



ADAPTATION FUND

AFB/EFC.32/8
2 October 2023

Adaptation Fund Board
Ethics and Finance Committee
Thirty-second Meeting
Bonn, Germany, 10-11 October 2023

Agenda item 7

MANAGEMENT RESPONSE TO RAPID EVALUATION OF THE ADAPTATION FUND

Background

1. At its thirty-ninth meeting, the Adaptation Fund Board (the Board) considered the matter of “Options for the Overall Evaluation of the Fund” as contained in the document AFB/EFC.30/11 prepared by the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG). Through decision B.39/57, the Board decided:

- (a) To take note of the report and the options presented in document AFB/EFC.30/11;
- (b) To adopt a phased approach to the overall evaluation, proceeding urgently with a rapid evaluation and undertaking a comprehensive evaluation at a later stage, with a view to contributing to the development of the Adaptation Fund’s medium-term strategy for 2028–2032;

With respect to the rapid evaluation

- (c) To request the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG):
 - i. To prepare terms of reference for the rapid evaluation in line with option 1, for the consideration of the Ethics and Finance Committee during the intersessional period between its thirtieth and thirty-first meetings and, if needed, to present the detailed financial implications of the rapid evaluation for the consideration of the EFC at its thirty-first meeting;
 - ii. To prepare the rapid evaluation, in line with option 1 and on the basis of the terms of reference referred to in paragraph (c) (i) above, and to submit it for the consideration of the Board, no later than 60 days before the forty-first meeting of the Board;
- (d) To request the secretariat to prepare a draft management response to the rapid evaluation for consideration by the Board at its forty-first meeting;

With respect to the comprehensive evaluation

- (e) To request the AF-TERG:
 - i. To prepare terms of reference for the comprehensive evaluation in line with option 3 and detailed financial implications of the comprehensive evaluation for the consideration of the Ethics and Finance Committee at its thirty-fourth meeting;
 - ii. To prepare the comprehensive evaluation in line with option 3 and on the basis of the terms of reference referred to in paragraph (e) (i) above and to submit it for the consideration of the Board, no later than 60 days before the forty-seventh meeting of the Board;
- (f) To request the secretariat to prepare a draft management response to the comprehensive evaluation for consideration by the Board at its forty-seventh meeting.

(Decision B.39/57)

2. In accordance with decision B.39/57, paragraph (c) (ii) above, the AF-TERG has prepared the rapid evaluation as part of the overall evaluation of the Fund as contained in document AFB/EFC.32/6.

3. As per decision B.39/57, paragraph (d) above, the secretariat has prepared a draft management response as contained in present document AFB/EFC.32/11.

4. This report provides an initial management response, identifying to what extent the Secretariat agrees or disagrees with the report, provides an update on actions already being undertaken to address some of the findings, and includes an annex with specific responses to the findings.

Overall response on findings of the rapid evaluation

5. This document presents only an initial management response prepared by the secretariat on rapid evaluation and its proposed findings. Considering that the evaluation does not include any recommendation, the secretariat will engage further with AF-TERG on specific matters described below and take follow-up action as needed, either directly or by presenting recommendations for consideration by the Board.

6. Although the rapid evaluation has been conducted based on existing information and *“primarily on synthesizing existing evidence”*, and that *“this report is not designed to enable accountability, assess the Fund’s performance, provide actionable recommendations, or comprehensively evaluate the Fund”*, the secretariat is of the view that the report should have considered the recent developments by the Fund including the second medium term strategy (MTS II; 2023-2027), the secretariat management response and action plan on the mid-term review of the first MTS (MTS I) as well as the current status of the Fund’s portfolio performance.

7. In addition, despite being a rapid evaluation and no further consultation has been conducted on the ground or with the Fund’s stakeholders such as implementing entities, country designated authorities and beneficiaries, the report provides many findings related to the Fund’s impact on areas beyond its scope, defined in the report as *“meso - Findings related to countries, sectors, issues, and policies”*.

