



ADAPTATION FUND

AFB/EFC.18/11
16 March 2016

ADAPTATION FUND BOARD
Ethics and Finance Committee
Eighteenth Meeting
Bonn, 15-16 March 2016

REPORT OF THE EIGHTEENTH MEETING OF THE ETHICS AND FINANCE COMMITTEE FOR BOARD REPORT

Agenda Item 1: Opening of the meeting

1. The outgoing Chair of the Ethics and Finance Committee (EFC), Ms. Irina Helena Pineda Aguilar (Honduras, Group of Latin American and Caribbean Countries), opened the meeting and greeted the participants at 9.25 a.m. on 14 March 2016.

Agenda Item 2: Transition of the Chair and the Vice-Chair

2. Ms. Tove Zetterström-Goldmann (Sweden, Annex I Parties) took over the Chairmanship of the EFC. Ms. Patience Dampsey (Ghana, Non-Annex I Parties) took over the Vice-Chairmanship from Ms. Zetterström-Goldmann.

3. At the invitation of the Chair, Ms. Dampsey made a brief statement, saying that she felt privileged to be the Vice-Chair and hoped the Committee would continue to work effectively in the usual spirit of cooperation.

Agenda Item 3: Organizational matters

(a) *Adoption of the agenda*

4. The agenda below was based on documents AFB/EFC.18/1 (Provisional agenda) and AFB/EFC.18/2 (Annotated provisional agenda).

5. The Chair proposed the addition of a sub-item on the implementation of Phase I of the evaluation of the Fund under Other Matters.

6. Thus amended, the agenda was adopted.
 1. Opening of the meeting
 2. Transition of the Chair and the Vice-Chair
 3. Organizational matters
 - (a) Adoption of the agenda
 - (b) Organization of work
 4. Evaluation of the Fund
 5. Effectiveness and efficiency of the accreditation process
 6. Gender policy and action plan
 7. Report on direct project services
 8. Complaint handling mechanism
 9. Implementation of the code of conduct
 9. Financial issues
 - (a) Investment income
 - (b) Financial status of the trust fund and CER monetization
 - (c) Work plan for the fiscal year 2017
 - (d) Board and secretariat, and trustee budgets for the fiscal year 2017
 11. Other matters
 - (a) Pending recommendations included in the overall evaluation (phase I)
 12. Adoption of the recommendations and report
 13. Closure of the meeting

(b) *Organization of work*

7. The Committee adopted the organization of work proposed by the Chair.

8. The Chair welcomed four new Adaptation Fund Board (Board) members to the EFC: Mr. David Kaluba (Zambia, African Group); Mr. Mirza Shawkat Ali (Bangladesh, Asia); Mr. Naser Moghaddasi (Iran, Asia); and Mr. Antonio Navarra (Italy, WEOG). She noted that another new

Board member, Ms. Ding Ding (China, non-Annex I Parties), had also been appointed to the EFC but was unable to attend the meeting. At the invitation of the Chair, the new members present briefly introduced themselves.

9. In accordance with paragraph 29 of the rules of procedure, the Chair then called upon all EFC members to orally declare any conflict of interest that they might have with any item on the current meeting agenda. One member indicated that he might have a conflict of interest when issues involving the United Nations Development Programme (UNDP) were discussed.

Agenda Item 4: Evaluation of the Fund

10. Introducing the item, the representative of the secretariat drew the attention of the EFC to document AFB/EFC.18/3, which contained options for conducting stage II of the evaluation of the Fund (portfolio evaluation). The options, which had been identified by the secretariat in accordance with decision B. 26/30, were: (1) implementation by an independent firm overseen by an Independent Review Panel (IRP); and (2) implementation by an independent firm overseen by the secretariat, with quality assurance by the Global Environment Facility (GEF Independent Evaluation Office IEO (GEF-IEO)).

