ADAPTATION FUND

Adaptation Fund Board
Ethics and Finance Committee
Thirty-fourth Meeting
Bonn, Germany, 8-9 October 2024

Agenda item 7

INITIAL MANAGEMENT RESPONSE TO THE THEMATIC EVALUATION OF SCALABILITY CONCEPTS AND PRACTICE AT THE ADAPTATION FUND BY THE TECHNICAL EVALUATION REFERENCE GROUP OF THE ADAPTATION FUND (AF-TERG)

Background

1.   At the thirty-third meeting of the Ethics and Finance Committee (EFC) of the Adaptation Fund Board (the Board), the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) was scheduled to present the Thematic Evaluation of Scalability Concepts and Practice as contained document AFB/EFC.33/12. However, due to the hospitalization of the AF-TERG member in charge of the matter, the matter was postponed to the thirty-fourth meeting of the EFC.

2.   In response to the recommendation contained in the above-mentioned thematic evaluation as contained in document AFB/EFC.34/5 the secretariat prepared this overall management response which provides detailed observations to each finding and recommendation of the AF-TERG. Specifically, it identifies areas in which the secretariat disagrees with the evaluation, provides information on actions already being done to address some of the recommendations, and includes a detailed annex with specific responses to each finding.

3.   Following the Board consideration of the matter and approval of proposed recommendations, the secretariat will provide an updated management response and a detailed plan and action items to address each recommendation.

Overall management response and reflections on recommendations

4.   Overall, the secretariat welcomes the key findings and recommendations of the Thematic Evaluation of Scalability Concepts and Practice and notes the overall positive findings in the report including, among others, (i) that overall the Fund's strategies and policies include elements of scalability including the MTSII and its implementation plan which "have elements and proposed activities that can support the outcome of enabling the scaling and replication of fund results directly and indirectly"; (ii) that the Fund has adopted tools and approaches to incentivizes scalability including among other the scaling up framework under implementation between the Fund and the Green Climate Fund (GCF) and (iii) that there is potential for the Fund to use its internal resources to further incentivize scaling up including its in-house scaling up grant funding window.

5.   The secretariat also notes that several of the recommendations contained in document AFB/EFC.34/5 align with areas covered under the Fund's mission that aims to "encourage and enable the scaling and replication of results, and strengthen complementarity, coherence and synergies with other adaptation funders and actor" and its current MTSII that includes a cross cutting theme of "Enable the scaling and replication of results".

6.   The secretariat is committed to explore areas for improvement and learning from the report's findings and proposed recommendations. However, it is important to convey the following points for consideration by the Board:

   a. Guidance of replicability and scaling up in Fund's OPG: While the secretariat recognizes that scale-up and replicability are positive outcomes and important elements for projects

funded by the Adaptation Fund as stated in the Operational Policies and Guideline (OPG) and its Annex 5 "Project/Programme Proposal Template", it is important to note that in accordance with the Fund's the Strategic policies, priorities and guidelines and OPG, a scalability criterion is not separately included in project eligibility or review criteria or required otherwise. However, the Fund is already assessing project documents against the sustainability criteria that includes a reference to scalability and replication. Considering the importance of this element and building on the evaluation findings and recommendations, the secretariat will work with implementing entities, operational focal points as well as AF-TERG to better capture the approach to structure project at design stage for scaling up and maximized impacts. This aspect of replicability and scaling up as specific requirements in the OPG could be considered as a recommendation that the Board may want to consider as part of strategic discussion for the Fund.

b. <u>Unified definition of scalability as part of the Fund's strategy and programming for scaling up:</u> While the Fund has not adopted a universal or unified definition of scalability, the proposed definition under the Fund's new Evaluation Policy applies to the entire Fund's operation and there is no need for the secretariat to develop a new or different definition.

c. <u>Revision of the scaling up grant window</u>: It is worth noting that under the MTSII, the Fund has already revised the scaling up grant with an increased amount of $300k per project and expanded its scope of activities and eligibility to cover innovation and locally led adaptation projects. In addition, under the MTSII scaling up grant, it is important to clarify that scaling-up grants can be used to scale-up any type of project, regardless of the funding window. The eligibility criteria do not limit scaling-up grants to a specific funding window, allowing for flexibility in scaling up a diverse range of projects.

d. <u>Use of Learning and Sharing pillar of the MTS to increase the understanding of IEs regarding potential scaling pathways</u>: Under the KM pillar of the MTSII and implementation plan, the Fund has already committed to explore ways to disseminate further ways to scaling up and replication of its projects.

Conclusion and next steps

7.   The management response to the AF-TERG thematic evaluation of scalability concepts and practice at the Adaptation Fund and proposed recommendations as approved by the Board will be implemented by the secretariat in accordance with the proposed timeline indicated in Annex 1. The secretariat will report to the Board on the management response's implementation, with the next update to be expected in October 2025 as part of the report on the activities of the secretariat.

8.   The secretariat will continue its collaboration with AF-TERG to integrate lessons learnt described in the evaluation report as well as further elements of next evaluation reports to be conducted on the Fund's portfolio.

Drat Recommendation

9.   Having considered the report on the thematic evaluation of scalability concepts and practice at the Adaptation Fund by the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG), as contained in document AFB/EFC.34/5, as well as the initial management response prepared by the secretariat, as contained in document AFB/EFC.34/7, 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 key findings and recommendations of the thematic evaluation of scalability concepts and practice at the Adaptation Fund, including its annexes, and of the initial management response prepared by the Adaptation Fund Board secretariat;

(b) Request the Adaptation Fund Board secretariat to prepare an updated management response and action plan reflecting the views expressed by the Ethics and Finance Committee at it thirty-fourth meeting on the findings and recommendations set out in the evaluation report mentioned above, for consideration by the Board during the intersessional period between the forty-third and forty-fourth meetings of the Board;

(c) Request the Adaptation Fund Board 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 on the activities of the secretariat.