8. Finally, while the secretariat recognizes there is room to improve the Fund’s overall approach to vulnerability and resilience building, it is important for the rapid evaluation to acknowledge the Fund’s mandate on funding *“projects and programmes that help vulnerable communities in developing countries adapt to climate change”*. The Fund’s policies do not have specific funding allocation or categorization as indicated in the rapid evaluation, such as for fragile and conflict affected countries.

Findings for the macro level

9. Overall, the secretariat agrees with the main findings under the macro level and remains available to follow any further guidance by the Board on addressing any specific item. The secretariat is pleased that the report reiterates the Fund’s strong focus on country ownership and that its focus on *“Locally-led adaptation (LLA) appears to be effective in operational practice but also faces inherent challenges due to weak capacities of local players”*.

10. While we recognize the need to increase the Fund’s access by national implementing entities, it is important to highlight that this effort is also supported by the Board’s decision¹ to cap the funding available to MIEs at 50% of the financial resources available for funding projects/programmes under the Fund. The decision actively promotes and facilitates the NIEs’

¹ Decision B.12/9

ability to mobilize funding from the resources of the Fund. As part of the new funding windows under MTS II, the Fund seeks to increase its support to NIEs and local actors including through the dedicated locally led adaptation window and an expanded readiness programme that extends support to country designated authorities.

11. On matters related to the Fund's work on intersectional approach to vulnerability, the secretariat would like to highlight the recent published study on "intersectional approaches to gender mainstreaming in adaptation-relevant interventions" and the AF updated gender policy (GP) with the inclusion of the intersectionality' which its IEs are highly recommended to apply, as much as possible, particularly at the project development stage, such as when conducting a gender assessment. It is also important to clarify that the concept of intersectionality is being piloted by the Fund and does not yet constitute a mandatory requirement as per the GP.

12. On the matter related to the need for the Fund to "systematically and strategically address the distinct requirements of fragile and conflict-affected countries", the secretariat would like to point out that there is no such categorization of countries in the Fund's current operational policies and guidelines (OPG) that would systematically differentiate the Fund's support to countries in different categories, such as fragile and conflict affected countries. However, considering the importance of addressing specific needs and context of vulnerable countries, the secretariat remains available to engage with AF-TERG and explore ways to better assess the resilience building taking into account their specific contexts. Therefore, in addition to the evaluation policy that includes the 'conflict and fragility' as a guidance note and, to help the IEs implement projects in the context of fragility and conflict, a collaborative work between the secretariat and AF-TERG to provide more guidance on how to evaluate and report on 'conflicts and fragility' in projects and programmes could be explored. As part of its knowledge and learning work, the Fund has recently commissioned a study looking at lessons learnt from its portfolio implemented in fragile and conflict impacted circumstances.

13. Finally, the secretariat disagrees with the findings 1.3 stating that "Ahead of MTS-II, the completion of the MTS-I (2018-2022) implementation plan showed slow progress in innovation and learning pillars, scalability constraints, and limited private sector involvement". As included in the management response and actions plan to the MTR-MTS, the Fund has accelerated the implementation of all pillars including the innovation and learning pillars which have comforted the Board to further expand it under the new MTS. The report does not seem to include the current status of the Fund's performance including the innovation and learning portfolio.

Findings for the meso level

14. As highlighted above, the secretariat welcomes the findings of the rapid evaluation that looked at how the Fund's work has contributed to wider impact at the country level including to sectors and policies. However, many of the findings require further clarification.

15. On the matter related to "integration of equity (empowerment of vulnerable groups and distribution of benefits among them) and gender considerations" in the results framework and monitoring tools categorized as limited by the evaluation, the secretariat disagrees with the finding. The Fund's results framework and reporting tools, including the project performance report (PPR), include a dedicated section on GP compliance including the mandatory requirements by IEs to report on "Gender equality and women's empowerment issues" as well as "the gender-responsive elements that were incorporated in the project/programme results framework".