11. At the invitation of the Chair, Ms. Geeta Batra, Deputy Director of the GEF-IEO, joined the meeting via Skype to respond to questions from EFC members. She explained that the GEF-IEO was prepared to fulfill a role of quality reviewer for the second phase of the evaluation, including reviewing reports, helping draft the terms of reference of the evaluation, and supporting the selection of an appropriate firm. The GEF-IEO would not charge a fee for such a role, but the responsibility for the timely delivery of the evaluation and follow-up with the evaluators would remain with the secretariat. For the GEF-IEO to carry out the second phase of the evaluation itself would require that it be entrusted with the evaluation function of the Fund. Furthermore, it would require clearance from the GEF Council and a commitment from the Fund to allocate resources to the GEF-IEO, and therefore would take more time. In terms of expertise in adaptation projects, she stressed that while other entities had good evaluation capabilities, the GEF-EIO was more focused on environmental evaluation, with experience as the formal evaluation function for the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF) of the GEF.

12. The Chair thanked Ms. Batra for her responses, and Ms. Batra left the meeting.

13. A lengthy discussion ensued on the best approach to the second phase of the evaluation. There was some support for option 1 given that a similar approach had worked fairly well for the first phase. There was also support for option 2, primarily on the basis that it could serve to build capacity within the secretariat and within the GEF-IEO. The Manager of the secretariat cautioned that option 2 as presented may require a level of interaction with the evaluators that would compromise the independence of the evaluation. One member suggested a third option, proposing that the Board should take on the responsibility of implementing the second phase of the evaluation, by drafting the terms of reference in consultation with the secretariat, sending out a request for proposals, reviewing the responses and issuing a contract with the controls needed for the review process.

14. The broader question of the evaluation function of the Fund was also raised during the discussion. It was noted that the Fund had not had an evaluation function since the GEF had withdrawn from its role as the independent evaluation office in 2013, and generally agreed that it would be wise to re-establish the evaluation function. Opinions differed, however, on how to

achieve that objective, with one option being to give the GEF-IEO a mandate as the independent evaluator and another being to create a more permanent independent review panel (IRP).

15. Following the discussion, the Ethics and Finance Committee (EFC) recommended that the Adaptation Fund Board (the Board):

- (a) Initiate the second phase of the evaluation of the fund, drawing upon its first phase:
 - (i) Establish a task force comprised of (...) to work intersessionally, supported by the secretariat, to develop terms of reference and a request for proposals for the second phase of the evaluation of the Fund in coordination with independent evaluation organizations (including the Global Environment Fund Independent Evaluation Office (GEF-IEO)) for quality assurance and present them to the nineteenth meeting of the EFC;
 - (ii) Request the secretariat to further investigate the availability of the previous Independent Review Panel members and continue discussions with the GEF-IEO, and to present updated options for the second phase of the evaluation of the Fund to the nineteenth meeting of the EFC; and
- (b) Request the secretariat to prepare options for providing the Fund with an evaluation function, building upon previous work related to the evaluation framework of the Fund, for consideration at the nineteenth meeting of the EFC.

(Recommendation EFC.18/1)

Agenda Item 5: Effectiveness and efficiency of the accreditation process

16. The representative of the secretariat introduced document AFB/EFC.18/4 (Effectiveness and efficiency of the accreditation process) and provided a brief overview of the three parts to the document: (i) the introductory part summarizing the scope of the work undertaken, including enhancements already introduced in the process; (ii) Annex I containing a newly established accreditation timeline checklist; and (iii) Annex II containing guidance for various aspects of the accreditation process. She drew the members' attention to the fact that the guidance documents relating to the environmental and social policy and the gender policy that is still to be presented to the Board for approval had yet to be finalized, and it was therefore proposed that they be considered by the Committee intersessionally.

17. She then responded to a number of questions from members, among other things confirming that timeline and guidance were primarily aimed at ensuring that the accreditation criteria and assessment process were clear to everyone, and did not introduce any new elements.

18. After some discussion on the matter, the Ethics and Finance Committee (EFC) recommended that the Adaptation Fund Board:

- (a) Approve the proposal to enhance the effectiveness and efficiency of the accreditation process, as contained in document AFB/EFC.18/4;
- (b) Request the secretariat to:

- (i) Finalize the guidance notes on the environmental and social policy [and gender policy], for consideration by the Board during the intersessional period;
- (ii) Publish the accreditation timeline checklist and the guidance notes for the accreditation process on the website of the Fund;
- (iii) Communicate the approved accreditation timeline checklist and guidance notes to the Designated Authorities and implementing entities (IEs); and
- (iv) Translate the guidance documents into the official languages of the United Nations.

