



ADAPTATION FUND

AFB/EFC.19/2/Rev.1
28 September 2016

Ethics and Finance Committee
Nineteenth Meeting
Bonn, Germany, 4-5 October 2016

ANNOTATED PROVISIONAL AGENDA

1. Opening of the meeting

The Chair of the Ethics and Finance Committee (EFC), Ms. Tove Zetterström-Goldmann (Sweden, Annex I Parties), will open the meeting.

2. Organizational matters:

a) Adoption of the agenda

Documents: AFB/EFC.19/1/Rev.1, *Provisional agenda* and AFB/EFC.19/2/Rev.1, *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.19/1/Rev.1, *Provisional agenda* and AFB/EFC.19/2/Rev.1, *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. Annual performance report for the fiscal year 2016

Document: AFB/EFC.19/3, *Annual performance report for the fiscal year 2016*.

Background: The secretariat will present the annual performance report 2016 for consideration by the EFC. The report compiles information on all the requests from IEs that have been received by the secretariat during FY 2016, for issues such as allowing

direct project support services to be provided by the IE, proposed material changes, including changes in budget, and proposed project extensions. With regard to the latter, the report raises the issue of the need to clarify the scope of ‘material change’ referenced in Article 4.03 of the legal agreement between the Board and implementing entities.

Action expected: The EFC will be invited to consider the annual performance report for the fiscal year 2016 contained in document AFB/EFC.19/3, and make a recommendation to the Board for approval, including on whether to request the secretariat to prepare a proposal for consideration by the EFC clarifying the scope of the “material change” under Article 4.03 of the standard legal agreement.

4. Evaluation of the Fund

Document: AFB/EFC.19/4, *Updated options for the second phase of the evaluation of the Fund*, and AFB/EFC.19/5, *Options for providing the Fund with an evaluation function*.

Background:

- (a) Phase I of the overall evaluation of the Fund (process evaluation) was completed in 2015. The findings and recommendations of the evaluators were presented to the EFC at its seventeenth meeting (document AFB/EFC.17/3). Following the recommendation of the EFC, the Board at its twenty-sixth meeting decided to request the secretariat to prepare a management response to the evaluation phase I for consideration by the Board during the intersessional period, as well as options for conducting phase II of the evaluation (portfolio evaluation) for consideration by the EFC at its eighteenth meeting (decision B.26/30). The management response to phase I of the evaluation was approved by decision B.26-27/26. Document AFB/EFC.18/3 contains the options identified by the secretariat for conducting phase II of the evaluation, for consideration by the EFC. The options presented include: (1) implementation of phase II by an independent firm overseen by an Independent Review Panel (IRP); and (2) implemented by an independent firm overseen by the secretariat with quality assurance by the Global Environment Facility Independent Evaluation Office (GEFIEO). At its eighteenth meeting the EFC considered these options. Further, the Board decided to request the secretariat to further investigate the availability of the previous Independent Review Panel (IRP) members and continue discussions with the Global Environment Facility Independent Evaluation Office (GEF-IEO), and to present updated options for the second phase of the evaluation of the Fund to the nineteenth meeting of the EFC (Decision B.27/26). In parallel, the Board decided to establish an evaluation task force to work intersessionally, supported by the secretariat, to develop terms of reference and a request for proposals for the second phase of the evaluation and to present them at the nineteenth meeting of the EFC.
- (b) While considering options for the second phase of the overall evaluation of the Fund, the EFC at its eighteenth meeting raised the broader question of the

evaluation function of the Fund. It was noted that the Fund had not had an evaluation function since the GEF IEO had withdrawn from its role as interim independent evaluation function of the Fund in 2014, and generally agreed to consider reestablishing the evaluation function. Based on the recommendation of the EFC (recommendation EFC.18/1), the Board at its 27th meeting requested 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” (decision B.27/26). Document AFB/EFC.19/2 delineates options for providing the Fund with an evaluation function.