16. On the findings asking for a “comprehensive approach to ownership, adaptation effectiveness, and capacity-building for local players has not been operationalized, for example, through guidelines”, the secretariat would like further clarification and a rationale for such guidelines. As part of its OPG and review criteria, the Fund requires IEs to demonstrate the country ownership including through DA endorsement of any request for funding. The Fund also has a strong focus on local actors including through the locally led adaptation funding windows, and its commitment to support the community of practice of direct access entities which has a global reach.

17. In response to the finding 2.4, the secretariat believes that the Fund’s strategic ambitions under MTS I and II have been fully aligned with the operating modalities including the MTS pillars and funding windows. While the secretariat welcomes any further clarification and input to better structure the MTS II Theory of Change which could be explored as part of the MTS II mid-term review, it is important to highlight that the secretariat is still working on the preparatory work of the MTS II implementation including the guidelines for the new windows and associated results. There is still room to strengthen the MTS II operational modalities as part of the new funding windows.

Findings for the micro level

18. Overall, the secretariat agrees with the finding 3.1 which highlights that “*Projects completed and reviewed by final evaluations show strong relevance and coherence of projects supported by the AF. The documents provide evidence on criteria related to effectiveness, efficiency, impact, and adaptive management in varied quality and quantity*”. The secretariat also welcomes the need to “*systematically discuss the implication equity considerations, scalability and sustainability for CCA*”. The newly approved evaluation policy already includes criteria for evaluating the effectiveness, impact and efficiency of project funded by the Adaptation Fund. In addition, the upcoming update of the Fund’s results framework constitutes an opportunity to further strengthen these elements in line with the proposed finding 3.1.

Conclusion and next steps

19. The proposed management response is provided as initial feedback from the secretariat on the rapid evaluation and will be updated based on the Board guidance.

20. Considering that the rapid evaluation does not include any recommendation, The proposed findings if approved by the Board guide the secretariat in incorporating it as part of its implementation of the MTSII and upcoming updates to the Fund’s policies and guidelines.

21. In addition, the secretariat will continue its collaboration with the AF-TERG to integrate lessons learnt described in the rapid evaluation and any further guidance from the Board as part of the approved findings.

Draft recommendation

22. The Ethics and Finance Committee (EFC) may want to consider the report on the rapid evaluation of the Adaptation Fund by the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG), as contained in document AFB/EFC.32/6, as well as the initial management response prepared by the secretariat, as contained in document AFB/EFC.32/11, and recommend to the Adaptation Fund Board (the Board) that it may decide:

- a) To take note of the key findings of the rapid evaluation of Adaptation Fund contained in document AFB/EFC.32/6, including its annexes, and of the management response prepared by the Adaptation Fund Board secretariat contained in document AFB/EFC.32/11;
- b) To request the secretariat, in consultation with the Technical Evaluation Reference Group of the Adaptation Fund, to prepare an action plan to respond to the findings arising from the rapid evaluation mentioned above, for consideration by the Board during the intersessional period between the forty-first and forty-second meetings of the Board;
- c) To request the secretariat to report to the EFC, at its thirty-third meeting, on the progress made in implementing the action plan.

Annex I: Management response to key findings of the Rapid Evaluation of the Adaptation Fund

	Overall finding	Secretariat position	Management response
1	Macro level		
1.1	Finding 1.1 – The Fund is responsive to country needs, aligning with national and local policies and strategies relevant to climate change adaptation (CCA) and involving local players. Funding through National Implementing Entities (NIEs) remains limited. Locally-led adaptation (LLA) appears to be effective in operational practice but also faces inherent challenges due to weak capacities of local players.	Partially agreed	<p>The Fund has pioneered direct access and continues to make effort to expand its support to NIEs including the Board approved 50% CAP to MIEs. Through its readiness program, the Fund provides dedicated support to NIEs and local actors to strengthen their capacity including through a dedicated community of practice of direct access entities (CPDAE).</p> <p>As part of the new windows under the new MTS, the Fund seeks to expand its support to NIEs and local actors including through the dedicated locally led adaptation window as well an expanded readiness programme that extends support to country designated authorities.</p>
1.2	Finding 1.2 - Fund policies (Environmental and Social Policy [ESP] and Gender Policy [GP]) have systematically addressed the most vulnerable and have enabled higher quality project proposals. The Fund has not yet implemented an intersectional approach to vulnerability and has yet to systematically and strategically address the distinct requirements of fragile and conflict-affected countries.	Partially agreed	<p><u>(1) [intersectionality]</u></p> <p>The benefits of an intersectional approach to address vulnerability at a more granular level, need to be considered in the context of keeping complexity manageable.</p> <p>Given the evolving concept of ‘intersectionality’ and various approaches to apply it in adaptation interventions, the AF started addressing it in the context of its gender policy, and updated its GP and introduced ‘intersectionality’ which its IEs are highly recommended to apply, as much as possible, particularly at the project development stage, such as when conducting a gender assessment and environmental and social risk assessment, as well</p>

