



ADAPTATION FUND

3 March 2016

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Adaptation Fund Board

Management response to the Evaluation of the Fund – Stage 1

The Adaptation Fund Board decides to:

- i. Approve the management response to the Evaluation of the Fund (stage 1) in annex of this decision; and
- ii. Request the secretariat to upload the approved management response online, and send it to the Independent Review Panel (IRC) and TANGO International, for their information.

**Decision B.26-27/26**



## ADAPTATION FUND

### Annex – Management response to the Evaluation of the Fund (stage 1) and action plan

| Evaluation recommendation  | Management response to the recommendation   | Actions to be taken  | Body in charge of action  | Timeframe   |
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| <b>Relevance</b>   |   |  |   |   |
| <p><i>Recommendation 1:</i><br/>Review the experience of other funds to identify good practices to strengthen vulnerability targeting and formulate clear guidance for Adaptation Fund applicants. In particular, the IET recommends exploring the convening of an expert panel to suggest specific criteria for selecting regions, countries and social groups; and to assist the AFB in the region and country selection process. It is not satisfactory to speak only in terms of “vulnerable communities” since climate hazards do not equally affect all people within a community, or even the same household. Indeed, the inequitable distribution of rights, resources, and power constrains many people’s ability to take action on climate change, especially women.</p> | <p>This recommendation has been already partly addressed through the <i>“Analysis of climate change adaptation reasoning in project and programme proposals approved by the Board”</i> that the Adaptation Fund Board (AFB) requested at its 25<sup>th</sup> meeting (AFB 25), and approved in December 2015 (B. 26-27/3). This study highlights that the mandate of the Fund to finance concrete adaptation activities is not being done at the expense of the considerations of the drivers of vulnerability, and that the results framework (and projects outputs) encompasses the vulnerability aspects. It also outlines that projects are typically concerned with reducing vulnerability through securing assets that underpin livelihoods. The AFB requested that</p> | <p>In order to build upon this study, the AFB has requested (Decision B.26/27) the Project and Programme Review Committee (PPRC) <i>“to consider further study as recommended in document AFB/PPRC.17/5, in order to deepen the analysis of climate change adaptation reasoning in projects and programmes of the Adaptation Fund at the 19<sup>th</sup> meeting of the PPRC”</i>. The PPRC will discuss this matter at its 19<sup>th</sup> meeting, and may recommend the AFB to take an appropriate decision at its 28<sup>th</sup> meeting.</p> <p>The AFB decided to request the AFB Secretariat to <i>“Promote the report</i></p> | <p>AFB, PPRC and AFB Secretariat</p> <p>AFB and AFB Secretariat</p> | <p>19<sup>th</sup> meeting of the PPRC (4/5 October 2016); and 28<sup>th</sup> meeting of the AFB (6/7 October 2016)</p> <p>Ongoing</p> |

