



ADAPTATION FUND

AFB/EFC.34/6
16 September 2024

Adaptation Fund Board
Ethics and Finance Committee
Thirty-fourth Meeting
Bonn, Germany, 08-09 October 2024

Agenda item 6

**MANAGEMENT RESPONSE TO THE THEMATIC EVALUATION OF
THE ADAPTATION FUND ACCREDITATION PROCESS BY THE
TECHNICAL EVALUATION REFERENCE GROUP OF THE
ADAPTATION FUND (AF-TERG)**

Introduction

1. During the period between the forty-first and forty-second meetings of the Adaptation Fund Board (hereafter referred to as the Board), the Adaptation Fund Board Secretariat (hereafter referred to as "the Secretariat") received the final report on the thematic evaluation of the Fund's accreditation process conducted by the Adaptation Fund Technical Evaluation Reference Group (AF-TERG). The evaluation covered a period of 15 years from March 2008 to October 2023.

2. At the thirty-third meeting of the Ethics and Finance Committee (EFC), AF-TERG provided an update, through document AFB/EFC.33/11 on the AF-TERG thematic evaluation on the Adaptation Fund accreditation process, allowing for further discussion among members of the EFC, AF-TERG, and the secretariat. While the EFC welcomed the findings of the evaluation, it noted the need for a management response from the secretariat to enable further discussion on the thematic evaluation.

3. At the forty-second meeting of the Board, the Board, having considered the recommendation of the EFC, decided through Decision B.42/48 to:

(a) To take note of the key findings of the thematic evaluation of the Adaptation Fund's accreditation process, particularly areas for improvement, in informing the overall strategic direction and future accreditation process;

(b) To request the secretariat to prepare a draft management response to the recommendations of the thematic evaluation of the accreditation process, for the consideration of the Ethics and Finance Committee at its thirty-fourth meeting.

4. This document has been prepared in response to Decision B.42/48. As presented below, the document provides a summary of the secretariat's response to the methodology adopted by AF-TERG for the thematic evaluation and the resulting findings. For each of the recommendations presented in document AFB/EFC.33/11, the secretariat has also provided responses, highlighting areas of agreement and disagreement.

Summary response to evaluation methodology and findings

5. The secretariat acknowledges the thoroughness of the thematic evaluation and the accompanying report, which effectively captures a significant amount of information provided by the respondents interviewed by AF-TERG, including the secretariat. It is noteworthy that AF-TERG recognizes the continued relevance of the accreditation process to the Fund's strategic priorities, particularly in meeting the adaptation finance needs of eligible developing country parties through the direct access modality.

6. However, the secretariat is of the view that the methodological approach adopted for the evaluation lacks some essential considerations, as outlined below in paragraphs 7-10.

7. While the thematic evaluation covered a commendable 15-year timeframe from March 2008 to October 2023, the secretariat believes that this timeframe is excessively long. Significant changes have occurred in the accreditation process in recent years. For a more comprehensive evaluation, the analysis could have been segmented into distinct time periods to account for the impact of key Board decisions and important changes in the accreditation criteria/requirements and fiduciary standards, such as:

- i. The secretariat's adoption of the Environmental and Social Policy (ESP) in 2013 and the Gender Policy (GP) in 2016, subsequently requiring all applicants to provide a top-level management statement to abide by or comply with both policies (criterion 11); and
- ii. The Board's approval in 2018, through Decision B.32/36, of the revised examples of supporting documentation related to the "internal control framework," "procurement," and "policies and framework to deal with financial mismanagement," incorporating sub-criteria on anti-money laundering and countering the financing of terrorism (AML/CFT).

8. The triangulation of data could have been more nuanced. While interviews with relevant stakeholders constituted a valuable component, the secretariat believes that interview responses generally lean more towards opinions rather than factual assessments of process effectiveness of the accreditation or re-accreditation process. For instance, the secretariat noted how the evaluation report inadequately reflected or incorrectly attributed the project implementation delays or internal challenges faced by entities going through re-accreditation as the reason why some re-accreditation applications take much longer time to complete as a result.

