



ADAPTATION FUND

AFB/EFC.12/2
24 June 2013

Ethics and Finance Committee
Twelfth Meeting
Bonn, Germany, 1-2 July 2013

ANNOTATED PROVISIONAL AGENDA

1. Opening of the meeting

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

2. Organizational matters:

a) *Adoption of the agenda*

Documents: AFB/EFC.12/1, *Provisional agenda* and AFB/EFC.12/2, *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 11.

b) *Organization of work*

Documents: AFB/EFC.12/1, *Provisional agenda* and AFB/EFC.12/2, *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: Confidential legal opinion distributed by e-mail by the secretariat.

Background: Following an opinion by the World Bank legal counsel advising the secretariat 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 eleventh meeting, a proposal by the World Bank legal counsel on options for implementing an Investigative Procedure. After considering the options presented, the Board decided to request the secretariat to present a proposal on general principles and guidelines for investigation, based on the *International Financial Institutions Principles and Guidelines for Investigation* contained in the *Uniform Framework for Preventing and Combating Fraud and Corruption* as part of the Adaptation Fund's Operational Policies and Guidelines, for consideration at the twenty-first Board meeting.¹

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.

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

Document: Confidential legal opinion distributed by e-mail by the secretariat.

Background: The Board Chair received a letter by the World Bank former acting controller dated 28 September 2012, 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 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 by the EFC of a proposal on how to address the matter presented by the World Bank legal counsel advising the secretariat, the Board decided to request the secretariat to present to the twelfth meeting of the EFC proposals for amendments to the standard legal agreement between the Board and implementing entities in order to: (a) Ensure that Adaptation Fund resources provided to the implementing entities by the trustee are used for their intended

¹ Decision B.20/8.

purposes and are not diverted to terrorists, and that transfers of funds comply with the United Nations Security Council decisions under Chapter VII of the United Nations Charter and related resolutions; (b) Require implementing entities to immediately inform the Board of a determination, pursuant to the entity's applicable policies and procedures, of any illegal or corrupt practice in any project/programme financed under the agreement and/or the progress of any formal investigation conducted by the entity concerning such practice; and (c) Require implementing entities to include similar provisions in any agreements with executing entities.²

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.

5. Project delays policy

Document: AFB/EFC.12/3, *Project/programme delays and extension procedures.*

Background: At its twentieth meeting the Board decided to request the secretariat to prepare a procedure for how to deal with project/programme delays throughout the project/programme cycle for discussion at the twelfth EFC meeting (Decision B.20/10). Document AFB/EFC.12/3 prepared by the secretariat presents a proposal of a policy on project/programme delays and any associated procedures needed if delays occur over the course of the project/programme cycle.

Action expected: The EFC may wish to consider recommending the Board to approve the policy on project/programme delays and the extension procedures outlined within the document.

6. Overall evaluation of the Fund

Document: AFB/EFC.12/4, *Options for an overall comprehensive evaluation of the Adaptation Fund (prepared by the Adaptation Fund evaluation function).*

Background: At its twentieth meeting the Board decided to request the secretariat to prepare a document for the twelfth meeting of the EFC to inform the discussion of the overall evaluation of the Fund, covering options for the terms of reference, cost, and timing of an overall evaluation, as well as options for commissioning the evaluation. The secretariat should include in the document a schedule of expected mid-term and final evaluations of the projects/programmes from the portfolio as well as the implementation status of each project/programme. Document AFB/EFC.12/4 has been prepared by the interim

² Decision B.19/28.

evaluation function. On the basis of the requested document, the Board should agree on the timing of an overall evaluation Fund.

Action expected: The EFC will be invited to consider the information contained in document AFB/EFC.12/4 and make a recommendation to the Board on the timing of an overall evaluation of the Fund.

7. IATI compliance:

a) Open information policy

Document: AFB/EFC.12/5, *Open information policy*.

Background: At its twentieth meeting the Board decided to authorize the Chair to sign the International Aid Transparency Initiative (IATI) standard on behalf of the Board. It further decided to request the secretariat to undertake the activities outlined in Table 1 of document AFB/B.20/6, in order for the Fund to comply with the IATI standard and start publishing IATI-compatible data. The secretariat's tasks would also include developing a disclosure and licensing policy for review of the Board at its next meeting (Decision B.20/18). Following the mandate above, the secretariat prepared a proposal for an open information policy contained in Annex I of document AFB/EFC.12/5.