(Recommendation EFC.18/2)

Agenda Item 6: Gender-related policies and procedures of the Fund

19. The representative of the secretariat presented document AFB/EFC.18/5, draft gender policy and action plan, and document AFB/B.18/5/Add.1, Gender policy - revised operational policies and guidelines for Parties to access resources from the Adaptation Fund (the OPGs). Both documents had been prepared by the secretariat pursuant to decision B.26/32. She drew the EFC's attention to the three annexes of the first document, which contained the proposed gender policy, a proposed action plan for fiscal year 2017-2019, and a compilation of the comments received through the public call for comments on a gender policy proposal.

20. Committee members generally welcomed the policy and action plan, although there were a number of questions and suggestions for specific amendments to some of the wording. Responding to one member's concern that the revised operational policies and guidelines placed too much emphasis on compliance with the gender policy, particularly with respect to monitoring and evaluation, the representative of the secretariat noted that the gender goals were difficult to achieve, and that the Fund had committed to making a greater effort to achieve more tangible outcomes. Addressing another member's concern that failure to comply with the policy would hinder access to project funds, she said that the goal was to achieve access to equal opportunity, which was not the same as equal outcomes, and drew attention to the definition of gender equality indicated in the gender policy.

21. Responding to a query regarding the timeline for implementation of the policy, the Manager of the secretariat indicated that any changes approved by the Board would be applicable after the upcoming Board meeting. Nevertheless, the instructions and project template would be revised in light of comments submitted to the next Board meeting and would only be applicable after that or later, depending on the decisions taken by the Board. Furthermore, the related guidance had yet to be developed.

22. Responding to further concerns regarding possible deficiencies for national and regional implementing entities in terms of application of the policy and the impact on new projects, the Manager of the secretariat indicated that a readiness proposal would be discussed for the next year, including capacity building for applying the gender policy and grants to accredited implementing entities for the environmental and social policy, and extended to the gender policy if approved. That being said, gender considerations had already been applied as part of the Fund's project review criteria for several years. She further noted that entities were already asked to have the capacity and commitment to apply the Fund's gender policy as one of the 15 principles enshrined in the Fund's environmental and social policy.

23. Based on the discussion, the Ethics and Finance Committee (EFC) recommended that the Adaptation Fund Board (Board):

(a) Approve:

(i) The gender policy as contained in annex I of document AFB/EFC.18/5/Rev.1;

(ii) The gender action plan as contained in annex II of document AFB/EFC.18/5/Rev.1; and

(iii) The amendments to the main text of the operational policies and guidelines for Parties to access resources from the Adaptation Fund (the OPG) and annex 3 to the OPG, as contained in document AFB/EFC.18/5/Add.1; and

(b) Request the secretariat to revise annex 4 to the OPG taking into account comments submitted by members of the Board by 30 June 2016 for consideration by the EFC at its nineteenth meeting.

(Recommendation EFC.18/3)

Agenda Item 7: Report on direct project services

24. Introducing the item, the representative of the secretariat recalled that the annual performance report for the fiscal year 2015 presented at the seventeenth meeting of the Committee had included twelve project change requests, including eleven submitted by the United Nations Development Programme (UNDP) involving the reassignment of funds for direct project services. Consequently, the Board had decided to request implementing entities to submit requests for direct project services to the secretariat before an agreement for the provision of such services was signed between the implementing entity and its executing entities, and that requests for projects already approved should include justification of how the costs have been established and endorsement by the Designated Authority, and had requested the Chair of the Board to discuss the matter with UNDP at the appropriate level (Decision B.26/33).