9. The secretariat recognizes that, due to the strict confidentiality of the Workflow system and applications in the pipeline, it was not possible for certain data from the Workflow system to be shared, which was a constraint for the evaluation. This was related to data on accreditation and re-accreditation application submissions and process details. This limitation is in accordance with the Fund's established practices and in compliance with its Open Information Policy¹, which mandates the strict confidentiality of such data.

Responses to evaluation recommendations

10. The TERG report on the thematic evaluation of the AF accreditation process presents nine recommendations (R2 subdivided into three sub-recommendations), as outlined in Document AFB/EFC.33/11 and its annex. While the secretariat agrees with certain recommendations, it also holds different perspectives on others. In Annex I, the secretariat details areas of agreement and disagreement for each recommendation and provides rationale as necessary.

¹ <https://www.adaptation-fund.org/wp-content/uploads/2015/01/Open%20Information%20Policy.pdf>

Recommendation

11. Having considered the thematic evaluation of the Fund's accreditation process conducted by the Adaptation Fund Technical Evaluation Reference Group as contained in the document AFB/EFC.33/11 and the management response prepared by the secretariat as contained in document AFB/EFC.34/6, the Ethics and Finance Committee (EFC) may want to consider and recommend to the Adaptation Fund Board (the Board) to:

- (a) Take note of the management response to the findings and recommendations of the thematic evaluation of the Fund's accreditation process as contained in document AFB/EFC.34/6;
- (b) Request the secretariat to prepare an action plan to implement agreed and partially-agreed recommendations arising from the thematic evaluation mentioned above, for consideration by the Board during the intersessional period between the forty-third and forty-fourth meetings of the Board; and
- (c) Request the secretariat to report to the EFC, at its thirty-sixth meeting, on the progress made in implementing the action plan, as part of the report of activities of the secretariat.

Recommendations	Type and Timeline / Owner of recommendations	Management Response/Action Plan
<p>R1. Climate Rationale. Existing AF climate rationale and knowledge should be more emphasized in current accreditation related material, e-learning course and guidance toolkits. This shall facilitate a discussion of the thematic orientation of the applicant organisation and leverage co-benefits of the accreditation process with respect to technical competence.</p> <p>An assessment of the accreditation applicants' capabilities and experience in identifying, designing, and implementing projects specifically related to climate change adaptation would be important. Key aspects to consider should include, for example, adaptation competence, the climate rationale of projects, climate risk assessment, and/or access to stakeholders exposed to climate risks or stakeholders that are able to implement locally led adaptation.</p> <p>[relevance, coherence]</p>	<p><i>Strategic/Operational</i> <i>By March 2024</i></p> <ul style="list-style-type: none"> · The AFB Secretariat to include relevance of climate competence in Gap Analysis <p><i>By October 2024</i></p> <ul style="list-style-type: none"> · The AFB Secretariat to analyse and provide guidance on the skills and competences required to implement MTS (need assessment). · The AFB Secretariat to propose to the AF Board, for its consideration, ways on whether and how suggested additional criteria can be reviewed in the accreditation process. 	<p>Disagree</p> <p>The existing project implementation competency criteria (criteria 6-9 of the application form) within the accreditation process already mandates applicants to demonstrate proficiency in project preparation, appraisal, implementation planning, Quality-at-entry review, monitoring, and evaluation during implementation, as well as project closure and final evaluation. Throughout the application review process, the Panel also thoroughly examines key aspects related to climate risks, vulnerability assessment, and mitigation plans.</p> <p>Considering climate rationale during the accreditation stage is deemed unnecessary, as the secretariat evaluates and reviews climate adaptation rationale when project proposals are submitted. In addition, it might unnecessarily introduce a bias in favor of entities that explicitly articulate their work through climate resilience, while other organizations</p>

