



ADAPTATION FUND

AFB/EFC.34/10
10 October 2024

ADAPTATION FUND BOARD

Ethics and Finance Committee

Thirty-fourth meeting

Bonn, Germany, 8–9 October 2024

REPORT OF THE THIRTY-FOURTH MEETING OF THE ETHICS AND FINANCE COMMITTEE OF THE ADAPTATION FUND BOARD

Item 1. Opening of the meeting

1. The Chair of the Ethics and Finance Committee (EFC), Frida Jangsten (Sweden, Western Europe and Others), opened the meeting at 9.35 a.m. on 8 October 2024. She welcomed two new members of the Committee:

- Akram Mirzakhani, (Islamic Republic of Iran, Asia-Pacific);
- Janchivlamdan Choikhand, (Mongolia, Non-Annex I Parties).

Item 2. Organizational matters

A. Adoption of the agenda

2. The EFC adopted the following agenda for its thirty-fourth meeting on the basis of the provisional agenda (AFB/EFC.34/1/Rev.1):

1. Opening of the meeting.
2. Organizational matters:
 - (a) Adoption of the agenda;
 - (b) Organization of work.
3. Annual performance report for fiscal year 2024.
4. Financial issues:
 - (a) Financial status of the trust fund and CER monetization;

- (b) Reconciliation of the administrative budgets of the Board and Secretariat, the Evaluation Function, and the Trustee for fiscal year 2024;
 - (c) Issues on the cost recovery (hosting) fee for the World Bank.
 - 5. Report of the Chair of the Technical Evaluation Reference Group, including:
 - (a) Work update reporting;
 - (b) AF-TERG thematic evaluation of scalability concepts and practice at the Adaptation Fund;
 - (c) Update on the ex-post evaluations;
 - (d) Second Adaptation Fund final evaluation synthesis.
 - 6. Management response to the recommendations of the thematic evaluation of the accreditation process.
 - 7. Initial management response to the findings of the thematic evaluation on scalability concepts and practice.
 - 8. Project post approval policies gap assessment.
 - 9. Other matters.
 - 10. Adoption of the recommendations and report.
 - 11. Closure of the meeting.
3. The Committee agreed to add, under agenda item 9, on other matters, an item on the revision of the strategic result framework.

B. Organization of work

- 4. The EFC agreed to the organization of work proposed by the Chair based on the provisional timetable set out in the annotated provisional agenda (AFB/EFC.34/2).
- 5. In accordance with paragraph 29 of the rules of procedure, the Chair then called upon all EFC members to orally declare any conflict of interest they might have with any item on the agenda of the current meeting. She also drew attention to the Board's code of conduct and zero tolerance policy, which were available on the website of the Fund.
- 6. No conflicts of interest were declared.

Item 3. Annual performance report for fiscal year 2024

- 7. A representative of the secretariat presented the annual performance report for fiscal year 2024 (AFB/EFC.34/9).
- 8. Subsequently, responding to questions from members regarding the difference between seemingly related sectors such as food security and agriculture, or water

management and transboundary water management, he explained that the relevant sector was selected by the implementing entity and should only be viewed as a general indication of the nature of the project.

9. The Ethics and Finance Committee recommended that the Adaptation Fund Board (the Board):

(a) Approve the Adaptation Fund's annual performance report for the fiscal year 2024, as contained in annex I to document AFB/EFC.34/9;

(b) Request the secretariat to prepare a summarized version of the annual performance report for the general public in a reader-friendly format following its approval by the Board.

(Recommendation EFC.34/1)

Item 4. Financial issues

A. Financial status of the trust fund and CER monetization

10. A representative of the trustee presented the Adaptation Fund Trust Fund financial report prepared by the trustee as at 30 June 2024 (AFB/EFC.34/3). The trustee's latest report was distributed to the Fund's Board ahead of the meetings and was posted on the Fund's website, and along with its previous reports for the Fund, was also available on the trustee's website.¹

11. A second representative of the trustee provided an update on the certified emission reduction (CER) market and CER monetization. As at 30 June 2024, the trustee had generated revenues of over \$216 million through the sale of 34 thousand tons of CERs since the start of the monetization programme in 2009, at an average price of \$6.3 per ton. In the first half of 2024, the trustee had sold CERs at an average price of \$4.9 per ton, for proceeds of \$1.0 million. The trustee continued to focus on voluntary interest in the CER market to meet their net zero or climate neutrality targets, which was where the trustee currently saw demand for CERs, while keeping an eye on the carbon credits that would eventually become available under the Paris Agreement.

