



## ADAPTATION FUND

AFB/EFC.8/2  
29 February 2012

---

Ethics and Finance Committee  
Eighth Meeting  
Bonn, Germany, 14 March 2012

### PROVISIONAL ANNOTATED AGENDA

#### 1. Opening of the meeting:

The meeting will be opened by the outgoing Chair of the Ethics and Finance Committee (EFC), Mr. Zaheer Fakir (South Africa, African Group).

#### 2. Transition of the Chair and the Vice Chair:

Mr. Fakir will hand over the Chairmanship of the EFC to Mr. Yutaka Matsuzawa (Japan, Annex I Parties). Ms. Medea Inashvili (Georgia, Eastern Europe) will take over the Vice-Chairmanship from Mr. Matsuzawa.

#### 3. Organizational matters:

##### a) *Adoption of the agenda:*

Documents: AFB/EFC.8/1 *Provisional agenda* and AFB/EFC.8/2 *Provisional annotated 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, to be included on the agenda under item 12.

##### b) *Organization of work:*

Documents: AFB/EFC.8/1 *Provisional agenda* and AFB/EFC.8/2 *Provisional annotated 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. Reports on project/programme implementation: CSE:**

Document: AFB/EFC.8/3 *Report on the implementation of the programme "Adaptation to coastal erosion in vulnerable areas", Senegal, Centre de Suivi Ecologique (CSE).*

Background: At its 11<sup>th</sup> meeting the Board decided to approve funding for the programme "Adaptation to coastal erosion in vulnerable areas" (Senegal), to be implemented by the NIE Centre de Suivi Ecologique (CSE). The agreement signed between the Board and CSE states that CSE shall provide to the Board semi-annual progress reports, on the status of the programme implementation, including the disbursements made during the relevant period or more frequent reports if requested by the Board. The Board at its last two meetings considered the first report submitted by CSE and additional information provided by the NIE. The Board decided to approve the disbursement of the second tranche of funding for CSE.

CSE submitted its second report on February 17<sup>th</sup>, 2012, requesting the third tranche of funding in accordance with the agreed programme time schedule. CSE is the first implementing entity to report using the project performance template (PPR) approved at the 16<sup>th</sup> Board meeting. The report and secretariat recommendation is presented in document AFB/EFC.7/3. Since this is the first time the PPR template has been used, the report is being reviewed by the EFC committee. Moving forward as was decided by the Board at its 16<sup>th</sup> meeting: "The secretariat's review of the PPR and recommendation will be circulated intersessionally to the Board for two weeks on a "non-objection" basis".

Action expected: The EFC will be invited to consider the programme report submitted by CSE, and to make a recommendation to the Board on the disbursement of the third tranche of funds to CSE.

#### **5. Implementing Entities acting as Executing Entities:**

Document: none.

Background: During the 7<sup>th</sup> meeting of the PPRC a policy issue was identified with reference to one of the project concepts submitted for consideration, the issue of an implementing entity also acting as an executing entity. However the policy issue had been considered to be outside the mandate of the PPRC. Having considered the comments and recommendations of the PPRC, the Board decided to request the EFC to consider under what

circumstances, conditions and criteria implementing entities could act as executing entities<sup>1</sup>.

Action expected: The EFC will be invited to consider under what circumstances, conditions and criteria implementing entities could act as executing entities, and to make a recommendation to the Board for approval.

## **6. Investigative procedure:**

Document: AFB/EFC.8/4 *Investigative procedure*

Background: The Board at its 16<sup>th</sup> meeting considered a document on how to trigger a review or an investigation, including to address cases of financial mismanagement, prepared by the secretariat<sup>2</sup>. Following consideration of the document above, and following the recommendation of the EFC, the Board decided to request the secretariat to present a proposal of an investigative procedure for consideration at the next EFC meeting, including the cost implications of implementing such proposal and taking into account any possible conflicts of interest<sup>3</sup>. Document AFB/EFC.8/4 contains the requested proposal as prepared by the secretariat.

Action expected: The EFC will be invited to consider document AFB/EFC.8/4, and make a recommendation to the Board for approval.