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|  | <p>the AFB Secretariat produce a shortened and simplified version of the report and that has been made available online. In addition, the AFB requested the AFB Secretariat to promote the report through events and engagement with relevant institutions.</p> <p>The option of convening an expert panel to suggest specific criteria for selecting regions or countries does not seem to be aligned with the Adaptation Fund (AF) mandate that is to focus on Non-Annex 1 Parties to the Kyoto protocol, regardless of any other criteria. Consideration of social groups within a country, is already to a significant degree addressed by the AF Environmental and Social Policy that has specific principles related to social vulnerability, e.g. Principle 2 “Access and Equity”, 3 “Marginalized and vulnerable groups”, 5 “Gender equity and Women’s empowerment”,</p> | <p><i>including through events and through engagement with relevant institutions and through bodies under the United Nations Framework Convention on Climate Change” (Decision B.26/27).</i></p> <p>The AFB through the AFB Secretariat will continue collaborating with academia and Adaptation Committee to ensure that AF review criteria, in particular related to targeting the most vulnerable, are relevant.</p> | AFB and AFB Secretariat | Ongoing (Adaptation Committee in March 2016, Adaptation Futures in May 2016) |
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|  | <p>and 7 “Indigenous peoples”.</p> <p>Gender considerations were explicitly included in the project review criteria early on in the Fund’s operations in 2011, with specific references to gender in review criteria on economic, social and environmental benefits, the consultation process, and monitoring and evaluation. As mentioned above, gender was included as a separate principle in the Environmental and Social Policy that was approved in 2013. Most recently, the AFB has approved (B.26/32) a draft gender policy and requested the AFB Secretariat to present at AFB27 a revised proposal for the gender policy and associated action plan to operationalize this policy. The policy holds at its core the concept of gender equality that addresses the recommendation to ensure an equitable distribution of adaptation benefits.</p> | <p>As requested by the AFB (decision B.26/32), the AFB Secretariat will prepare, for consideration at the 27<sup>th</sup> meeting of the AFB :”i) <i>A revised proposal for an Adaptation Fund gender policy incorporating the inputs received from Board members and interested stakeholders through the public call for comments; ii) An action plan to operationalize an Adaptation Fund gender policy, including any necessary changes to the relevant Adaptation Fund policies; iii) A compilation of the comments received through the public call for comments; and iv) An estimate of the costs related to operationalizing the policy</i>”. The Ethics and Finance Committee</p> | <p>AFB, EFC and AFB Secretariat</p> | <p>18<sup>th</sup> meeting (15/16 March 2016) of the EFC, and 27<sup>th</sup> meeting of the AFB (17/18 March 2016).</p> |
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|  | <p>Related to the suggested selection of social groups, it is also worth mentioning that while the AFB may assign priority focus to certain social groups based on their vulnerability globally, it would be complicated to do so specifically within a given region or country, without risking encroaching on countries' sovereignty.</p>  | <p>(EFC) of the AFB will discuss such matter and may recommend the AFB to take a decision at its 27<sup>th</sup> meeting.</p> <p>Upon finalization of the gender policy, the AFB through the AFB secretariat will continue disseminating information on the various relevant policies addressing the specific needs of most vulnerable communities and their constituents.</p> | AFB and AFB Secretariat | Ongoing |
| <b>Effectiveness</b>   |  |  |                         |         |
| <p><i>Recommendation 2:</i> Recruit additional senior secretariat staff to address the capacity constraints to undertake effective knowledge management and resource mobilization. Short-term consultants should not fill these roles.</p> | <p>The AFB emphasizes the need to ensure an effective operation of the Fund which includes monitoring the AFB Secretariat workload and its staffing requirements. Ensure cost effective operations is a key role of the Board. To this respect, the AFB decided, at its 25<sup>th</sup> meeting, to approve the Board and Secretariat and trustee budget for the fiscal year 2016. Such budget included one additional</p> | <p>The AFB will continue monitoring the workload and staff needs of the AFB Secretariat and will ensure that the hiring of short term consultants are minimized, to the extent possible.</p>   | AFB                     | Ongoing |

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|   | <p>senior staff at the AFB Secretariat. This new staff has been recruited and is now fully operational.</p> <p>Moreover, responsibilities related to Knowledge Management and Resource Mobilization within the AFB Secretariat have been clarified. In addition, an updated Knowledge Management strategy and associated action plan is being drafted by the AFB Secretariat and will be presented to the AFB at its 28<sup>th</sup> meeting.</p> | <p>The AFB will ensure that appropriate resources are allocated to the implementation of the KM strategy and action plan. In addition, the EFC will discuss at its 19<sup>th</sup> meeting an updated knowledge management strategy and action plan prepared by the AFB Secretariat, and may recommend the AFB to take a decision at its 28<sup>th</sup> meeting.</p> | <p>AFB, EFC, and AFB Secretariat</p>     | <p>The implementation of the current KM strategy ongoing. An updated knowledge management strategy and action plan to be discussed at the 19<sup>th</sup> meeting of the EFC and 28<sup>th</sup> meeting of the AFB.</p> |
| <p><i>Recommendation 3:</i> Continue to improve the accreditation process, with specific focus on early identification of fiduciary risks. Divide the accreditation process into phases, including an initial screening to catch red flags that would prevent accreditation. This will save substantial time and money. The screening</p> | <p>This recommendation is currently being addressed. Indeed, the AFB has decided to request the Accreditation Panel (AP) and the AFB Secretariat to consider the relevant findings of the Evaluation of the Fund (stage 1) and finalize their work and present a draft for consideration by the EFC at its 18<sup>th</sup> meeting. This</p>  | <p>The AP and the AFB Secretariat will present a draft effectiveness and efficiency document at the 18<sup>th</sup> meeting of the EFC. Based on these discussions, the EFC may recommend the AFB to take a decision at its 27<sup>th</sup> meeting.</p>  | <p>AFB, EFC, AP, and AFB Secretariat</p> | <p>18<sup>th</sup> meeting of the EFC (15/16 March 2016)</p>   |

