



ADAPTATION FUND

AFB/EFC.19/10

6-7 October 2016

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Ethics and Finance Committee  
Nineteen meeting  
Bonn, Germany, 6-7 October, 2016

Agenda item 10.a)

## **INVESTMENT INCOME EARNED BY IMPLEMENTING ENTITIES**

## Background

1. The Adaptation Fund Board (the Board), at its 25<sup>th</sup> meeting, discussed the amendment to the Project Performance Report (PPR) template in relation to investment income earned by implementing entities (IEs) on amounts transferred to them for Fund projects and programs, and requested the secretariat to send a letter to the accredited IEs to request them to inform the secretariat of respective situations. The secretariat received responses from some IEs on the matter.

2. The Board, during its intersessional period between the 25<sup>th</sup> and 26<sup>th</sup> meetings, approved the amendment to the PPR template to allow IEs to report on any investment income attributable to undisbursed balances generated by Fund transfers to them for projects and programs on an annual basis (Decision B.25-26/14).

3. The secretariat, at the 17<sup>th</sup> meeting of the Ethic and Finance Committee, presented the responses received from the IEs on such investment income earned. Some IEs informed the secretariat that no investment income had been generated while others reported the actual figures. The reported information varied from one IE to another due to the differences in their own reporting periods, the number of projects under implementation, the types of accounts they use and the countries in which the accounts are located. It brought to the Board the discussions on how investment income earned by the IEs should be handled.

4. The Board, at its 26<sup>th</sup> 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). The Board also decided, for the purpose of facilitating the return of funds to the Adaptation Fund Trust Fund, to authorize the trustee to receive funds from IEs for deposit to the Adaptation Fund Trust Fund in accordance with the trustee's Terms of Conditions and procedures agreed between the trustee and secretariat (Decision B.26/37).

5. The Board, at its 27<sup>th</sup> meeting, having considered the comments and recommendation of the Ethics and Finance Committee (EFC), 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)

6. Further to such discussions, the secretariat came to the conclusion that more information is needed before making an informed recommendation to the Board on this matter. The secretariat recommends first launching a survey among all implementing entities to report to the secretariat, by February 2017 their yearly investment income, if available, for the financial years 2014, 2015 and 2016.

**Recommendation**

7. The Ethics and Finance Committee may want to consider the recommendation by the secretariat as contained in document AFB/EFC.19/9 and request:

(a) The secretariat to launch a survey among all implementing entities to report to the secretariat, by February 2017 their yearly investment income, if available, for the financial years 2014, 2015 and 2016;

(b) The secretariat, in consultation with the trustee to present a recommendation to the 20th meeting of the EFC on an approach to deal with investment income generated by implementing entities on amounts held in respect of project grants, based on the survey outcome.