	Overall finding	Secretariat position	Management response
			<p>as selecting gender-disaggregated targets considering intersecting socio-economic factors. Instead of setting the intersectionality which would be new to several IEs as a mandatory requirement throughout the project lifecycle, the updated GP took rather a gradual and practical approach, requesting the IE to apply the intersectional approaches at least in developing funding proposal (particularly in the aforementioned areas).</p> <p>To support the IEs helping them better understand, test and apply intersectional approaches, a comprehensive study on intersectional approaches in adaptation-related measures has been conducted and published, and updated AF gender guidance document which includes a section dedicated on ‘how to address the intersectionality at the project proposal development and gender assessment’ providing some examples for applying an “intersectional” approach in projects. The Fund will consider the experiences of addressing intersectionality in the context of gender and based on that may broaden the scope to other areas.</p> <p><u>(2) [the distinct requirements of fragile and conflict-affected countries]</u></p> <p>This suggestion will benefit from further clarification. Although the AF Evaluation Policy states that “projects will newly be evaluated also on their sensitivity to conflict and fragility,” this is not yet a “distinct requirement” in other stages such as project proposal development and proposal review criteria.</p>

	Overall finding	Secretariat position	Management response
			<p>Despite the recognition of the importance of this element, the Board decided not to add this element in 2022 when it updated SPPG considering that paragraph 15 of the SPPG mirrors the CMP decision. Therefore, this is not a distinct requirement related to projects/programmes, except for 'evaluation.'</p> <p>Therefore, currently, the 'conflict and fragility' exists as a distinct requirement at the 'evaluation' stage, and perhaps, to help the IEs implement this, it may help the IEs to address this if TERG, or TERG in collaboration with the AFB secretariat provide more guidance on how to evaluate and report on 'conflicts and fragility' in the AF funded projects and programmes. Based on existing guidance by the Parties and the Board, the appropriate approach to this would be one that does not create new categories of countries but one that can be applied as across all recipient countries.</p>
1.3	<p>Finding 1.3 - The Fund's niche is well-defined in MTS-II (2023-2027) and followed many of the recommendations from the MTR of the MTS-I. Ahead of MTS-II, the completion of the MTS-I (2018-2022) implementation plan showed slow progress in innovation and learning pillars, scalability constraints, and limited private sector involvement.</p>	Partially agree	<p>The secretariat agrees that the AF has a strong role and comparative advantage, as articulated in the MTS II based on stakeholder views and MTR findings. However, the secretariat disagrees and reiterates that the innovation in particular as well as learning windows have been accelerated since the MTS MTR, as also evidenced by the Fund's current portfolio. In the secretariat's view, under MTS I substantive progress was achieved under all pillars. Given that innovation and learning were completely new pillars at the start of MTS I, the secretariat and stakeholders consider the successful operationalization of an entire new innovation facility with three funding windows/grant modalities including indicators and definition for innovation in</p>