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| could draw upon readily available materials including, where extant, fiduciary assessments undertaken by bilateral agencies and charitable foundations, and from the due diligence processes of public and private banks | <p>“Effectiveness and efficiency of the accreditation process” document establishes a clear timeline for accreditation workflow (Annex I to AFB/EFC18/XX) and divides the accreditation process into phases with a clear timeline. In addition, once the AFB approve such document, a guidance document for accreditation application (Annex II to AFB/EFC18/XX) will be available on the AF website.</p> <p>As part of the continuous enhancement of the efficiency of the accreditation processes, the AP and AFB Secretariat will consider to establish a checklist for screening of accreditation application.</p> | The AFB through the AP and the AFB Secretariat will consider to establish a checklist for screening of accreditation application. The AP may recommend the AFB to take any decision on this matter, if appropriate. | AFB, AP and AFB Secretariat  | To Be Determined |
| <i>Recommendation 4:</i> Strengthen the policy and guidelines for an inclusive and transparent selection of NIEs. This will help the Adaptation Fund to minimize risk of corruption                                      | This recommendation could potentially be addressed through an enhancement of guidelines for entities seeking accreditation. However, country ownership is an   | The AFB through the AP and the AFB Secretariat will continue reviewing and updating guidelines for entities seeking accreditation,  | AFB, AP, and AFB Secretariat | Ongoing          |

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| related to Designated Authorities' decision-making authority to choose which institutions apply to become NIEs. The IET recommends reviewing lessons learned from country-coordinating mechanisms in other funds.  | essential strategic priority of the Fund and the identification of applicant NIEs should remain a prerogative of the country.   | emphasizing on lessons learned.   |                              |   |
| <i>Recommendation 5:</i><br>Develop and implement a comprehensive gender policy based on a review of other funds' gender policies. In particular, the IET recommends GCF's Gender Policy and Action Plan, which is illustrative of many best practices, including the assignment of specific responsibilities (e.g. to its Board, Secretariat, DAs, as well as implementing and executing agencies). | This recommendation is already being addressed. The AFB has welcomed a draft gender policy at its 26 <sup>th</sup> meeting, and has requested the AFB Secretariat to prepare a revised policy and associated documents for presentation at the 27 <sup>th</sup> meeting of the AFB. | As requested by the AFB (decision B.26/32), the AFB Secretariat will prepare, for consideration at the 27 <sup>th</sup> meeting of the AFB :") <i>A revised proposal for an Adaptation Fund gender policy incorporating the inputs received from Board members and interested stakeholders through the public call for comments; ii) An action plan to operationalize an Adaptation Fund gender policy, including any necessary changes to the relevant Adaptation Fund</i> | AFB, EFC and AFB Secretariat | 18 <sup>th</sup> meeting (15/16 March 2016) of the EFC, and 27 <sup>th</sup> meeting of the AFB (17/18 March 2016). |



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|   |  | <p>policies; iii) A compilation of the comments received through the public call for comments; and iv) An estimate of the costs related to operationalizing the policy". The EFC will discuss such matter and may recommend the AFB to take a decision at its 27<sup>th</sup> meeting.</p> |                                      |                                |
| <p><i>Recommendation 6:</i><br/>Review the experience of other funds to identify good practices in organizational performance monitoring. In particular, the IET recommends exploring more established funds beyond climate finance to identify appropriate key performance indicators. At present, the Adaptation Fund only utilizes a results-based framework for monitoring of project/program effectiveness. There is no framework to track effectiveness of the main organizational processes; this contributed to the existence and persistence</p> | <p>This recommendation is already addressed through the Annual Performance Report (APR) presented to the AF Board on a yearly basis. Such report includes an analysis of project approvals to date, an elapsed time analysis, the expected results from approved projects, a summary of progress made for projects under implementation, and a presentation of the management effectiveness and efficiency indicators for the Fund. Such key performance indicators includes indicators related to increased and diversified resources, efficient cost</p> | <p>The AFB may instruct the AFB Secretariat to review the current framework, explore practices from other funds, including funds beyond the climate finance sector, identify any gaps in its monitoring framework, and update it accordingly.</p>  | <p>AFB, EFC, AP, AFB Secretariat</p> | <p>By end of calendar year</p> |