12. In response to queries from one member, who stressed the importance of information on the status of pledges, the representative of the trustee provided additional details on the amounts pledged and drew attention to the trustee's report, which set out all the relevant information. The trustee also undertook to add the information in question to the trustee's presentation, which would be posted on the Fund website.

¹ <https://fiftrustee.worldbank.org/en/about/unit/dfi/fiftrustee/fund-detail/adapt>.

13. The Ethics and Finance Committee took note of the trustee's report (AFB/EFC.34/3).

B. Reconciliation of the administrative budgets of the Board and secretariat, the evaluation function and the trustee for fiscal year 2024

14. Representatives of the secretariat, the AF-TERG secretariat and the trustee presented the reconciled budgets of the respective entities for fiscal year 2024 (AFB/EFC.34/4).

15. One member expressed concern regarding the significant underrun reported by the secretariats and asked for an update on recruitment efforts. A representative of the secretariat responded that the recruitment process for the remaining vacant posts would be launched within the next few weeks.

16. The Ethics and Finance Committee took note of the reconciled budgets of the Board and the secretariat, the evaluation function and the trustee for fiscal year 2024, as set out in document AFB/EFC.34/4.

C. Issues on the cost recovery (hosting) fee for the World Bank

17. Introducing the sub-item, the representative of the secretariat recalled that the Adaptation Fund Board secretariat was administratively hosted by the World Bank Group through the Global Environment Facility and paid the bank directly for the administrative services it provided. The Global Environment Facility had recently reached agreement with the World Bank Group on a cost recovery rate for those services; the secretariat was currently assessing the implications of the agreement and expected to be in a position to report more information to the EFC at its thirty-fifth meeting.

18. The Ethics and Finance Committee took note of the information provided.

Item 5. Report of the Chair of the Technical Evaluation Reference Group of the Adaptation Fund

A. Work update reporting

19. The Chair of the AF-TERG provided an update on the completion of the final year of the initial multi-year workplan of the AF-TERG and outlined the progress made to date in fiscal 2025 under the second multi-year work programme (AFB/EFC.34/Inf.2/Rev.1). Following her presentation, she and other members of the AF-TERG responded to questions and comments from EFC members and provided additional information.

20. Responding to a comment regarding the importance of ensuring project result sustainability after project completion, the Chair of the AR-TERG explained that the group's analysis as part of evaluation reports synthesis was limited to reviewing the sustainability in the final evaluation reports submitted by implementing entities and

formulating lessons and recommendations on that basis. In addition, ex-post evaluations looked into how outcomes were sustained and which project characteristic could lead to system resilience, resulting in recommendations on aspects to be considered as parts of future programming of the Fund.

21. Addressing a concern that conducting evaluations at all stages of the project cycle might place a burden on the implementing entities and hamper implementation, she clarified that as per the Fund's evaluation policy, evaluation reports were only required at the mid-point (for projects longer than four years) and at the end of a project. The guidance notes were designed to help and inform implementing entities on how to apply the evaluation policy and were intended to strengthen the quality of the existing project design, monitoring and reporting, to eventually support the generation of quality evaluations. Similarly, newly planned guidance notes, webinars and training modules were intended to support implementing entities in strengthening their own capacities.

