



## ADAPTATION FUND

AFB/EFC.35/9  
9 April 2025

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### **ADAPTATION FUND BOARD**

Ethics and Finance Committee

Thirty-fifth meeting

Bonn, Germany, 8–9 April 2025

### **REPORT OF THE THIRTY-FIFTH MEETING OF THE ETHICS AND FINANCE COMMITTEE OF THE ADAPTATION FUND BOARD**

#### **Agenda Item 1: Opening of the meeting**

1. The incoming Vice-Chair of the Ethics and Finance Committee (EFC), Frida Jangsten (Sweden, Western Europe and Others), opened the meeting at 9.25 p.m. on 8 April 2025, while noting that the committee was one member short of quorum.
2. Pending the attainment of quorum, the EFC members present agreed to consider items 6 and 7, which were for information only and had no associated recommendations.

#### **Agenda Item 2: Transition of the Chair and Vice-Chair**

3. Once quorum was attained, Ali Daud Mohammed (Kenya, African Group) took over as the Chair of the meeting, having been elected by the Board in the organizational session of its forty-fourth meeting.

#### **Agenda Item 3: Adoption of the agenda**

4. The EFC adopted the following agenda for its thirty-fifth meeting on the basis of the provisional agenda (AFB/EFC.35/1/Rev.1):
  1. Opening of the meeting.
  2. Transition of the Chair and Vice-Chair.
  3. Adoption of the agenda.

4. Organization of work.
5. Administrative budget of the Board and secretariat, Technical Evaluation Reference Group of the Adaptation Fund, and trustee for fiscal year 2026.
6. Financial status of the trust fund and CER monetization.
7. Update on the implementation of an action plan for the management response to the recommendations of the thematic evaluation of the accreditation process.
8. Revisions to the Policy for Project/Programme Implementation Delays.
9. Report of the Chair of the Technical Evaluation Reference Group of the Adaptation Fund:
  - a) Work programme update of the Technical Evaluation Reference Group of the Adaptation Fund;
  - b) Update on the evaluation of the Adaptation Fund Readiness Programme;
  - c) Update on the results of the scoping study on the use of artificial intelligence in climate change evaluations;
  - d) Approach to the evaluation of processes and systems supporting governance for enhanced performance of the Adaptation Fund;
  - e) Update on the comprehensive evaluation of the Adaptation Fund and midterm review of the second medium-term strategy.
10. Other matters.
11. Adoption of the recommendations and report.
12. Closure of the meeting.

#### **Agenda Item 4: Organization of work**

5. The EFC agreed to the organization of work set out in the provisional agenda (AFB/EFC.35/1/Rev.1).

6. The Chair welcomed the following newly elected members, noting that they would be required to sign the written oath of service as mandated by the rules of procedure of the Adaptation Fund Board:

- Maria Luwalhati Dorotan Tiuseco (Philippines, Non-Annex I Parties)
- Rosa Morales Saravia (Peru, Latin America and the Caribbean)

7. The Chair also informed the EFC that there was a third new member, Do Ik Kim (Republic of Korea, Asia-Pacific States), who had been unable to attend the meeting.

8. 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. He also drew attention to the Board's code of conduct and zero tolerance policy, which were available on the website of the Fund. One member declared a conflict related to her role as the director of one of the implementing entities.

**Agenda Item 5: Work plans and administrative budgets of the Board and its secretariat, the Adaptation Fund Technical Evaluation Reference Group and its secretariat, and the trustee for fiscal year 2026**

9. Representatives of the Adaptation Fund Board secretariat, the secretariat of the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) and the trustee presented the work plans and administrative budgets of the Board and its secretariat, the AF-TERG and its secretariat and the trustee for fiscal year 2026, including estimated actuals for fiscal year 2025, as more fully described in document AFB/EFC.35/2/Rev.1. Following their presentations, they responded to members' questions and comments.