25. A meeting had subsequently been held with the Chair of the Board, the representative of the secretariat and Ms. Adriana Dinu, Executive Coordinator of the Global Environment Finance Unit of UNDP, and a report of the meeting was provided in Document AFB/EFC.18/6. During the meeting, Ms. Dinu had reiterated that requests for direct services were made at request of governments in cases where the National Implementing Entity (NIE) was not able to provide such services due to lack of capacity. As UNDP working on cost recovery basis, it had to cover those costs using Adaptation Fund money. However, she agreed that in the future, such requests would be submitted to the Board before the UNDP signed such agreements with governments. Nevertheless, it appeared clear that when a government asked an implementing entity for such support, the entity could not refuse. The Chair of the Board stressed that the requested changes for direct project services involved a reallocation of funds within an approved budget, and did not result in a budget increase. Finally, the representative of the secretariat drew the EFC's attention to a pending request for direct project services for a project in Turkmenistan, one of the eleven requests submitted by UNDP at the previous meeting, for which the secretariat was recommending approval on an exceptional basis.

26. During the discussion on the matter, considerable concern was expressed regarding a perceived trend in the charging of direct project services by UNDP. It was noted that the amounts requested for direct project services had been steadily increasing. Members generally felt that the practice should be discouraged, in particular because it hindered country capacity building. It was noted that the Board had taken previous decisions relating to an implementing agency playing the role of executing agency. In response to a question from a member, the representative of the secretariat informed the EFC that informal discussions with other United Nations implementing agencies had indicated that in similar situations, other agencies usually did not take the approach of charging the project, and in some cases drew on their own resources to provide such services. There was some discussion regarding alternative means of providing direct services in such situations, including the possibility of requiring the use of a third party, but some members felt the choice of entity was the prerogative of the government in question. There was nevertheless a general sense that implementing entities should be able to better assess the executing entities capacity and hence any need for direct project services before presenting a project to the Board.

27. There was also considerable discussion on whether to approve the request for the project in Turkmenistan. Even if specified to be on an exception basis, some members felt that, as a second approval of provision of direct project services by UNDP, such an approval could be seen to set a precedent. The representative of the secretariat, however, underscored that the project was part of the batch of eleven requests submitted by UNDP prior to the discussion on the matter, and that henceforth the EFC would have more latitude to refuse such requests pursuant to decision B.26/33.

28. Having considered the report on the meeting between the Chair of the Adaptation Fund Board and the Executive Coordinator of Global Environment Finance Unit of the United Nations Development Programme (UNDP) as requested by decision B.26/33, the Ethics and Finance Committee recommended that the Adaptation Fund Board (the Board):

- (a) Reiterate its request that Requests for Direct Project/programme Services (RDPS) be submitted to the secretariat before an agreement is signed between the Implementing Entity and the government or executing entity for the provision of those services, with an understanding that analysis of the requests may suggest alternative conclusions, such as revising the project to avoid direct services, or contracting such services to a third party;
- (b) Request the secretariat to include the provision under a) above in the template project agreement between the Board and the Implementing Entity;
- (c) Request the Accreditation Panel to take those issues into account when deliberating on the reaccreditation of an implementing entity; and
- (d) Request the (task force) to include an analysis of the RDPS received by the secretariat from Implementing Entities in the terms of reference for the second phase of the evaluation of the Fund.

(Recommendation EFC.18/4)

29. In light of the report by the secretariat, the EFC recommended that the Board:

- (a) Approve, on an exceptional basis, in order to avoid putting the project in jeopardy, the provision by UNDP of Direct Project Services up to the amount of US\$ 82,471 for the project in Turkmenistan; and

- (b) Request UNDP to highlight, in its forthcoming Project Performance Reports, the ways in which the provision of direct project services had helped strengthen the capacity of the national executing entity.

(Recommendation EFC.18/5)

Agenda Item 8: Complaint handling mechanism

30. At the invitation of the Chair, the Manager of the secretariat provided an update on two cases that had been brought to the attention of the secretariat.

31. Having considered: (a) the assessment by the Accreditation Panel following the reviews requested by decisions B.22/21, B.24/25 and B.26/34 related to complaint 001; and (b) the update by the secretariat on complaint 002; the Ethics and Finance Committee (EFC) recommended that the Adaptation Fund Board request the secretariat to prepare a note on possible courses of action to address the complaints related to implementing entities and report back to the nineteenth meeting of the EFC.

(Recommendation EFC.18/6)

Agenda Item 9: Implementation of the code of conduct

32. The Chair drew the attention of the Committee to the code of conduct and zero tolerance policy for corruption posted on the Fund website. No matters were raised under the item. The outgoing AFB Chair proposed that in the future this agenda item be discussed at the end of the meeting to capture the discussions on all the agenda items.