Action expected: The EFC will be invited to consider the terms of reference and request for proposals developed intersessionally by the evaluation task force (Annex 4 of the document AFB/EFC.19/4) and the updated options presented by the secretariat in document AFB/EFC.19/4 and recommend to the Board the most suitable option for conducting phase II of the overall evaluation of the Fund. The EFC will also be invited to consider the options presented by the secretariat in document AFB/EFC.19/5 and recommend to the Board the most suitable option for providing the Fund with an evaluation function.

5. Knowledge management strategy

Document: AFB/EFC.19/6, *Draft updated knowledge management strategy.*

Background: At its fifteenth meeting the Board approved a knowledge management strategy and action plan for the Fund contained in document AFB/EFC.6/3 (decision B.15/22). Further, phase I of the overall evaluation of the Fund concluded that inadequate allocation of resources to knowledge management would undermine the Fund’s short term effectiveness and long term significance. Taking into account the experience gained by the secretariat in implementing the strategy approved in 20 and the conclusions of phase I of the overall evaluation, the secretariat is proposing to consider updates to the knowledge management strategy and action plan contained in document AFB/EFC.19/6.

Action expected: The EFC will be invited to consider the draft updates to the knowledge management strategy and action plan contained in document AFB/EFC.19/6 and make a recommendation to the Board for approval.

6. Effectiveness and efficiency of the accreditation process

Document: AFB/EFC.19/7, *Effectiveness and efficiency of the accreditation plan: Assessment, including a gap analysis, of the Green Climate Fund (GCF) fiduciary and environmental and social standards.*

Background: The Board by its intersessional decision AFB/B.25-26 decided to request the secretariat to carry out an assessment, including a gap analysis, of the Green Climate Fund’s (GCF) fiduciary and environmental and social standards with

recommendations on fast-tracking re-accreditation and potential accreditation applicants to the Adaptation Fund. Document AFB/EFC.19/7 contains the assessment requested by the Board and recommends that the EFC considers recommending the Board fast-tracking re-accreditation of implementing entities accredited by the GCF within a period of four years prior to the submission of the reaccreditation application to the Adaptation Fund.

Action expected: The EFC will be invited to consider the assessment contained in document AFB/EFC.19/7, including the recommendation to fast-track re-accreditation of implementing entities accredited with the GCF within a period of four years prior to the submission of the re-accreditation application to the Adaptation Fund, and make a recommendation to the Board for approval.

7. Gender policy and action plan

Documents: AFB/EFC.19/8, *Gender policy: Revised operational policies and guidelines for Parties to access resources from the Adaptation Fund*, and AFB/EFC.19/8/Add.1, *Gender policy: Revised Annex 4 to the operational policies and guidelines for Parties to access resources from the Adaptation Fund*.

Background: At its twenty-seventh meeting, the Board approved: (i) the gender policy as contained in annex I to the document AFB/EFC.18/5/Rev.1; (ii) the gender action plan as contained in annex II to 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 (Decision B.27/28). The Board also requested the secretariat to revise annex 4 to the OPG (Project review criteria and project proposal template)¹ taking into account comments submitted by members of the Board by 30 June 2016 for consideration by the EFC at its nineteenth meeting (Decision B.27/28). Document AFB/EFC.19/8 contains the comments submitted by Board members and a recommendation to revise annex 4 (currently annex 5) to the OPG. Document AFB/EFC.19/8/Add.1 contains the proposal of amended annex 4 of the OPG.

Action expected: The EFC will be invited to consider the proposal of revised annex 4 (currently annex 5) of the OPG as contained in document AFB/EFC.19/8/Add.1 and make a recommendation to the Board for approval.

8. Complaint handling mechanism

Document: AFB/EFC.19/9, *Proposed Ad Hoc Complaint Handling Mechanism (ACHM)*.