10. In response to a request by a number of EFC members that the budget be presented in a format that allowed comparison with the previous year's approved budget and actual expenditures, the representative of the secretariat said that the figures for fiscal year 2025 had not been made publicly available in the new format, but that in table 1 of the document the budget for fiscal year 2026 was presented in the old format alongside the figures for fiscal year 2025. In future, figures for both the current and the previous year would be presented in the new format and would thus be easily comparable.

11. To assist in the year-over-year comparison, a representative of the secretariat reported that for fiscal year 2026 the fixed portion of the budget was US\$ 9.8 million and the variable portion was US\$ 5.0 million, compared to estimated figures of US\$ 7.6 million and US\$ 4.5 million, respectively, for fiscal year 2025. Explaining why the World Bank hosting fee did not reflect precisely the 11 per cent rate quoted, she said that it did not apply to the office rental cost as the secretariat paid for its own office space outside bank-owned buildings.

12. One member recommended that future reports indicate the proportion of funding attributable to administrative costs, including amounts for past years; the representative of the secretariat welcomed the suggestion.

13. Addressing concerns regarding the large increase in staff, a representative of the secretariat provided additional details regarding the proposed five new staff positions, which included strengthening and broadening the communication team to enhance the Fund's external engagements in connection with the sessions of the Conference of the Parties to the United Nations Framework Convention on Climate Change and its subsidiary bodies. The Manager of the Secretariat recalled that at its twenty-ninth session, the Conference of the Parties had asked

the climate funds, including the Adaptation Fund, to triple their output by 2030, and said that it would be difficult to do so without the proposed staff increases. That said, the secretariat welcomed the Board's guidance in that regard.

14. Several members expressed support for the proposed staff increase, particularly given the anticipated operationalization of Article 6 of the Paris Agreement and the resulting influx of new funding. One suggested that staff growth be tracked against past and projected funding inflows as well as project and programme growth.

15. Following further informal discussion in the margins of the meeting, the representative of the secretariat proposed to reduce the number of new staff positions from five to three and to adjust the type of contract for the other two positions to maintain the secretariat's flexibility to adapt to the changing business needs and financial outlook. One member suggested that the secretariat provide, in a future report, an assessment of the cost implications of using consultants versus staff.

16. The EFC recommended that the Adaptation Fund Board (the Board):

(a) Take note of the budget proposals contained in document AFB/EFC.35/2 and approve, from the resources available in the Adaptation Fund Trust Fund:

(Board and secretariat)

(i) The proposed budget of US\$ 14,490,488 to cover the costs of the operations of the Board and secretariat for fiscal year 2026, from 1 July 2025 to 30 June 2026;

(ii) The estimated World Bank hosting fees of US\$ 1,560,000 for the secretariat and Board for fiscal year 2026;

(Technical Evaluation Reference Group of the Adaptation Fund and its secretariat)

(iii) The proposed budget of US\$ 1,997,759 to cover the costs of the operations of the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) and its secretariat for fiscal year 2026, from 1 July 2025 to 30 June 2026;

(iv) The estimated World Bank hosting fees of US\$ 212,000 for the AF-TERG and its secretariat for fiscal year 2026;

(Trustee)

(v) The increase of \$104,600 in the fiscal year 2025 estimated actuals;

(vi) The proposed budget of \$1,068,100 for the trustee services to be provided to the Adaptation Fund in fiscal year 2026;

(b) Authorize the trustee to transfer the amounts in subparagraphs (a) (i), (ii), (iii) and (iv) to the respective secretariats, and the amounts in subparagraphs (a) (iv) and (vi) to the trustee.