Agenda Item 10: Financial issues

(a) Investment income earned by Implementing Entities (IEs)

33. Introducing the item, the representative of the secretariat drew the Committee's attention to previous decisions by the Board relating to investment income generated by IEs holding funds already transferred to them by the trustee for project grants. In decision B.25-26/14, the Board had approved changes to the project performance report template to allow for annual reporting of investment income from IEs. In decision B.26/37, the Board had authorized the trustee to receive funds from implementing entities for deposit to the Adaptation Fund Trust Fund in accordance with the trustee's Terms and Conditions and procedures agreed to by the trustee and secretariat. Finally, in decision B.26/36, the Board had requested the secretariat to present a document on the practices/operational rules followed by other funds regarding investment income and a proposal of guidelines on investment income accrued by implementing entities for the Adaptation Fund. The Committee was now being asked to consider document AFB/EFC.18/10, Investment income earned by implementing entities, which the secretariat had prepared in response to that request.

34. At the invitation of the Chair, the representatives of the secretariat and trustee provided some details on the practices/operational rules followed by other funds. In the case of funds such as the GEF and CIFs, the procedure for the return of funds was specified in agreements between Trustee and the implementing agencies, and decisions on the timing for the return of investment funds was often left to the discretion of the trustee. For the Adaptation Fund, the comparable agreements were those between the Adaptation fund and its IEs directly; therefore such

procedure should be specified in those agreements. He also provided clarification on the transaction costs associated with processing the return of funds to the trustee.

35. During the ensuing discussion, the representative of the secretariat responded to a number of questions from members. Asked why no amounts were mentioned in the document, she said that the very few figures reported to date were not comparable, being for periods ranging from six months to four years and for entities with from two to twenty projects, but that amounts would be presented once more data was available from the annual project performance reports.

36. Some members also suggested that implementing agencies should not be earning income on funds received in tranches and disbursed directly to projects. The representative of the secretariat indicated that while many entities did not hold their funds in interest-bearing accounts, other could earn interest on funds due to project delays or the time required to disburse the funds, even if received in tranches. It was also noted that in countries with inflation issues, it might be impractical not to hold the funds in an interest-bearing account.

37. In response to a question regarding whether the Fund had a risk management policy to cover project delays, the Manager of the secretariat drew the members' attention to the project cancellation policy, noting that country consent was required to cancel a project.

38. Having considered the information compiled by the secretariat in document AFB/EFC.18/10, the Ethics and Finance Committee (EFC) recommended that the Adaptation Fund Board request the secretariat to hold further discussions with the Trustee on a proposal on the best approach to deal with the interest generated by implementing agencies on amounts held in respect of project grants and to report back to the nineteenth meeting of the EFC.

(Recommendation EFC.18/7)

(b) Financial status of the Trust Fund and CER monetization

39. The representative of the trustee reported on the activities of the trustee since the last meeting, including the issuance of the audited Adaptation Fund Trust Fund Financial Statements for the fiscal year 2015, and provided an update on the financial status of the Adaptation Fund Trust Fund and Certified Emission Reduction (CER) monetization. At year-end 2015, total revenue to the Fund had amounted to US\$ 539.1 million, including US\$ 195.8 million from CER sales, US\$ 343.4 million from donations, and US\$ 4.3 million from investment income generated by the trustee. Funds available for new project and programme approvals had amounted to US\$ 177.7 million at year-end 2015 (an increase of US\$ 47.7 million since the previous report). The representative of the trustee reported that opportunistic sales of CER sales continued at a modest pace, notwithstanding continued oversupply in the markets and very weak demand from buyers. During 2015, the trustee had sold 3.7 million CERs to generate almost US\$ 5 million in proceeds. To date in fiscal year 2016, the premium over market prices amounted to just under US\$ 1 million. In response to questions from the EFC, the trustee reported that: i) there had been no meaningful increase in demand for CERs post-Paris, ii) it was in contact with the secretariat of the United Nations Framework Convention on Climate Change on potential leads, but no new purchasers had been identified, and iii) its next report on the overall state of carbon markets would be published at Carbon Expo in May.