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| of the resource and policy gaps identified through this evaluation.  | structure, project cycle efficiency, results driven implementation and increased and diversified access modalities. Nevertheless, the AFB takes note of the recommendation and may request the AFB Secretariat to take further actions on this topic.   |  |     |                  |
| <b>Efficiency</b>  |   |  |     |                  |
| <i>Recommendation 7:</i><br>Delegate approval of project/program proposals to the AFB's dedicated Secretariat. Further layers of review add little technical or other value. In addition, the IET recommends reviewing lessons learned by other funds with regards to the delegation of decision-making authority. | As a core mission of its mandate, the AFB continuously discusses how the performance of the Fund can be improved, including possible delegations of authority, number of meetings, and mandate of the committees, among others. The Evaluation of the Fund stage 1 outlines that the Fund is a learning institution, highlighting that the AFB acts when needed. The AFB takes note of this recommendation, and will include it in its further deliberations. | The AFB may include this topic in its further deliberations, if it deems appropriate.    | AFB | To Be Determined |
| <i>Recommendation 8:</i><br>Delegate more approval and other decision-making responsibilities to   | The AFB is in the view that this recommendation does not appear very practical, considering the relative  | The AFB may include this topic it in its further deliberations, if it deems appropriate. | AFB | To Be Determined |

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| committees and panels, especially the EFC and Accreditation Panel, subject to strategic guidance provided by the AFB.   | high level of efficiency of the AP, that is being further strengthened with the proposed effectiveness and efficiency document to be presented at AFB 27, and the fact that the EFC and PPRC committees meet back-to-back with the AFB, and are composed by AFB members.   |  |              |                  |
| <i>Recommendation 9:</i> In light of the Trustee's possible change to a fee-based approach, undertake a study to assess whether the World Bank will continue to provide the best value added or whether another entity could provide the necessary services at a lower cost. The AFB was recently mandated by CMP to consider an open and competitive bidding process for Trustee services. | By Decision 1/CMP 10, it was indeed requested that the AFB " <i>continue its work on options for permanent institutional arrangements for the secretariat and the trustee, including via an open and competitive bidding process for the selection of a permanent trustee for the Adaptation Fund on the basis of the cost and time frame of each option and its legal and financial implications in order to ensure there is no discontinuity of the trustee service</i> ". Institutional arrangements are a central objective in the AFB mission. As a result, the AFB takes note of this recommendation. Should the trustee indeed confirm its intention to change to a | The AFB may include this topic in its further deliberations. Should the trustee changes its approach, the AFB may request the AFB Secretariat to undertake such study. | AFB, Trustee | To Be Determined |

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|  | fee-based approach, this recommendation would be taken into account.  |  |     |                  |
| <i>Recommendation 10:</i><br>Adopt a more consistent and less discretionary approach to closed meetings, and revise the rules to select active observers (e.g., allow Adaptation Fund accredited CSOs to vote on Adaptation Fund-accredited candidates) and allow active observers to comment during AFB meetings and committee meetings (e.g. at the end of each agenda point, upon invitation from the Chair/Co-Chair). The AFB should also develop term limits and rules and responsibilities, especially around conflict of interest and types of information that can and cannot be shared outside of meetings. | The AFB takes note of this recommendation and acknowledges the need to improve Civil Society Organizations involvement as a core part of its continuous dialogue with stakeholders. The AFB discusses regularly how to further improve transparency of its processes and participation of observers and CSOs. | The AFB may include this topic in its further deliberations. | AFB | To Be Determined |
| <b>Sustainability</b>  |   |  |     |                  |
| <i>Recommendation 11:</i><br>Organize a joint review with the GCF to explore the best modality for the Adaptation Fund to access a reliable stream of funding  | This recommendation is already being addressed. The AFB has formally initiated discussions on such topic at AFB 25.   | The AFB will include such topic in its deliberations.        | AFB | Ongoing          |