22. Regarding the use of artificial intelligence in evaluation work, the Chair of the AF-TERG said that it could be useful for data synthesis, analysis and presentation, for instance. The evaluation units of the four climate funds, led by the AF-TERG, had joined forces to explore such applications. That work was still in the early stages but should be completed by year-end, with a report on the outcomes likely to be presented at the thirty-fifth meeting of the EFC. The Manager of the secretariat added that the secretariat was also looking into artificial intelligence applications, both in collaboration with the other three climate funds and alone, working with a university-based group to determine how the Fund's monitoring data could be used to extract lessons learned from its portfolio.

23. The AF-TERG secretariat coordinator provided additional information on the management action tracker, describing it as a standard accountability and transparency tool used across different organizations to see how evaluation recommendations were being implemented and integrated into the overall organizational operations. As such, it would not place any additional burden on the implementing entities. The AF-TERG was currently looking at what its peers were doing and would conduct a consultation before putting the tool in place.

24. An AF-TERG member, addressing a question on the budget and financial implications of the evaluation policy, noted that the role of the AF-TERG was limited to informing and advising the Board on budgeting options for evaluations, but that guidance on the sourcing of budgets for evaluation was within the domain of the secretariat. As the most significant limitation on evaluation work was data quality and availability, the AF-TERG has identified the elements needed to make a project evaluable from an evaluation perspective, but it did not specify where funding should come from. The mission of the AF-TERG was to give countries the tools they needed to generate information that could be of value to the Board and to other countries. The Manager of the secretariat added that the secretariat had taken steps to clarify the evaluation budget levels expected at the project proposal stage and updated the review sheet for project reviewers to ensure that implementing entities allocated the necessary funding for evaluation. The AF-TERG had

also joined two readiness webinars held by the secretariat for implementing entities in the past year outlining the requirements for project evaluation budgets.

25. One Board member observed that while she was a strong proponent of evaluation, in her experience evaluation teams tended to be heavy in gender, environmental and social impact, communication and consultation experts but lacking experience on the technical aspects of projects, leading to recommendations that failed to address the true reason a project was not being implemented. It was important, she said, to look at the nature of the project and include in the evaluation team a strong member who understood the project cycle.

26. The Ethics and Finance Committee (EFC) took note of the information provided.

B. Thematic evaluation of scalability concepts and practice at the Adaptation Fund

27. A member of the AF-TERG presented a summary of the main findings of the thematic evaluation on scalability (AFB/EFC.34/5/Rev.1).

28. During the ensuing discussion, one member stressed the importance of scalability and of seeking non-grant financing to achieve it, such as private sector financing. Another member suggested that while improving the efficiency of the Fund's accreditation process was important, the secretariat should investigate ways to attract applications from new entities, including by raising the limit on the number of national implementing entities per country.

29. Responding, the member of the AF-TERG said that the group had identified a fairly broad variety of financing mechanisms for scalability as part of the evaluation, giving as an example the use of a crop insurance initiative in Costa Rica that could be scaled or replicated even though it had not been designed specifically to that end. Commenting on the accreditation of implementing entities, the Manager of the secretariat assured the EFC that considerable work was being done to increase the number of national implementing entities, in particular through the readiness and accreditation programmes.

30. The Ethics and Finance Committee recommended that the Adaptation Fund Board take note of the key findings and recommendations of the AF-TERG thematic evaluation of scalability concepts and practice at the Adaptation Fund (AFB/EFC.34/5/Rev.1) on encouraging and enabling the scaling of results in the Adaptation Fund's projects, particularly in the context of taking forward the implementation plan for the Fund's medium-term strategy (2023–2027).

(Recommendation EFC.34/2)

C. Update on the ex post evaluations

31. A member of the AF-TERG spoke about the overall approach to two ex post evaluations of two projects in Argentina, following which she presented main findings of

the ex post evaluations conducted on a project on increasing climate resilience and enhancing sustainable land management in the southwest of the Buenos Aires province (AFB/EFC.34/Inf.3) and a project on enhancing the adaptive capacity and increasing resilience of small-size agriculture producers in northeast Argentina (AFB/EFC.34/Inf.4).