Background: Following the recommendation of the EFC, the Board decided to 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. (Decision B.27/31). The secretariat is presenting a proposal for ad hoc complaint handling mechanism (ACHM) in the annex to document AFB/EFC.19/9 for consideration by the EFC. The proposed ACHM is complementary to the Fund's risk management framework.

Action expected: The EFC will be invited to consider the proposal for ACHM as contained in the annex to document AFB/EFC.19/9 and make a recommendation to the

Board for approval. Further, under this agenda item the secretariat will brief EFC members about any issues brought to its attention under the complaint handling mechanism established by the Board. The EFC will make recommendations to the Board on any issues raised, as appropriate.

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 any issues raised, as appropriate. The code of conduct text is available on the Fund's website.

10. **Financial issues:**

a) *Investment income*

Document: AFB/EFC.19/10, *Investment income earned by implementing entities.*

Background: The Board at its twenty-fifth meeting discussed amending the project performance report (PPR) template so that implementing entities can report on the investment income generated by the Fund's project grants. Such amendment was approved by decision B.25-26/14. Further the Board requested the secretariat to write to implementing entities asking them to provide information on the investment income earned so far with the Fund's resources. The secretariat presented its findings to the seventeenth meeting of the Ethics and Finance Committee (EFC). Following a recommendation by the EFC, the Board at its twenty-sixth meeting requested the secretariat to present a compilation of the practice/operational rules followed by other funds regarding investment income earned by IEs and a proposal of guideline on investment income accrued by IEs for the Adaptation Fund (decision B.26/36). Document AFB/EFC.18/10 presented the compilation requested by the Board for consideration by the EFC. Following consideration of this document, the Board decided to 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 entities on amounts held in respect of project grants and to report back to the nineteenth meeting of the EFC (decision B.27/32). Document AFB/EFC.19/10 describes the deliberations between the secretariat and trustee and recommends launching a survey among all implementing entities to report to the secretariat, by 1 February 2017 their yearly investment income, if available, for the financial years 2014 to 2016.

Action expected: The EFC will be invited to consider the recommendation presented by in paragraph 7 of document AFB/EFC.19/10 and to make a recommendation for approval by the Board.

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

Documents: AFB/EFC.19/11, *Adaptation Fund Trust Fund: Financial report prepared by the trustee (as at 30 June 2016)*, and AFB/B.28/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.

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

- c) *Reconciliation of the Board and secretariat, and trustee budgets for the fiscal year 2016.*

Document: AFB/EFC.19/12/Rev.1, *Reconciliation of the administrative budgets of the Board and secretariat, and the trustee for the fiscal year 2016.*

Background: the secretariat and trustee will present the reconciled budgets for fiscal year 1 July 2015 – 30 June 2016.

Action expected: the EFC may wish to take note of the reconciled budgets of the Board and secretariat, and the trustee for the fiscal year 2016.

11. Other matters

EFC 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: 4 October 2016***Morning session*

9:00 – 9:15	1	Opening of the meeting.
	2 a)	Adoption of the agenda.
	2 b)	Organization of work.
9:15 – 10:00	3	Annual performance report FY16.
10:00 – 11:00	4	Evaluation of the Fund.

11:00 – 11:15 Coffee break

11:15 – 11:45	7	Gender policy.
11:45 – 12:30	6	Accreditation process gap analysis

Afternoon session

14:00 – 14:15	5	Knowledge management
14:15 – 15:30	8	Complaint handling mechanism
<i>15:30 – 15:45 Coffee break</i>		
15:45 – 16:00	9	Code of conduct
16:00 – 16:30	10.a)	Investment income

Day 2: 5 October 2015*Morning session*

9:00 – 9:30	11	Other matters
9:30 – 10:00	10.c)	Budget reconciliation

*10:00 – 10:30 Coffee**Afternoon session*

14:00 – 14:30	10.b)	Financial status of the trust fund and CER monetization
16: 00 – 17:00	12	Adoption of the report
	13	Closure of the meeting