 31 December 2012), AFB/EFC.11/5, Options to verify CER balances at the Clean Development Mechanism (CDM) registry, and AFB/B.20/Inf.4, Trustee presentation: Update on status of resources and CER monetization.

Background: The trustee will report on the financial status of the trust fund to the EFC. Further, the Board had requested the trustee to present options the Board may wish to pursue to ensure that the Certified Emission Reduction certificates (CERs) allocated to the Adaptation Fund Share of Proceeds account at the Clean Development Mechanism (CDM) Registry of the UNFCCC Secretariat are allocated in a timely and accurate manner by the CDM.<sup>6</sup> Document AFB/EFC.11/5 provides advice on possible options and measures the Board may wish to consider.

Action expected: The EFC will be invited to consider and take note of the report presented by the trustee. The EFC may also wish to consider the options presented in document AFB/EFC.11/5 and make a recommendation to the Board.

### c) *Administrative budgets of the Board and secretariat, and the trustee for the fiscal year 2014*

Document: AFB/EFC.11/6, Administrative budgets of the Board and secretariat, and the trustee for the fiscal year 2014.

<sup>6</sup> Intersessional Decision B.18-19/9, para 10.

Background: the secretariat and the trustee will present the budget request for fiscal year 1 July 2013 – 30 June 2014.

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 2014.

d) *Work plan for the fiscal year 2014*

Document: AFB/EFC.11/7, *Work plan for the fiscal year 2014*.

Background: the secretariat will present the work plan proposal for fiscal year 2014 for consideration by the EFC. Document AFB/EFC.11/7 also addresses the Board request of an estimate of the workflow for fiscal year 2014 with a view to identify potential cost reductions<sup>7</sup>.

Action expected: the EFC will be invited to consider and recommend to the Board for approval the work plan for FY2014.

**10. Other matters**

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

**11. Adoption of the recommendations and report.**

**12. Closure of the meeting.**

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<sup>7</sup> Decision B.19/26, paragraph (b).

**PROVISIONAL TIMETABLE****[Day 1] 2 April 2013***Morning Session*

9:00 – 9:30

1 Opening of the meeting

2 Transition of the Chair and Vice-Chair

3 a) Adoption of the agenda

3 b) Organization of work

9:30 – 10:00

9 b) Financial status of the trust fund and CER monetization

10:00 – 10:30

9 c) Administrative budgets Board, secretariat, and  
Trustee for FY14

10:30 – 10:45

*Coffee break*

10:45 – 11:05

9 d) Work plan FY 14

11:05 – 11:30

9 a) Fundraising campaign and strategy

11:30 – 12:00

8 Implementation of the code of conduct

*Afternoon Session*

14:30 – 15:00

7 Analysis of project delays

15:00 – 15:30

10 Other matters

15:30 – 15:45

*Coffee break*

15:45 – 16:00

**[Day 2] 3 April 2013***Morning Session*

9:00 – 9:30

3 Investigative procedure

9:30 – 10:00

4 Letter from World Bank (decision B.19/28)

10:00 – 10:30

6 Legal support to the Board

10:45 – 11:00

*Coffee break**Afternoon Session*

15:00 – 17:00

11 Adoption of the report

12 Closure of the meeting