32. Following her presentation, she responded to a number of questions from members, noting that adaptation interventions generally took between 10 and 15 years to scale up, which exceeded the project life cycle. The impact of adaptation interventions was not yet known. As part of the ex post evaluation, evaluators had discussed farming methods with farmers, including Indigenous farming methods and the use of modern technologies. Although the best available knowledge was used when designing the projects, the magnitude, severity and types of climate risks had been difficult to predict. The AF-TERG aimed to support capacity development without imposing overbearing reporting obligations or regulations on stakeholders.

33. The Ethics and Finance Committee took note of the information provided and the reports set out in documents AFB/EFC.34/Inf.3 and AFB/EFC.34/Inf.4.

D. Second Adaptation Fund final evaluation synthesis

34. A member of the AF-TERG made a brief presentation on the second synthesis of Adaptation Fund final evaluations (AFB/EFC.34/Inf.6).

35. Subsequently, responding to members' questions, she explained that no separate analysis had been conducted to compare the projects implemented by multilateral and national implementing entities due to the small size of the sample. A new methodology had been used for the synthesis and would continue to be improved going forward. She also clarified that high turnover of implementing entity staff had emerged as a key factor in the cases of low capacity of implementing partners to successfully implement and manage projects and programmes.

36. The Ethics and Finance Committee took note of the information provided.

Item 6. Management response to the recommendations of the thematic evaluation of the accreditation process

37. The representative of the secretariat presented a management response to the findings and recommendations of the AF-TERG thematic evaluation of the accreditation process (AFB/EFC.34/6).

38. One member expressed support for management's responses to the recommendations in the evaluation report. In addition, noting that accreditation generally took a long time because entities did not understand what the fund in question was looking for in terms of standards, she suggested that the secretariat refer to the tool used by the Global Fund to Fight AIDS, Tuberculosis and Malaria to assess applications, which provided applicants with very clear guidance. She further noted that the accreditation

process should focus more on whether an entity was good at project cycle management rather than aspects such as gender and environmental and social impact management.

39. Responding to the comments, the representative of the secretariat assured the EFC that the improvement to the accreditation process were designed to benefit countries and, in particular, to improve institutional capacity, which became more evident at the reaccreditation stage, when project performance was a significant focus.

40. The Ethics and Finance Committee recommended that the Adaptation Fund Board (the Board):

(a) Take note of the recommendations of the thematic evaluation of the Fund's accreditation process conducted by the Adaptation Fund Technical Evaluation Reference Group, as contained in document AFB/EFC.33/11, as well as the discussion during the thirty-fourth meeting of the Ethics and Finance Committee (EFC) and the forty-third meeting of the Board and the management response contained in document AFB/EFC.34/6;

(b) Request the secretariat:

(i) 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 its forty-third and forty-fourth meetings;

(ii) To report to the EFC, at its thirty-fifth meeting, on the progress made in implementing the action plan.

(Recommendation EFC.34/3)

Item 7. Initial management response to the findings of the thematic evaluation on scalability concepts and practice

41. The representative of the secretariat presented management's initial response to the findings of the AF-TERG thematic evaluation of scalability concepts and practice at the Adaptation Fund, including a response to each of the recommendations stemming from the evaluation (AFB/EFC.34/7).

42. Members indicated general support for management's response. Several members underscored the importance of project scalability, saying that it should be incorporated into project design and taken into account in the mid-term and final project evaluations. One member drew attention to the particular importance of scalability for small island developing States given the growing impact of climate change, and stressed the need to collaborate with other climate funds on scaling up projects.

43. The Ethics and Finance Committee recommended that the Adaptation Fund Board (the Board):

(a) Take note of the initial management response prepared by the Adaptation Fund Board secretariat, as contained in document AFB/EFC.34/7;

(b) Request the Adaptation Fund Board secretariat:

(i) To prepare an updated management response and action plan reflecting the views expressed by the Ethics and Finance Committee at its thirty-fourth meeting on the findings and recommendations of the thematic evaluation on scalability concept and practices, for consideration by the Board during the intersessional period between its forty-third and forty-fourth meetings;

(ii) To report to the Ethics and Finance Committee, 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.