		<p>may be equally competent, despite articulating their work in sector-specific ways. This may further restrict countries' access to adaptation finance.</p> <p>Similarly, the request by AF-TERG for the inclusion of "relevance of climate competence" in the Fund's ongoing Gap Analysis extends beyond the scope of Decision B.41/2, primarily designed to compare the accreditation frameworks of the Green Climate Fund (GCF) and the AF. Noting that the GCF currently does not have a criterion on climate rationale, adding such criterion in the AF accreditation would create inconsistencies with the GCF accreditation and may complicate or further impede fast track accreditation.</p>
<p>R2a. Updating OPG (re-)accreditation supporting materials. The OPG and the (re-)accreditation supporting materials should be updated to reflect the latest policy developments of the Fund, in particular, the new Evaluation Policy approved by the AFB in 2022. This process should include revisiting the re-accreditation criterion related to project performance assessments and aligning it with</p>	<p><i>Operational</i> <i>By October 2024</i></p> <ul style="list-style-type: none"> · The AFB Secretariat to review alignment of (re-)accreditation materials with the Fund policy framework. · The AFB Secretariat to propose to the Board adjustments to the (re-)accreditation materials to reflect updates in the policy framework. 	<p><i>Partially agree</i></p> <p>R2a. The Accreditation Panel is responsible to consider evaluation findings in its accreditation or reaccreditation of IE, per para 28 (d) of the new Evaluation Policy. The Accreditation Panel considers evaluation findings in its accreditation or re-accreditation of IE as part of the</p>

<p>the project evaluation criteria outlined in the Fund's new Evaluation Policy.</p> <p>[relevance]</p> <p>R2b. The AFB Secretariat in collaboration with the AF-TERG should clarify how the assessment of past project performance is being integrated into the overall re-accreditation criteria, in alignment with the new Evaluation Policy.</p> <p>[relevance, effectiveness]</p> <p>R2c. The AF Board may wish to consider establishing a standard procedure for updating the OPG's annexes every time Fund policies are approved or amended by the Board. This procedure should include an automatism by which the AFB Sec proposes changes, and the Board approves them as soon as possible.</p> <p>[efficiency]</p>	<p>The AFB Secretariat to suggest to the AF Board, for its consideration, a standard procedure to reviews the OPG's annexes every time Fund policies are approved or amended by the Board.</p>	<p>performance of the entity's previous projects under criteria 6 (Project preparation and appraisal), 7 (Project implementation Planning and Quality-at-entry review), 8 (Project monitoring and evaluation during implementation), and 9 (project closure and final evaluation). The secretariat is of the view that alignment with the new Evaluation Policy is enforced during project/programme implementation. This approach allows for smoother re-accreditation procedures while ensuring that entities adhere to updated policies during the implementation phase, without the need of overburdening the re-accreditation criteria.</p> <p>R2b. This is related to R2a above, and the secretariat suggests that for entities in reaccreditation status, the secretariat, in collaboration with the AF-TERG, monitor the alignment of project performance assessments and align it with the project evaluation criteria outlined in the Fund's new Evaluation Policy so that the input on IE project performance from the secretariat during reaccreditation includes IE's management response</p>
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		<p>and corrective actions to evaluation recommendations in cases where substantive concerns have been raised in para 28(d) of the evaluation policy. With such approach, no separate action is needed from the secretariat in this context.</p> <p>R2c. The secretariat welcomes this recommendation and is currently revising the OPG integrating recent changes in the Fund’s policies as requested by the Board. As part of this exercise, the secretariat will develop a standard procedure for reviewing OPG annexes whenever new policies are approved or amended by the Board.</p>
<p>R3. Capacity assessment and tailored readiness support. Early stages of the accreditation processes could include an assessment of the suitability and readiness of applicant entities to pursue accreditation with the Fund including concerning their capabilities and experience in identifying, designing, and implementing projects related to climate change adaptation. The capacity gaps identified in individual entities during the capacity assessment could guide the support provided to the entities, including through the readiness programme, for accreditation.</p>	<p><i>Operational</i></p> <p><i>Longer Term (12 – 24 months)</i></p> <ul style="list-style-type: none"> · The AFB Secretariat to propose to the AF Board, for its consideration, ways to assess, early on in the accreditation process, the suitability and readiness of applicant entities to pursue accreditation with the Fund. · The AFB Secretariat and the Accreditation Panel to analyze the most prevalent capacity gaps in applicants. 	<p>Agree</p> <p>The secretariat welcomes this recommendation and concurs with the need for improved engagements with eligible developing country parties or Designated Authorities (DAs) in the early stages of the accreditation process. The recommendation also aligns strongly with the Fund’s new medium term strategy (2023-2027), which has a cross-cutting theme to enhance</p>