**(Recommendation EFC.35/1)**

**Agenda Item 6: Financial status of the trust fund and CER monetization**

17. A representative of the trustee presented the Adaptation Fund Trust Fund financial report prepared by the trustee as at 31 December 2024 (AFB/EFC.35/3). At 31 December 2024, funds available for new decisions had amounted to US\$ 614.3 million received, net of the operational reserve, with an additional US\$ 72.1 million in contributions receivable and US\$ 64.5 million in the form of pledges, for a total of US\$ 750.8 million in potential funding availability. The trustee's latest report, along with its previous reports for the Fund, was available on the trustee's website.<sup>1</sup>

18. A second representative of the trustee provided an update on the certified emission reduction (CER) market and CER monetization. As at March 31, 2025, the trustee had generated revenues of US\$ 218.9 million through the sale of 37.5 million tons of CERs since the start of the monetization programme in 2009, at an average price of US\$ 6.1 per ton. During calendar year 2024, the trustee sold 0.33 million tons of CERs, which generated US\$ 1.6 million in CER proceeds.

19. Responding to comments and questions from members, the representative of the trustee said that, in future, the presentation would also include the US\$ equivalent value of donations paid during the reporting period for ease of comparison. With regard to the impact of the operationalization of Article 6 of the Paris Agreement, although there were currently too many variables to be able to provide a five-year projection for the carbon market, the trustee was in regular contact with the secretariat of the United Nations Framework Convention on Climate Change on the matter and was monitoring developments closely. Turning to the management of the investment portfolio of the Fund, he said that the investment team monitored the portfolio carefully, reviewing and rebalancing it every quarter, and used liquid, high-rate, fixed-income investment instruments, ensuring preservation of capital, which was the primary investment objective of managing the Adaptation Fund Trust Fund's investment portfolio. On administrative costs, he clarified that they amounted to 1.1 per cent for the trustee and 6.9 per cent for the Board and secretariat, for a total of 8 per cent of cumulative funding decisions of the Fund since its inception.

20. Also responding to members' comments and questions, the Manager of the secretariat clarified that the cash transfers shown on a bar chart in the presentation reflected the transfers made to projects and programmes on an annual basis by the trustee following clearance of the relevant annual project performance report by the Chair of the Board. Furthermore, he recalled that there had been a significant increase in the value of the work programme currently being considered by the PPRC thanks to a range of factors, including a more efficient project review

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

process. Additional measures for improving the efficiency of the Fund, such as revising the project delay and project change policy, as well as increasing the level of flexibility from 10 to 20 per cent, were due to be considered at the current meeting. Regarding the carbon market, he noted that the secretariat had engaged a consultant to analyse the possible impact of Article 6, paragraphs 2 and 4 of the Paris Agreement, and associated opportunities to increase resources, and the secretariat would also consider investigating the possible impact of Article 6, paragraph 8. Increasing the visibility of the Adaptation Fund had also been an important focus for the secretariat in the past year, with increased staffing in that area.

21. The EFC took note of the trustee's report (AFB/EFC.35/3).

**Agenda Item 7: Update on the implementation of an action plan for the management response to the recommendations of the thematic evaluation of the accreditation process**

22. The representative of the secretariat provided an update on the implementation of an action plan for the management response to the recommendations of the thematic evaluation of the accreditation process (AFB/EFC.35/4).

23. Members welcomed progress made on implementing the recommendations of the AF-TERG. One member noted that the Green Climate Fund board was considering eliminating the reaccreditation process for entities in good standing. Other members, however, spoke in support of maintaining a reaccreditation process. One noted that the process contributed to continuous capacity-building, which was important in a constantly changing environment.

24. One member suggested that additional effort should be directed at increasing interaction with designated authorities.

25. Responding, the representative of the secretariat said that while the secretariat acknowledged the importance of reaccreditation it also shared the concerns that were leading the Green Climate Fund board to review the process. Those concerns were reflected in one of the recommendations in the Accreditation Panel report to be considered by the Board. She also informed members that there was an ongoing conversation with the Global Environment Facility secretariat, which was interested in the potential for fast-tracking the accreditation of its new partners when they were already accredited by the Green Climate Fund or the Adaptation Fund. Responding to a comment regarding coordination of the Green Climate Fund and Adaptation Fund accreditation panels, she said that discussions had begun and were always facilitated by the two funds' secretariats.