40. The trustee reported on donation agreements signed with Belgium, France, Germany, Italy, Luxemburg and Wallonia Region, and US\$ 1,528 received from the United Nations Foundation in respect of private donations via the Fund's website. Due to market conditions and

cost considerations, the trustee intended to suspend exchange sales on the ICE platform and focus on taking advantage of opportunities to sell CERs at premium prices through specific over-the-counter sales through fiscal year 2016.

41. The Ethic and Finance Committee took note of the trustee's report.

(c) Work plan for the fiscal year 2017

42. The representative of the secretariat presented the work plan proposal for fiscal year 30 June 2016 – 1 July 2017 as contained in document AFB/EFC.18/8.

43. Following his presentation, he addressed a number of questions and comments from EFC members. He noted that the issue of the US\$ 10 million cap would be discussed by Board at its upcoming meeting. He also acknowledged suggestions that the work plan should include a specific reference to preparations for the 22nd session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP22), and that a planned monitoring mission to Morocco could be scheduled to dovetail with COP22 to facilitate the participation of board members.

44. The Manager of the secretariat also provided clarification in response to one comment, noting that the work plan would be updated following the upcoming Board meeting to reflect the decisions taken at the meeting, as appropriate.

45. Having considered the proposal by the secretariat, the Ethics and Finance Committee recommended that the Adaptation Fund Board (the Board) approve the work plan and the tentative work schedule contained in document AFB/EFC.18/8, subject to approval by the Board of the readiness programme proposal contained in document AFB/B.27/7.

(Recommendation EFC.18/8)

(d) Board and secretariat, and trustee budgets for the fiscal year 2017

46. A representative of the secretariat presented document AFB/EFC.16/6, showing the Board and secretariat budgets for FY 2017. In his presentation, he drew particular attention to the fact that the secretariat was proposing to institutionalize the readiness programme as a standing component of its operations, with the consequence that the Readiness Programme budget would become a permanent component of the main secretariat budget.

47. The Manager of the secretariat also spoke about the underlying reasons for the expected year-over-year increases in the personnel item of the budget. She explained that a staff was away on extended sick leave, possibly for an entire year, and had been temporarily replaced but a more permanent replacement with specialized skills was required. As a result, the budget included two salaries for the one position, although a large portion of that amount would eventually be covered by insurance. In addition, because of changes in World Bank policy, the non-renewable contracts of two staff members would have to be converted to term staff positions (GE level) a slightly more expensive type of contract in the near future in order to retain them; she stressed that both were important resources, and it was important for the operation of the secretariat that they stay.

48. The representative of the trustee then presented the proposed budget for the trustee.

49. Following the presentations, EFC members posed a number of questions, particularly in relation to the budget increase. It was noted that while mainly attributable to the aforementioned higher staffing costs as well as certain other justifiable cost increases, such as new fees for the use of United Nation boardrooms, it was important to make the increase easy to understand. The representative of the secretariat addressed a query relating to the accounting for monitoring missions, which he said were included in the personnel component of the budget; it was subsequently suggested that it should be part of the travel component. In response to another question, the Manager of the secretariat explained that all readiness activities were organized in partnerships with other organizations that shared the costs.

50. The issue of the cost of interpretation was also raised as a potential source of cost saving, with one member noting that an English-only mode of operation would be in line with the procedures of other funds.

51. The trustee also addressed a number of questions and comments. He explained that salary increases were beyond the trustee's control as bank proposes salary increases based on their practices. With respect to the potential savings associated with audit fees, he explained that the fund was audited as part of a bank audit of all funds, from which it received a letter from the bank's external auditors, and also had an independent audit of the financial statements of the trust fund. If the bank's audit provided sufficient comfort, the second audit could be eliminated along with the associated fees of in the order of US\$ 50,000. As the bank's mandate was set to expire in May 2017, there would be an opportunity to make such a change through a decision at COP22.