<p>In turn, this would support a more agile access to adaptation funding by NIEs once they are accredited and advance the Fund's mandate of assisting vulnerable developing country Parties in meeting the costs of adaptation.</p> <p><i>[effectiveness, efficiency]</i></p>	<ul style="list-style-type: none"> The AFB Secretariat to design matching capacity-building modules and support instruments. 	<p>access to climate finance and long-term institutional capacity.</p> <p>The secretariat continues to work closely with countries to help them select suitable candidates for accreditation. The secretariat continuously seeks opportunities to meet with DAs at international forums such as the COP and more recently at joint workshops with UNFCCC and other climate Funds. The readiness programme of the Fund is central to effort and the secretariat looks forward to AF-TERG's evaluation of the readiness programme and how synergies between the Fund's accreditation and readiness programmes could be strengthened.</p> <p>The secretariat would like to add that the 2019 study it commissioned on "Bridging the Gaps in Accreditation"² remains relevant in terms of prevalent capacity gaps, the accreditation and re-accreditation experiences of applicants entities and how to overcome those. The secretariat is considering an update</p>
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² <https://www.adaptation-fund.org/document/bridging-the-gaps-in-accreditation/>

		<p>of the study including the lesson learned since the first publication.</p> <p>The suggestion to pay heed to varying readiness levels of applicant entities is well noted, and this is addressed, in part, by the streamlined accreditation modality³ approved by the Board through Decision B.23/17.</p>
<p>R4. Pipeline Management. Building on its upcoming Gap Analysis of the accreditation and re-accreditation process (Decision B.41/2), the AFB Secretariat should present, for the Board’s consideration, a policy for the efficient management of the accreditation pipeline. This policy should specifically look at strengthening the rules for elimination from the applicant pipeline. This consideration is crucial as eligible countries are limited to having a maximum of two NIEs, and dormant organizations have the potential to hinder the nomination of other entities for accreditation.</p> <p>[effectiveness, efficiency]</p>	<p><i>Strategic</i> <i>By March/ 2024</i></p> <ul style="list-style-type: none"> The AFB Secretariat to present to the AF Board for approval a policy for the efficient management of the accreditation pipeline. 	<p>Partially Agree</p> <p>The secretariat welcomes this recommendation and recalls that the Board decided based on the recommendation of the Accreditation Panel, to apply a more effective approach to managing dormant applications as per the Decision B.42/52. Accordingly, the secretariat is of the view that it is too early to present the analysis to the Board or develop new policies at this point. It would be best to enable sufficient time to implement the accreditation panel recommendations before assessing any gaps or issues.</p>

³ https://www.adaptation-fund.org/wp-content/uploads/2015/04/AFB.EFC_.16.7.Rev_.1-Streamlined-accreditation-process.pdf