Action expected: The EFC may wish to recommend the Board to approve the proposal of the open information policy contained in Annex I to document AFB/EFC.12/5.

b) Implementation schedule for publishing IATI data.

Document: AFB/EFC.12/6, *Implementation schedule for publishing IATI data*.

Background: In order to comply with the IATI standard two core outputs are needed: (a) Publishing an Implementation Schedule to outline details of publication; and (b) Publishing IATI-compliant data. Annex I of document AFB/EFC.12/6 includes a draft implementation schedule for the Fund to publish IATI-compliant data with the goal of publishing by September 2013.

Action: The EFC may wish to recommend the Board to approve the draft implementation schedule contained in Annex I of document AFB/EFC.12/6.

8. Results tracking

Document: AFB/EFC.12/7, *Results tracking*.

Background: The Board at its tenth meeting approved the *Strategic results framework for the Adaptation Fund* (Decision B.10/13). With over two years of practice and an increasing demand for Fund-level results, it has become evident that the Fund would benefit from a modification to its approach for collecting results as well as examining ways to add impact-level indicators that a majority of the Fund's projects could report on. Document AFB/B.21/7 prepared by the secretariat puts forth a proposal for steps to be taken to improve the system currently in place and to add impact-level indicators.

Action expected: The EFC may wish to recommend the Board to approve the proposal contained in document AFB/B.21/7 for improving the Fund's results tracking system, and to request the secretariat to proceed with the steps outlined in paragraph 12 of the document.

9. 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 twentieth Board meeting and the revised text is available on the Fund's website.

10. Financial issues:

a) Financial status of the Trust Fund and CER monetization

Documents: AFB/EFC.12/8, *Adaptation Fund Trust Fund: Financial report prepared by the trustee (as at 31 March 2012.)* AFB/EFC.12/10, *CER Monetization: Additional options and recommended amendments to the Guidelines (prepared by the trustee)*, and AFB/B.21/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, at the twentieth meeting the Board requested the trustee to present additional options for monetizing CERs, in light of current market conditions. The trustee has reviewed several options and recommends the Board consider: i) removing the conditions applicable to the sale of CERs to governments (namely industrial gas only and at premium price), and ii) permitting the trustee to undertake OTC sales to other institutions in addition to dealer banks. In document AFB/EFC.12/10 the trustee has presented a marked copy of the CER Monetization Guidelines showing the changes that would be required to be approved by the Board in order to pursue these options. The EFC may consider recommending that the Board approve the amended and restated guidelines contained in document AFB/EFC.12/10.

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

recommending that the Board approve the amended and restated guidelines contained in document AFB/EFC.12/10.

b) *Revised administrative budget of the Board and secretariat for the fiscal year 2014*

Document: AFB/EFC.12/9, *Amendments to the administrative budget of the Board and secretariat for the fiscal year 2014.*

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

Action expected: the EFC may wish to recommend to the Board for approval the amendments to the Board and secretariat budget for the fiscal year 2014.

11. Other matters

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

12. Adoption of the recommendations and report.

13. Closure of the meeting.

PROVISIONAL TIMETABLE

Day 1: 1 July 2013

Morning Session

9:00 – 9:15 1 Opening of the meeting

 2 a) Adoption of the agenda

 2 b) Organization of work

9:15 – 9:45 5 Project delays policy

9:45 – 10:15 7.a) Open information policy

10:15 – 10:30 Coffee break

10:30 – 10:45 7.b) Implementation schedule for publishing IATI data

10:45 – 11:15 8 Results tracking

11:15 – 11:30 9 Implementation of the code of conduct

11:30 – 11:45 10.a) Financial status of the Trust Fund (1st part)

11:45 – 12:15 10.b) Revised budget FY14

Afternoon Session

14:00 – 15:00 11 Other matters

15:00 – 15:30 6 Overall evaluation of the Fund

15:30 – 15:45 Coffee break

15:45 – 16:15 10.a) CER monetization (2nd part)

16:15 – 16:35 3 Investigative procedure

16:35 – 17:25 4 Letter from the World Bank

Day 2: 2 July 2013

Morning Session

10:45 – 11:00 Coffee

11:00 – 12:30 12 Adoption of the report

13 Closure of the meeting

Afternoon

Adaptation Fund NGO Network/Germanwatch Conference

“Adaptation to climate change for the most vulnerable: Lessons learnt from the Adaptation Fund and beyond” (<http://germanwatch.org/en/6938>)

Venue:

Gustav-Stresemann-Institut, Langer Grabenweg 68, 53175 Bonn (www.gsi-bonn.de)