## **7. Implementation of the 50% cap on MIE projects approvals:**

Document: AFB/EFC.8/5 *Consideration of the 50% cap for proposals submitted by Multilateral Implementing Entities (MIEs)*

Background: At its last meetings both Committees considered the issue of the cap on funding for projects proposed by MIEs<sup>4</sup>. Following the reports by both Committees, the Board decided to invite Board members to submit proposals to the secretariat on how best to implement the 50 per cent cap and how to prioritize new project/programme proposals submitted by MIEs. It further requested the secretariat to provide a report for consideration by the Chairs and Vice-Chairs of both Committees on the submissions related to the prioritization criteria of new proposals; and for consideration by the EFC the implementation of the 50 per cent cap, which should also contain all the relevant figures and financial implications for the implementation of the cap. Document AFB/EFC.8/5 contains the report prepared by the secretariat, which presents the financial status of the Fund with respect to the cap, summarizes the inputs from the Board members and Chairs and Vice-Chairs of both Committees on prioritization criteria for new proposals and endorsed concepts, and presents recommendations for the implementation of the 50% cap.

---

<sup>1</sup> Decision B.16/8.

<sup>2</sup> Document AFB/EFC.7/5.

<sup>3</sup> Decision B.16/22.

<sup>4</sup> Decision ...

Action expected: the EFC will be invited to consider how to implement the 50 per cent cap for MIEs and make a recommendation to the Board for approval.

## **8. Consideration of financial issues related to regional projects/programmes:**

Document: AFB/EFC.8/11 *Consideration of issues related to regional projects/programmes*

Background: The Board at its 13th meeting decided, as a temporary measure, to approve a cap of US 10 million for each country; and to request the secretariat to present a proposal to the EFC on how regional projects or programmes would be considered within the cap of US \$10 million per country funded for support. Having considered the secretariat's proposal at its 14th meeting, the Board decided to establish an ad-hoc working group to consider the issues of regional criteria, country caps and the definition of regional projects/programmes. The secretariat presented a document at the Board's 15th meeting elaborating the interim nature of the country cap, and relationship to the cap on Multilateral Implementing Entities; added value of regional approaches; and quality considerations in regional projects and programmes, and related project/programme review criteria. Considering the document, the Board requested the secretariat to produce a revised paper that (i) reflects the experience on regional projects and programmes gained by other agencies, such as UNEP, the GEF, the World Bank, the PPCR, as well as that of the regional development banks; and (ii) Presents a proposal on the definition of regions in the context of regional projects and programmes. Following consideration of the revised version of the proposal, the Board at its 16<sup>th</sup> meeting decided Having heard the report of the secretariat on the issues related to regional project/programmes, the Board decided to (a) request the secretariat to prepare a revised paper that took into account the comments made during the discussion at the present meeting; (b) Request the Project and Programme Review Committee (PPRC) to consider the revised paper mentioned above, excluding the issues of the effect of the 50 per cent cap on the MIEs and the granting of an additional US\$ 5 million for regional projects; (c) Request that the Ethics and Finance Committee (EFC) consider the revised paper mentioned above specifically with respect to the issues of the effect of the 50 per cent cap on the MIEs and the granting of an additional US \$5 million for regional projects; and (d) Taking into account the recommendations of the EFC and the PPRC, consider developing a policy on the approval of regional projects and programmes at its 17th meeting.

Action expected: The EFC will be invited to consider the options outlined in document AFB/EFC.8/11; in particular whether the Board should welcome proposals for regional projects and programmes at this time, given the situation with approaching the 50 per cent cap for MIEs; whether the Board should incentivize the development of regional projects and programmes with

additional funds; and whether the number of regional projects and programmes per country as well as the maximum budget for such a proposal should be limited as suggested in the document, and make a recommendation to the Board for approval.

## **9. Proposed amendments to the evaluation framework.**

Document: AFB/EFC.8/12 Proposed amendments to the evaluation framework (prepared by the Adaptation Fund evaluation function).

Background: At its 15th meeting the Board decided to entrust the evaluation function of the Adaptation Fund to the GEF Evaluation Office for an interim period of three years<sup>5</sup>. The Board also decided to approve “the Evaluation Framework contained in Annex II to document AFB/EFC.6/4 with the changes to paragraphs 12-14, as contained in Annex I to this report, and request the GEF Evaluation Office and the secretariat to prepare a final version of the Evaluation Framework.” During the preparation of the final version of the evaluation framework, the evaluation function identified sections in the framework where input was still needed to fully cover the items referred to in the decision related to the evaluative function of the Fund. For that reason, the evaluation function prepared the proposed amendments to the evaluation framework for consideration by the EFC.

Action expected: the EFC will be invited to consider the proposed amendments to the evaluation framework and make a recommendation to the Board for approval.