<p>R5. The fast-track re-accreditation needs to become faster. In addition to any action in pursuit of R6, and in order to identify strategies leading to the desired improvement, it is suggested to include fast-track re-accreditation as a central topic in the ongoing or a future Gap Analysis of the accreditation and re-accreditation process (Decision B.41/2).</p> <p><i>[efficiency, coherence]</i></p>	<p><i>Strategic</i> <i>By October 2024</i></p> <ul style="list-style-type: none"> · The AFB Secretariat should further analyse the reasons behind the fast-track re-accreditation process taking longer time than the standard process. · The AFB Secretariat to propose to AF Board adjustments to the fast-track procedures. 	<p>Partially Agree</p> <p>The AFB Secretariat will continue to engage with the Panel and relevant stakeholders to improve the efficiency and effectiveness of the process, aimed at reducing the duration of the process. To this aim, the secretariat has recently invested in enhancing of the Workflow system through automation and other technical features.</p> <p>This recommendation, however, appears to be grounded in the evaluation's findings that the fast-track re-accreditation process, despite its designation, still takes a median duration of 15 months for the applications to complete processing. The secretariat is concerned that this finding lacks sufficient context regarding why a 15-month duration is deemed lengthy by the evaluation team. Additionally, the report fails to compare AF's fast-track process with that of other climate funds, which would provide valuable benchmarking insights.</p> <p>Similarly, the evaluation report's estimates are based on averages</p>
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		<p>and do not consider cases that have significantly shorter completion times. The evaluation seems to overlook unique factors contributing to "outlier" fast-track re-accreditation applications, such as TLMS requirements and project implementation delays.</p> <p>It is important to note that the duration for all applications, regardless of the modality, depends on several factors, including mainly the responsiveness of the applicant entities. The proactiveness of these entities often dictates the pace of the accreditation process, which may be beyond the control of both the secretariat and the Panel, as further review by the Panel can only occur when additional information is provided by the applicant entities.</p>
<p>R6. Regular Reviews of the process. The AFB Secretariat should continue to implement regular reviews of the practice of the accreditation system. Such reviews should include a regular review of opportunities for enhancing clarity around the Adaptation Fund's expectations and reducing any redundancies or unnecessary bureaucratic formalities that are identified,</p>	<p><i>Operational</i> <i>By October 2024 and as needed</i></p> <ul style="list-style-type: none"> The AF Board to request the AFB Secretariat to implement regular reviews of the practice of the accreditation system. 	<p>Agree</p> <p>The secretariat welcomes this recommendation and affirms its commitment to conduct periodic analyses of the accreditation system and welcomes the opportunities to standardize steps or templates.</p>

<p>including upon suggestion from the IEs and DAs. Examples for items to revisit are the five-year re-accreditation interval, the fast-track re-accreditation process, and opportunities to standardize steps or templates. <i>[relevance, effectiveness, efficiency]</i></p>		<p>This initiative is crucial to ensuring the efficiency and effectiveness of the accreditation process, particularly in light of the GCF Board decision (Decision B.37/18) to extend the accreditation terms of all accredited entities by three years or until the adoption of a revised accreditation framework.</p> <p>Furthermore, the secretariat underscores the importance of the existing practice of periodically reviewing the accreditation system. This practice has been captured in Decision B.34/46, paragraph (d) where the Board decided that the gap analysis would be conducted “when the need arises” which is generally recommended by the Panel and/or based AF secretariat engagement with the GCF. The recent gap analysis was presented to the Board at the forty-second Board meeting (B.42/5). The secretariat firmly believes in the effectiveness of this practice and is committed toward its continued implementation.</p>
<p>R7. Differentiation of accreditation requirements. The one-size-fits all approach is providing efficiency except for when it is not suited. For</p>	<p><i>Strategic Medium Term (6 – 12 months)</i></p> <ul style="list-style-type: none"> · The AFB Secretariat to assess the suitability of new accreditation 	<p>Agree</p> <p>In addition to the Fund’s existing Fast-track and Streamlined</p>

<p>specific types of entities (e.g., government ministries, research institutions) and specific types of projects, the standards could be adjusted to still satisfy the Fund’s needs but better match the IEs’ needs. However, at this point there is no clarity if the benefits of more specific criteria schemes would outweigh the advantages. The AFB Secretariat should analyse and propose for the AF Board to consider new accreditation models with differentiated requirements for different project types and/or sizes and introduce new modalities as needed, including potentially a project-specific accreditation option. Experiences of the other funds should be taken into account.</p> <p><i>[relevance, effectiveness, efficiency]</i></p>	<p>models with differentiated requirements for accreditation for different entities / types of projects.</p> <ul style="list-style-type: none"> · The AFB Secretariat to present options to the Board. 	<p>(re)accreditation modality, the secretariat acknowledges the recommendation to assess the suitability of new accreditation models with differentiated requirements for accreditation for different entities / types of projects and relative opportunities to standardize steps or templates. The secretariat will examine and identify opportunities for new accreditation models by interacting with the DAs and other relevant climate funds.</p>
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