26. Turning to the question of designated authorities, she noted that the change from individuals to an entity acting as the designated authority had been a helpful step in building designated authority capacity. Recalling that the designated authorities endorsed both accreditation applications and adaptation project and programme proposals, she noted that, unlike the Green Climate Fund, the Adaptation Fund did not have an accreditation master

agreement, enabling the designated authority to endorse a proposal to the Adaptation Fund as soon as the Board had accredited an entity.

27. Addressing the question of how the accreditation process could help to identify the risk associated with government processes, she drew attention to criteria 6 of the accreditation form, which included a risk assessment and mitigation plan. The importance that the panel assigned to planning and mitigating risk in the accreditation process stemmed from work done with the AF-TERG to ensure that the results-based management and accreditation processes supported entities in mitigating risks.

28. The EFC, recalling its request for the secretariat to update the Board on the implementation of the action plan in response to the AF-TERG thematic evaluation of the accreditation process, took note of the progress made in the implementation of the action plan.

**Agenda Item 8: Revisions to the policies on project/programme implementation and delays**

29. The representative of the secretariat presented document AFB/EFC.35/5 setting out proposed revisions to the Fund's Policy on Project/Programme implementation (annex 7 to the Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund) and to its Policy for Project/Programme Delays.

30. Members welcomed the presentation and expressed general support for the proposed amendments, in particular in relation to changes in project location. They nevertheless had a number of questions and concerns, including regarding non-cost extensions; rules for project discontinuance; and monitoring of projects showing delays and the reasons for those delays.

31. One member expressed reservations regarding the increase in the threshold for cumulative budgetary reallocations at the output level that the secretariat could approve, saying that he would prefer a non-objection process involving the Board, given that the Board was ultimately responsible and such an approach would be more transparent. Other members indicated satisfaction with the proposed threshold and definition of minor and major revisions, although one also questioned how the Board would be kept abreast of project change approvals.

32. Responding, the representative of the secretariat said that the proposed amendments provided a clear definition on what constituted minor versus major revisions, which referred to project changes in the results framework, and also what constituted minor versus material revisions, which referred to budgetary changes. While the Fund had not had any cases of an entity being deemed ineligible for funding owing to late reporting, the current policy did not specify any timeframe for reporting delays. The proposed amendments included such a provision, however, allowing a reporting delay of a maximum of 12 months. That said, ineligibility would not apply to disbursements for projects under implementation, but rather to additional funding. With respect to project site changes, the Board would retain oversight for major changes, and new baseline studies and environmental and social risk screening would be needed. Regarding monitoring of project delays and the reasons for such delays, she drew attention to document

AFB/EFC.33/8, containing an assessment of all post-approval change requests received by the secretariat, which clearly indicated the number of each type of request and highlighted the underlying reasons for the request.

33. Addressing concerns related to the thresholds for secretariat versus Board approval of change requests, as well as transparency and accountability, she explained that major changes would always require Board approval, and provided a number of examples. The main scope of the proposed amendments was to relieve the Board of the burden of decisions on non-substantive, purely administrative issues. All approvals delegated to the secretariat would be reported to the Board, either as part of the report of the activities of the secretariat, in the annual performance report or at Board meetings.

34. The EFC recommended that the Adaptation Fund Board:

(a) Approve the Adaptation Fund's Policy on Project Post-Approval Requests for Changes in Projects/Programmes, as contained in document AFB/EFC.35/5, annex A, appendix I, including the related templates contained in annex D;

(b) Approve the Adaptation Fund's amended Policy for Project/Programme Delays, as contained in document AFB/EFC.35/5, annex A, appendix II, including the related templates contained in annex D;

(c) Request the secretariat to implement the action plan for the implementation of the amendments to the policies, in document AFB/EFC.35/5, annex C.

**(Recommendation EFC.35/2)**

## **Agenda Item 9: Report of the Chair of the Technical Evaluation Reference Group of the Adaptation Fund**

### *A. Work programme update*

35. The Chair of the AF-TERG provided an update on progress made on the workplan of the AF-TERG for fiscal year 2025 and outlined the group's priorities for fiscal year 2026 (AFB/EFC.35/6).