## **10. 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.

## **11. Financial issues:**

### *a) Fundraising strategy:*

Document: AFB/EFC.8/6 Fundraising strategy

Background: The Adaptation Fund Board (AFB), at its 16<sup>th</sup> meeting, considered the constraints currently being faced by the Adaptation Fund due to modest level of resources available, caused in part by low levels in CER prices. The Board expressed its view that this is a fundamental problem for the Adaptation Fund and therefore it was suggested that if fundraising was to be attempted, it should be done in a structured fashion. Following these

---

<sup>5</sup> Decision B.15/23.

considerations, the secretariat was asked to report to the Board at its 17<sup>th</sup> 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<sup>6</sup>. Document AFB/EFC.8/6 contains the fundraising strategy prepared by the secretariat.

Action expected: the EFC will be invited to consider the fundraising strategy presented by the secretariat and make a recommendation to the Board for approval.

b) *Status of resources of the Adaptation Fund Trust Fund:*

Documents: AFB/EFC.8/7 *Financial status of the Adaptation Fund Trust Fund (as at 31 December 2011)* and AFB/EFC.8/7/Add.1 *Transaction record – Individual CER sales*.

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) *CER monetization:*

Document: AFB/EFC.8/8 *Additional information from the trustee on CER markets and monetization*.

Background: At its 16<sup>th</sup> meeting the Board decided to request the trustee to: (a) Sell the Adaptation Fund's CERs related to HFCs as a matter of priority; (b) Continue to provide the Board with relevant information and continuous advice which would guide it on the above decision; and (c) Continue to report on the individual and average prices for the CERs sold and how they compared with the market prices to facilitate the Board's understanding of the monetization process<sup>7</sup>. Document AFB/EFC.8/8 has been prepared by the trustee following the request above.

Action expected: The EFC will be invited to take note of the information provided in the document.

---

<sup>6</sup> Decision B.16/24.

<sup>7</sup> Decision B.16/26.

d) *Proposal of amendment to CER monetization guidelines:*

Document: AFB/EFC.8/9 *CER monetization programme guidelines (updated March 2012).*

Background: The trustee prepared the updated version of the CER monetization guidelines contained in document AFB/EFC.8/9 for consideration by the EFC. The purpose of the CER Monetization Guidelines (Guidelines) is to provide advice and guidance related to the monetization of Adaptation Fund (AF) CERs. According to the trustee, experience with the monetization of AF CERs since inception of the program in May 2009 suggests that the Guidelines remain appropriate. The trustee recommends, however, that pursuant to the authority provided under decision 1/CMP.3, the AF Board approves amendments to the Guidelines in the form attached hereto as Annex 1 to document AFB/EFC.8/9 (the Amended and Restated Guidelines) to incorporate lessons learned during the monetization program, and recent events.

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

e) *Investment strategy:*

Document: AFB/EFC.8/10 *Investment management by the trustee.*

Background: At its 16<sup>th</sup> meeting the Board requested the trustee to provide advice to the Board at its 17<sup>th</sup> meeting on options for potential investments taking into account its mandate and the Adaptation Fund risk profile and liquidity needs. Document AFB/EFC.8/10 was prepared by the trustee following the request above.

Action expected: The EFC will be invited to consider the document prepared by the trustee and make a recommendation to the Board.

**12. Other matters:**

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

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

**14. Closure of the meeting.**

## PROVISIONAL TIMETABLE

**14 March 2012**

### *Morning Session*

9:00 – 9:15	1	Opening of the meeting
	2	Transition of the Chair and the Vice Chair
	3 a)	Adoption of the agenda
	3 b)	Organization of work
9:15 – 9:30	4	CSE report
9:30 – 10:00	5	Implementing entities acting as executing entities
10:00 – 10:30	6	Investigative procedure
10:30 – 10:45		<i>Coffee break</i>
10:45 – 11:30	7	50% cap on MIE proposals
	8	Financial issues related to regional projects/programmes
11:30 – 12:00	9	Amendments to evaluation framework
12:00 – 13:00	10	Implementation of the code of conduct

### *Afternoon Session*

14:00 – 14:30	11 a)	Fundraising strategy
14:30 – 14:45	11 b)	Status of resources of the Trust Fund
14:45 – 15:15	11 c)	CER monetization
15:15 – 15:30		<i>Coffee break</i>
15:30 – 16:00	11 d)	Amendments to CER monetization guidelines
16:00 – 16:30	11 e)	Investment strategy
16:30 – 16:45	12	Other matters

**The EFC report will be adopted on Thursday 15 March 2012 at 9:00 h.**