	Overall finding	Secretariat position	Management response
			the context of the AF, with a growing portfolio of projects under implementation in all three funding windows, as well as a new learning grant and numerous learning materials on how to access the various grants, as notable progress. The AF has launched the windows, raised awareness and built capacity among IEs, and generated a portfolio of approved projects and active pipeline. The MTS II will build on this success and expand these areas.
1.4	Finding 1.4 - Both MTS enable portfolio evolution around three strategic pillars with a results focus. Furthermore, the MTS II and its implementation plan (launched in January 2023) provides opportunities to deepen key outcomes in Action (Strategic Pillar 1, SP1) while accelerating progress in Innovation (SP2) and Learning & Sharing (SP3).	Agreed	NA
2	Meso level		
	Finding 2.1 - The Fund has implemented the ESP and GP Policies effectively, contributing to coherence and quality. The integration of equity (empowerment of vulnerable groups and distribution of benefits among them) and gender considerations has been limited in the results framework and monitoring tools.	Partially agreed	As included in the Fund's OPG and policies (ESP and GP), the support to vulnerable groups is the backbone of the fund's mandate and modalities. As part of its results framework, the secretariat monitors the projects support to vulnerable groups including through a dedicated section in the PPR. PPR has a respective section dedicated to report on GP compliance and ESP compliance as well as a section on lessons learned where GP related lessons can be reported. Further effort to clarify the integration of equity (empowerment of vulnerable

	Overall finding	Secretariat position	Management response
			groups and distribution of benefits among them) will be explored as part of the update of the Fund's results framework current ongoing. Additionally, the secretariat recently developed the Fund's Gender Scorecard and started its pilot application to monitor and annually report on GP compliance and gender progress, at entry, during implementation, and at exit at the AF's portfolio level.
	Finding 2.2 - Through the MTS-II, the Fund has improved its understanding of systemic challenges influencing its performance and impact. For example, it has identified seven cross-cutting themes. A comprehensive approach to ownership, adaptation effectiveness, and capacity-building for local players has not been operationalized, for example, through guidelines.	Partially agreed	The secretariat would like further clarification and a rationale underlying this finding. As part of its OPG and review criteria, the Fund requires IEs to demonstrate the country ownership including through DA endorsement of any request for funding as well as the strong focus by the Fund on local actors including through the locally led adaptation funding windows. As part of the new LLA window, the secretariat is currently working a set of guidelines including eligibility criteria, review template and other aspects of the LLA funding window.
	Finding 2.3 - The Fund's work aligns with national strategies and policies through direct access and selection of topics for support for actions.	Agreed	NA
	Finding 2.4 - The Fund's underlying logic is not fully articulated in the MTS-II Theory of Change. It remains unclear how different processes and modalities, including funding windows, contribute to the Strategic Pillars.	Disagree	The purpose of MTS II ToC is to link the activities and outputs under the strategic pillars and themes to the Fund's mission and overarching goals of the international community. Under the different pillars there is detailed information on activities, including funding windows, as well as linkages between pillars. The secretariat disagrees that funding windows should contribute to strategic pillars. Rather the MTS II defines outcomes and outputs under the strategic pillars, which are supposed to

	Overall finding	Secretariat position	Management response
			be achieved by activities, and these outcomes and outputs contribute to achieving the Fund's mission. The additional ToC statement explains why the strategic pillars and cross-cutting themes are appropriate to help achieve the Fund's mission based on the best available science.
3	Micro level		
	Finding 3.1 - Projects completed and reviewed by final evaluations show strong relevance and coherence of projects supported by the AF. The documents provides evidence on criteria related to effectiveness, efficiency, impact, and adaptive management in varied quality and quantity. Furthermore, the final evaluations do not systematically discuss the implication equity considerations, scalability and sustainability for CCA. Most of the evidence from final evaluations (FEs) reflects on projects that were designed and approved at the beginning of the Fund's operations and ahead of both MTS cycles.	Agreed	The secretariat will explore further options to systematically include the equity considerations, scalability, and sustainability for CCA as part of project review and implementation. The newly approved evaluation policy already includes criteria for evaluating the effectiveness, impact and efficiency of project funded by the Adaptation Fund. In addition, the upcoming update of the Fund's results framework constitutes an opportunity to further strengthen these elements in line with the proposed finding 3.1.