36. EFC members applauded the work done to date and the presentation. One member stressed the importance of the evaluation process for small island developing States, as it helped them tell their stories and communicate challenges. She flagged communication of evaluation results as a particular challenge for evaluators, who tended to resort to vague recommendation language when risks were difficult. Clear language was needed to support risk management at the project implementation level, however, and she therefore urged the AF-TERG to use clearer, more specific language in formulating evaluation recommendations. Another member supported that suggestion, adding that the language, both in the reporting and the presentations, could also be simplified to better communicate the evaluation findings.



37. In response to a query from one member, the Chair of the AF-TERG clarified that the criteria for identifying suitable projects for an ex post evaluation included a suitable project completion date, which should be between three and five years ago; the achievement of the stated outcomes of the project; the availability of relevant data; the feasibility of applying the appropriate evaluation methodology; and the agreement of the implementing entity to the conduct of an evaluation. It was also important to note that the ex post evaluations were funded by the AF-TERG and no costs were incurred by the implementing entity.

38. Responding to the comments regarding using simpler and more specific language, the Chair of the AF-TERG cautioned that sensitive issues sometimes were not well received and needed to be carefully worded, but allowed that EFC meetings constituted a safe space for clearer communication and a more open discussion of risks.

39. The EFC took note of the report of the Chair of the AF-TERG.

*B. Update on the evaluation of the Adaptation Fund Readiness Programme*

40. A member of the AF-TERG provided an oral update on the evaluation of the Fund's Readiness Programme. She described the evaluation rationale and scope; the key evaluation questions, which related to the relevance, coherence, effectiveness, efficiency and impact of the readiness programme; and the evaluation approach, which comprised case studies, a landscape analysis, key informant interviews, a literature review and online surveys. The inception phase of the evaluation was complete, data gathering was currently under way, and analysis and reporting were expected to be finalized by the end of June. While the evaluation was a semi-independent one, the Fund secretariat was participating within the confines of independence and impartiality and providing input on specific milestones, in an overall approach that was generating lessons on conducting semi-independent evaluations.

41. One member questioned the rationale for virtual interviews, noting the technical challenges faced by some countries and saying that in-person interviews merited the additional expense.

42. The AF-TERG member responded that for countries with limited or no engagement, virtual interviews could provide value for money and provide access where there were barriers to in-person interviews. The AF-TERG secretariat coordinator stressed that the readiness programme dealt with readiness for climate finance and therefore involved a lot of factors. Case studies, especially in-person case studies, provided a good understanding of the ecosystem and interactions and highlighted the areas where the programme had the greatest impact.

43. The EFC took note of the information provided.

*C. Update on the results of the scoping study on the use of artificial intelligence in climate change evaluations*

44. The AF-TERG Secretariat Coordinator presented an update on the results of the scoping study on the use of artificial intelligence (AI) in climate change evaluations (AFB/EFC.35/7).

45. Following his presentation, he provided additional clarifications in response to a member's comments and questions regarding AI. He noted that AI was especially powerful in the analysis of geospatial data and data from climate models but that human supervision of the analysis was still required, including to identify possible AI "hallucinations". A wide range of AI tools had been analysed for the study and it was clear that training of AI models and the use of tailored AI increased its effectiveness considerably.

46. One member noted that, although there would be benefits of using AI in the future, it was currently better to rely mainly on humans, and that there was nothing as effective as an in-person evaluation.

47. The EFC took note of the information provided and the scoping study set out in annex 1 to document AFB/EFC.35/7.

*D. Approach to the evaluation of processes and systems supporting governance for enhanced performance of the Adaptation Fund*

48. The Chair of the AF-TERG outlined the information set out in document AFB/EFC.35/8, noting that the AF-TERG was seeking guidance on a number of questions, including whether the overall framing of the evaluation was adequate; its overall scope was appropriately defined and focused; and the timing of the exercise was appropriate.