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| <p>from the GCF. The AFB will need to continue working to highlight its strengths and experience in funding concrete adaptation projects and lobby stakeholders for support to link with GCF.</p> | <p>In addition, as part of the enhancement of its internal processes, the AFB Secretariat is currently reviewing its Knowledge Management strategy, in order to further optimize capture of knowledge and lessons learned across its portfolio. It will present this updated strategy at the 19<sup>th</sup> meeting of the EFC.</p> <p>Moreover, as stated under recommendation 1, the AFB has undertaken an <i>“Analysis of climate change adaptation reasoning in project and programme proposals approved by the Board”</i> that outlines its experience in funding concrete adaptation projects.</p> <p>Finally, it is worth noting that in its decision 7/CP.21 related to the Standing Committee on Finance report, the COP <i>“Encourages the Board of the Green Climate Fund to improve complementarity and coherence with other institutions, per paragraphs 33 and 34 of the governing</i></p> | <p>The EFC will discuss at its 19<sup>th</sup> meeting an updated knowledge management strategy and action plan prepared by the AFB Secretariat, and may recommend the AFB to take a decision at its 28<sup>th</sup> meeting.</p> | <p>AFB, EFC and AFB Secretariat</p> | <p>The implementation of the current KM strategy ongoing. An updated knowledge management strategy and action plan to be discussed at the 19<sup>th</sup> meeting of the EFC and 28<sup>th</sup> meeting of the AFB.</p> |
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|   | <i>instrument of the Green Climate Fund, including by engaging with relevant bodies of the Convention, such as the Standing Committee on Finance.”</i>   |   |     |          |
| <p><i>Recommendation 12:</i><br/>Develop and implement a robust, multi-year resource mobilization strategy that specifies regular trust replenishment periods. This strategy must include best-case scenarios, e.g., strategic relationships with GCF and other climate funds, and a worst-case scenario based on increased competition among climate funds. Development of the strategy goes hand in hand with contracting full-time senior secretariat staff with fundraising experience and expertise.</p> | <p>The AFB takes note of this recommendation. Nevertheless, it seems important to recall that the AF has been designed with the idea that it would be financed mostly by a levy of the Clean Development Mechanisms.</p> <p>On another note, the COP has ongoing discussions on improving the effectiveness of the climate finance architecture (e.g. decisions 1/CP.21, para 59: [The Conference of Parties] “<i>Recognizes that the Adaptation Fund may serve the Agreement, subject to relevant decisions by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement</i>”, para 60 “<i>Invites the Conference of</i></p> | <p>The AFB may provide inputs on this topic in its report to CMP12.</p> | AFB | By CMP12 |

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|  | <p><i>the Parties serving as the meeting of the Parties to the Kyoto Protocol to consider the issue referred to in paragraph 59 above and make a recommendation to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its first session”., 1/CMP.11, para 8. [The Conference of Parties serving as the meeting of the Parties to the Kyoto Protocol]</i></p> <p><i>“Recommends that the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, at its first session, consider that the Adaptation Fund may serve the Paris Agreement, in accordance with paragraphs 60 and 61 of decision 1/CP.21;” and 9 :”Invites the Conference of the Parties, at its twenty-second session (November 2016), to request the Ad Hoc Working Group on the Paris Agreement to undertake the necessary preparatory work concerning the issue</i></p> |  |  |  |
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|  | <p><i>referred to in paragraph 8 above and to forward a recommendation to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol for its consideration and adoption no later than at its fifteenth session (November 2019)".</i></p> <p>Moreover, it is worth noting that the COP, in its decision 7/CP.21<br/> <i>"Encourages the Board of the Green Climate Fund to improve complementarity and coherence with other institutions, per paragraphs 33 and 34 of the governing instrument of the Green Climate Fund, including by engaging with relevant bodies of the Convention, such as the Standing Committee on Finance"</i><br/> (para 26).</p> <p>Finally, the AFB has set-up a Resource Mobilization Task Force that is currently supported by the AFB Secretariat in updating the Resource Mobilization Strategy of the Fund, which will include the elements</p> |   |  |  |
|  |   | Update the Resource Mobilization Strategy | Resource Mobilization Task Force of the AFB, supported by the AFB secretariat. | By the 28 <sup>th</sup> meeting of the AFB |



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|   | mentioned in the recommendation.   |  |  |                   |
| <i>Recommendation 13:</i><br>Designate the current AFB member seat on the PPCR governing body for the AFB Secretariat. This would be the first step in collaborating more closely with the CIF Secretariat to explore ways to achieve greater functional synergies. | <p>The AFB Secretariat has been attending the PPCR meetings regularly as observer. Indeed, a rule of the PPCR is that one of its sub-committee members will be “the developing country Chair or Vice-Chair of the Board of the Adaptation Fund (AFB) (or any other member of the AFB nominated by him or her)”.</p> <p>The AFB may consider requesting its Non-Annex I Chair or Vice-Chair to attend the PPCR meetings, or to nominate another Non-Annex I Party Board member to represent him or her.</p> | The AFB may consider requesting its Non-Annex I Chair or Vice-Chair to attend the PPCR meetings, or to nominate another Non-Annex I Party Board member to represent him or her | AFB Non-Annex I Chair/Vice-Chair and AFB | To Be Determined. |