52. Having considered the budget proposal by the secretariat and trustee as contained in document AFB/EFC.18/9, the Ethics and Finance Committee recommended that the Board:

- a) Note the explanations by the secretariat regarding:
 - (i) The personnel cost increase due to the need to hire a temporary replacement for the Operations Associate currently on extended sick leave, as well as the need to convert two non-renewable positions into GE term contracts, in order to ensure the provision of adequate secretariat services to the Board;
 - (ii) The increased costs of the Board meetings charge due to the fee for the usage of common conference rooms in the United Nations Campus Bonn; and
 - (iii) The increased costs in office space in the fiscal year 2016 as a result of the unavoidable move of the secretariat offices to a new building where the lease cost is lower resulting in a net saving in the office space cost in the fiscal year 2017;
- b) Approve, from the resources available in the Adaptation Fund Trust Fund:
 - (i) The revised proposal contained in annex II to the present report, including of **US\$4,522,837** to cover the costs of the operations of the Board and secretariat over the period 1 July 2016 to 30 June 2017, comprising **US\$ 3,042,337** for the secretariat administrative services (the main secretariat budget), **US\$ 400,000** for the overall evaluation (phase II), **US\$ 464,000** for accreditation services and **US\$ 616,500** for the readiness programme **subject to approval by the Board of the readiness programme**; and

- (ii) The proposed budget of **US\$ 669,000** for trustee services to be provided to the Adaptation Fund over the period 1 July, 2016 to 30 June, 2017.

(Recommendation EFC.18/9)

Agenda Item 11: Other matters

- a) *Pending recommendations included in the overall evaluation (phase I)*

53. Based on a proposal by the Chair, the EFC recommended that the Board include, in the agenda of its twenty-eighth meeting, an item on the pending recommendations arising out of the first phase of the overall evaluation of the Fund.

(Recommendation EFC.18/10)

Agenda Item 12: Adoption of the recommendations and the report

54. The present report was adopted based on the draft report of the Committee contained in document AFB/EFC.18/L.1, as orally amended.

Agenda Item 13: Closure of the meeting

55. The meeting closed at 5 p.m. on 16 March 2016.

ANNEX I

**Ethics and Finance Committee
Eighteenth Meeting
Bonn, Germany, 15 and 16 March 2016**

EFC members present in the meeting

Ms. Tove Zetterström-Goldmann (Chair) (Sweden, Annex I Parties)

Ms. Patience DAMPTEY (Vice-Chair) (Ghana, Non-Annex I Parties)

Mr. Hans Olav IBREKK (Norway, Western Europe and others)

Mr. Petrus MUTEYAULI (Namibia, Africa)

Ms. Irina Helena Pineda AGUILAR (Honduras, Latin America and the Caribbean)

Ms. Umayra TAGHIYEVA (Azerbaijan, Eastern Europe)

Mr. Aram TER-ZAKARYAN (Armenia, Eastern Europe)

Mr. Philip WEECH (Bahamas, Latin America and the Caribbean)

Mr. Naresh SHARMA (Nepal, Least Developed Countries)

Mr. David Kaluba (Zambia, African Group)

Mr. Mirza Shawkat Ali (Bangladesh, Asia)

Mr. Naser Moghaddasi (Iran, Asia)

Mr. Antonio Navarra (Italy, WEOG)

ANNEX II: Budget**Table 1: Approved FY16 and proposed FY17 budget of the Board and secretariat¹**

All amounts in US\$		Approved FY16	Estimate FY16	Proposed FY17
BOARD AND SECRETARIAT				
01	Personnel	1,704,295	1,716,295	1,825,247 ²
02	Travel	434,000	434,000	548,000
03	General operations	345,870	377,870 ³	306,090 ⁴
04	Meetings	340,000	343,000	363,000 ⁵
Sub-total secretariat administrative services (a)		2,824,165	2,871,165	3,042,337
05	Overall evaluation (b)	200,000	656 ⁶	400,000 ⁷
06	Accreditation (c)	460,000	460,000	464,000
Sub-total secretariat (a), (b) and (c)		3,484,165	3,331,821	3,906,337
07	Readiness Programme (d)	565,000	564,000	616,500
Sub-total secretariat (a) + (b) + (c) + (d)		4,049,165	3,896,821	4,522,837

¹ Decimal points in the table are rounded up.

² This increase is justified by the conversion of two current non-renewable staff positions to GE level term contracts and the replacement of the operations associate currently on extended sick leave.