Annex I: Detailed response to each finding of the scalability thematic evaluation

		Findings	Secretariat position	Management response
I		**Fund Strategy and Programming on Scaling**		
	1	There are several elements of scalability and replication in the Fund's strategies and policies, but there is not a unified definition of scaling or scalability across the Fund. Current practice in the adaptation community reflects a variety of ways of defining and assessing scalability that can be considered.	Partially agreed	While the secretariat recognizes that it did not adopt an in-house definition nor there is no universal or unified definition of scalability adopted by the Fund, the proposed definition under the Fund's new Evaluation Policy applies to the entire Fund's operation and there is no need for the secretariat to develop a new or different definition.
	2	The MTS II and its implementation plan have elements and proposed activities that can support the outcome of enabling the scaling and replication of fund results directly and indirectly. The Fund itself identifies the need to "incentivize scalability and replicability beyond project scale-up grants as part of project design and implementation and readiness support" in its strategy (MTS II Implementation Plan para. 10).	Agreed	The Fund has adopted tools and approaches to incentivize scalability including the scaling up framework under implementation between the Fund and the Green Climate Fund. Also, there is potential for the Fund to use its internal resources to further incentivize scaling up including its in-house scaling up grant funding window.
	3	The scaling-up framework that is currently under implementation between the Fund and the GCF (see Section 5.2.2), is a noteworthy effort to support the streamlining and increase efficiency of scaling-up Fund pilots. Establishing and strengthening collaboration and partnerships with funds and actors that provide scaling support is a way to complement the Fund's support spatially, thematically and over time.	Agreed	The Fund aims to strengthen and expand this joint collaboration framework across its entire portfolio, including innovation and locally-led adaptation projects, to better assist countries in their scaling-up efforts and maximize a project's impact.
II		**Project-level findings: Types of Scaling, Understanding of Scaling**		

1	Of the Fund-supported projects sampled by the evaluation, planned activities in support of piloting and scaling included interventions related to knowledge and information dissemination (78%), strengthening individual and institutional capacities (56%), and participatory processes (39%; N = 21). Stages of scaling supported by the Fund-supported projects include a) piloting, proof of concept, and testing (29%); piloting for scaling (demonstrating / enabling conditions for scaling (67%); and scaling (19%; N = 21).	NA	NA	
2	The operational procedures and guidelines (OPGs) of the Fund do not require that applicants demonstrate scalability in project design, but encourage that project funding proposals consider enabling scaling up with other funds after the project ends. The projects that were reviewed did not usually specify whether the project would scale and, if so, how the projects would support scaling. While some sampled projects described sources of funding for scaling, either within the project itself or through other sources based on pilot activities, 71% of the sampled project did not indicate how scaling would take place (N = 21).	Agreed	While the secretariat recognizes that scale-up and replicability are positive outcomes and important elements for projects funded by the Adaptation Fund as stated in the Operational Policies and Guideline (OPG) and its Annex 5 "Project/Programme Proposal Template", it is important to note that in accordance with the Fund's OPG, a scalability criterion is not separately required in project eligibility or review criteria or required otherwise. However, the Fund is already assessing project documents against the sustainability criteria that includes a reference to scalability and replication. Considering the importance of this element and building on the evaluation findings and recommendations, the secretariat will work with implementing entities, operational focal points as well as AF-TERG to better capture the approach to structure project at design stage for scaling up and maximized impacts. This aspect of replicability and scaling up as specific requirements in the OPG could be considered as a recommendation that the Board may want to consider as part of strategic discussion for the Fund.	
III	**Project-level findings: Financial and Non-Financial Pathways and Instruments for Scaling**			

1	Fund-supported projects that have scaled up have primarily done so by using external sources of financing, such as the Project Preparation Facility of the GCF, but project elements have also been scaled up in subsequent projects supported by the Adaptation Fund and other agencies. Only one Fund- supported project has utilized the Fund's in-house Scale Up Grant financing window.	Agreed	No Action Required	
2	While selected Fund-supported projects have been scaled up using multilateral funds, most frequently the Green Climate Fund, the number of these projects relative to the size of the portfolio is limited.	Agreed	No Action Required	
3	Although not currently used under the Fund's mandate and operations, non-grant instruments can further support the mobilization of adaptation finance at scale. Multilateral climate finance is only one tool for supporting scaling in projects, and it is insufficient to close the adaptation finance gap. Projects may also overlook non-financial support of scaling. The set of factors supporting projects for scaling interventions included multi-stakeholder interactions and partnerships, participatory processes, policy framework and operating guidelines and knowledge and information dissemination.	Agreed	While the secretariat agrees that non-grant instrument can be considered as part of the options for funding preparation for scaling up projects, it is important to note that currently such instrument is not aligned with the Fund's current operations and its mandate to fund the full-cost of adaptation.	
IV	**Evaluation**			

| 1 | In the sampled projects that were assessed, evaluation activities were not sufficient to support scaling decisions on the part of project teams, as final evaluations did not gather information on scaling that could inform decision- making. This is important to note, as the Evaluation Policy criteria for evaluations include a criterion on scalability. | NA | |