49. Responding to comments and questions from members, she said that consideration of suitable risk management systems and tools for supporting countries and projects would be added to the evaluation, as would support for implementing Article 6, paragraph 8, of the Paris Agreement, and the risk management of the trustee. No specific theory of change was proposed to be developed for the evaluation, given that a Fund-level theory of change was already part of the medium-term strategy and would be evaluated by the midterm review of that strategy. The evaluation would not cover the Board itself or focus on any particular body but rather would focus on processes and mechanisms that supported decision-making at all levels of the Fund. Furthermore, the evaluation was intended both to look back and take stock, and to look forward. The AF-TERG was also considering how best to evaluate itself in the future, either through a peer review or through another type of process, and would request more guidance on a suitable process in that regard at a future meeting. The outcomes of the evaluation could be used both within the Fund for internal reflection and for promoting the Fund to external donors.

50. The EFC took note of the information provided.

*E. Update on the comprehensive evaluation of the Adaptation Fund and midterm review of the second medium-term strategy*

51. A member of the AF-TERG provided an oral update on the comprehensive evaluation of the Adaptation Fund and the midterm review of the second medium-term strategy, including the relevant timelines. The comprehensive evaluation would take a "building block" approach and focus on the important questions of whether the Fund remained relevant and able to achieve its mandate. For the evaluation, the AF-TERG would work closely with the secretariat, which would

provide much of the data and would also ensure close internal coordination so that the appropriate stakeholders were contacted. The second medium-term strategy, for which a consulting firm had been identified, would focus on four assessment questions and would be carefully aligned with the comprehensive evaluation. The AF-TERG was seeking guidance from the EFC regarding suitable issues for the comprehensive evaluation and any relevant upcoming events or milestones of climate adaptation global process that should be borne in mind, as well as the priorities for detailed analysis and ways of maximizing the use of the recommendations and learnings stemming from the midterm review.

52. Responding to the request for guidance, members noted that the audience for the evaluation could include participants in the global carbon market when informed that some of the money earned would be used for adaptation, and that it was best to keep the messages and language used as simple as possible. Key issues to consider included whether the Fund was making an impact as intended and whether it had a competitive advantage; the implications of Article 6 of the Paris Agreement for the Fund as a whole; and the accreditation of national implementing entities, in particular in developing countries. With regard to the midterm review of the second medium-term strategy, there should be a focus on the pillar relating to action and the expected results of the strategy, as well as on identifying the most effective work of the Fund, gaps, and suitable areas of focus for the third medium-term strategy. When communicating the strengths of the Fund to stakeholders, it was important to focus on the substantial leverage that could be gained through the use of the “small but mighty” Fund, including through direct access, the management of projects and programmes using international fiduciary standards, technology transfer, and the fact that capacity-building of an implementing entity could also yield a model of successful adaptation that could be easily replicated within a country.

53. The EFC took note of the information provided.

#### **Agenda Item 10: Other matters**

54. No other matters were raised.

#### **Agenda Item 11: Adoption of the report**

55. The EFC adopted present report at its thirty-fifth meeting.

#### **Agenda Item 12: Closure of the meeting**

56. The meeting closed at 12.30 p.m. on 9 April 2025.

**ANNEX**

**Ethics and Finance Committee  
Thirty-fifth meeting  
Bonn, Germany, 8–9 April 2025**

**EFC members present at the meeting**

Washington Zhakata (Zimbabwe, Africa)

Ali Daud Mohamed (Kenya, Africa)

Akram Mirzakhani (Islamic Republic of Iran)

Rosa Morales Saravia (Peru, Latin America and the Caribbean)

Kenrick Williams (Belize, Latin America and the Caribbean)

Frida Jangsten (Sweden, Western European and Others)

Maria Luwalhati Dorotan Tiuseco (Philippines, Non-Annex I Parties)

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

Naresh Sharma (Nepal, Least Developed Counties)

**EFC members not present at the meeting**

Do Ik Kim (Republic of Korea, Asia-Pacific States)

Choikhand Janchivlamdan (Mongolia, Non-Annex I Parties)