³ This increase is justified by the increased cost in office space as a result of the unavoidable move of the secretariat offices to a new building.

⁴ This is due to lower rentals in the new office space

⁵ This increase is justified by the increased costs for the Board meetings due to the introduction of a fee for the usage of common conference rooms at the UN Campus in Bonn.

⁶ Sum of minor expenses taken out of the approved budget for Phase II of the overall evaluation in order to conclude Phase I. These expenses include costs incurred for the consultant to present findings of Phase I of the overall evaluation to the Board at its 26th meeting. Phase II of the overall evaluation initially scheduled for FY16 will now be implemented in FY17. See paragraph 10 of this report.

⁷ These are estimated costs for Phase II of the overall evaluation initially scheduled for FY16 which will now be implemented in FY17. The increase in estimated costs to US\$ 400,000 is because Phase II also focusses on evaluating projects and not only the Fund processes as was the case in Phase I.

Table 3: Approved FY16 budget, FY16 estimate and proposed FY17 budget of the Board and secretariat

All amounts in US\$		Approved FY16	Estimate Year End FY16	Proposed FY17
PERSONNEL COMPONENT				
Full-time staff (including benefits):				
01	Senior Program Manager (GH)			
02	Senior Climate Change Specialist (GG)			
03	Senior Climate Change Specialist (GG)			
04	Operations Officer (Accreditation) (GF)			
05	Operations Associate (GD)			
06	Program Officer (GF)			
07	Operations Analyst - Accreditation (ETC → GE)			
08	Operations Analyst - Project Review and Monitoring (JPA → GE)			
09	Senior Programme Assistant - interim position (GD)			
sub-total AFB staff		1,239,428	1,239,428	1,366,546
GEF staff cross-support (including benefits):				
01	Head of the AFB Secretariat (GJ) - 10%			
02	HR support (GD) - 5%			
03	Review of projects (1@GF) - 6%			
04	Review of projects (5@GG) - 6%			
05	Advisor (GH) - 2%			
sub-total GEF staff		141,867	141,867	148,961
Consultants & others				
01	AFB Secretariat Support (Legal support etc.)	35,000	47,000	49,350
02	Design and Operation of dedicated Web sites	35,000	35,000	36,750
03	Communications Strategy & Knowledge Management	127,000	127,000	145,000
04	Results Based Management (RBM)	60,000	60,000	0 ⁸
05	Environment and social safeguards + gender	35,000	35,000	46,140
06	Accounting support	23,000	23,000	24,000
07	IT support	8,000	8,000	8,500
sub-total Consultants		323,000	335,000	309,740
SUB-TOTAL PERSONNEL COMPONENT		1,704,295	1,716,295	1,825,247
TRAVEL COMPONENT				
01	Result Based Management (RBM)	0 ⁹	0	68,000
02	AF Secretariat staff	194,000	194,000	230,000
03	Awareness Raising	60,000	60,000	60,000
04	Board - 24 eligible members	180,000	180,000	190,000
SUB-TOTAL TRAVEL COMPONENT		434,000	434,000	548,000
GENERAL OPERATIONS COMPONENT				
01	Office Space, Equipment and Supplies	250,000	282,000	155,500
02	Support to Chair (communications)	23,870	23,870	24,990
03	Publications, Outreach and KM	70,000	70,000	123,500
04	Staff relocation	2,000	2,000	2,100
SUB-TOTAL GENERAL OPERATIONS COMPONENT		345,870	377,870	306,090
MEETINGS COMPONENT				
01	Logistics, interpretation, report writing etc.	240,000	240,000	252,000
02	Translation	100,000	100,000	105,000
02	AFB meeting room rentals	0	3,000	6,000
SUB-TOTAL MEETINGS COMPONENT		340,000	343,000	363,000
TOTAL ALL COMPONENTS		2,824,165	2,871,165	3,042,337

⁸ This is zero because the approved budget by the Board for financial year 16 had included this budget line item under the personnel component in error. RBM costs will be made up of travel costs for portfolio monitoring missions and will be charged under the Travel component for financial year 2017.

⁹ This is zero to enable the RBM budget line item to be moved down to the correct budget component under travel so that there is no change to the RBM budget line item that was approved by the Board in FY16.