(Recommendation EFC.34/4)

Item 8. Project-post-approval policy gap assessment

44. Introducing the item, the representative of the secretariat explained that the Fund had undergone significant changes in recent years, including the approval of new funding windows, but that its project post-approval policies, in particular the policy on project/programme implementation² and the policy on project/programme delays, had not kept pace and were no longer well suited to the complexities of modern project management, particularly in a rapidly changing global environment. Key aspects, such as the permissible delay of project inception and the criteria for triggering project cancellation, remained inadequately defined. Furthermore, the existing policies did not account for the unique needs of innovation and locally led adaptation projects, which required more flexible adaptive management regimes. He then presented an analysis of the project-post-approval policy gaps, including three options for addressing policy gaps and required improvements in post-approval matters (AFB/EFC.34/8).

45. During the ensuing discussion, members were generally in favour of delegating certain matters to the secretariat for review and approval, noting that it would improve efficiency and help to streamline the project management process and allow the Board to focus on more strategic matters. Concerns were raised, however, regarding which matters should be delegated, with several Board members expressing the view that requests for changes in project site and executing entity in particular should be brought to the Board. Concerns were also expressed regarding the stage at which the Board should be made aware of project delays.

² See "Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund", annex 7.

46. Having considered document AFB/EFC.34/8, the Ethics and Finance Committee (EFC) recommended that the Board:

(a) Take note of the review and analysis conducted by the secretariat, as contained in document AFB/EFC.34/8;

(b) Endorse the approach outlined in option 3, contained in document AFB/EFC.34/8, including the delegation of approval of minor changes to projects and programmes to the secretariat;

(c) Request the secretariat to propose, for the consideration of the EFC at its thirty-fifth meeting and taking into consideration the discussion at the thirty-fourth meeting of the EFC:

(i) Revisions to the Policy for Project Implementation, as set out in annex 7 to the Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund (AFB/EFC.21/5), and to the Policy for Project/Programme Delays (AFB/B.34-35/6);

(ii) An action plan for the implementation of the present decision.

(Recommendation EFC.34/5)

Item 9. Other matters

Update on the revision of the strategic results framework

47. The representative of the secretariat provided an update on the revision of the strategic results framework (AFB/EFC.34/Inf.5).

48. Following the presentation, one member noted that conversations on the global goal on adaptation were expected to continue until November 2025 and asked how that would fit with the work on revising the strategic results framework. The representative of the secretariat responded that she expected it to be an iterative process, with the secretariat contributing to the conversation on the global goal and that conversation itself generating adaptive processes and a range of options that entities could adapt to their needs. Asked about the added value of the revision exercise for management of the secretariat and the Fund's resource mobilization, she said that given that the objective of results-based management was to create and contribute to the Fund's impact story, an effective framework could be expected to make a significant contribution to resource mobilization as well.

49. The Ethics and Finance Committee took note of the information provided.

Item 10. Adoption of the recommendations and report

50. The EFC adopted the recommendations in the present report at its thirty-fourth meeting and agreed to entrust the finalization of the report of the meeting to the secretariat.

Item 11. Closure of the meeting

51. The Chair declared the meeting closed at 3.25 p.m. on 9 October 2024.

ANNEX

**Ethics and Finance Committee
Thirty-fourth meeting
Bonn, Germany, 8 and 9 October 2024**

EFC members present at the meeting

Washington Zhakata (Zimbabwe, Africa)

Ali Daud Mohamed (Kenya, Africa)

Tae Hoon Kim (Republic of Korea, Asia-Pacific)

Akram Mirzakhani (Islamic Republic of Iran, Asia-Pacific)

Mariana Kasprzyk (Uruguay, Latin America and the Caribbean)

Kenrick Williams (Belize, Latin America and the Caribbean)

Frida Jangsten (Sweden, Western European and Others)

Kevin Adams (United States of America, Western European and Others)

Diann C. Black-Layne (Antigua and Barbuda, Small Island Developing States)

Naresh Sharma (Nepal, Least Developed Countries)

Janchivlamdan Choikhand (Mongolia, Non-Annex I Parties)