



ADAPTATION FUND

AFB/EFC.19/13
5 October 2016

ADAPTATION FUND BOARD
Ethics and Finance Committee
Nineteenth Meeting
Bonn, 4-5 October 2016

REPORT OF THE NINETEENTH MEETING OF THE ETHICS AND FINANCE COMMITTEE FOR BOARD REPORT

Agenda Item 1: Opening of the meeting

1. The Chair of the Ethics and Finance Committee (EFC), Ms. Tove Zetterström-Goldmann (Sweden, Annex I Parties), opened the meeting and greeted the participants at 9.13 a.m. on 4 October 2016.

Agenda Item 2: Organizational matters

(a) Adoption of the agenda

2. The agenda below was based on documents AFB/EFC.19/1/Rev.1 (Provisional agenda) and AFB/EFC.19/2/Rev.1 (Annotated provisional agenda).

3. The Chair proposed that a sub-item on requests from National Implementing Agencies (NIEs) to increase the cap per country be added under Other Matters.

4. Thus amended, the agenda was adopted.

1. Opening of the meeting.
2. Organizational matters:
 - a) Adoption of the agenda;
 - b) Organization of work.

3. Annual performance report for the fiscal year 2016.
4. Evaluation of the Fund.
5. Knowledge management strategy.
6. Effectiveness and efficiency of the accreditation process.
7. Gender policy and action plan.
8. Complaint handling mechanism.
9. Implementation of the code of conduct.
10. Financial issues:
 - a) Investment income;
 - b) Financial status of the Trust Fund and CER monetization;
 - c) Reconciliation of the Board and secretariat, and trustee budgets for the fiscal year 2016.
11. Other matters.
12. Adoption of the recommendations and report.
13. Closure of the meeting.

(b) Organization of work

5. The Committee adopted the organization of work proposed by the Chair.
6. 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 that they might have with any item on the current meeting agenda. One member indicated that he might have a conflict of interest when issues involving the United Nations Development Programme (UNDP) were discussed, and the Manager of the secretariat indicated that she might have a conflict of interest when the letter from Argentina's NIE was discussed.

Agenda Item 3: Annual performance report for the fiscal year 2016

7. The representative of the secretariat introduced document AFB/EFC.19/3 containing the 2016 annual performance report for the period from 1 July 2015 to 30 June 2016, and briefly described the various aspects of the document, including project approvals, expected results for approved projects, progress of projects under implementation, requests received from implementing entities, and data for the Fund's effectiveness and efficiency indicators.

8. During the presentation, the representative of the secretariat drew particular attention to the issue of material change requests received from implementing entities. Article 4.03 of the standard legal agreement between the Adaptation Fund Board (the Board) and implementing entities defined a material change as a change involving ten per cent or more of the total budget. However, the change requests received by the secretariat in the past few years had made it clear that the current definition could give rise to different interpretations of what constituted a material change. While in the past the secretariat had done its best to interpret the rule, it had come to the conclusion that clarification was required regarding the type of changes that could be accepted without triggering a new review of a proposal by the Board.

9. Following his presentation, he provided a number of clarifications and addressed a concern raised in relation to project implementation delays, saying that while NIEs implemented projects faster than MIEs on average, it was difficult to draw lessons learned, as delays tended to be highly country and situation specific.

10. One member said that the members of the Projects and Programme Review Committee should be encouraged to read the report and that information from the report should be used in the Fund's communications materials.

11. Having considered document AFB/EFC.19/3, the Ethics and Finance Committee (EFC) recommended that the Adaptation Fund Board (the Board):

(a) Approve the Adaptation Fund's annual performance report for the fiscal year 2016 as contained in document AFB/EFC.19/3; and

(b) In light of paragraph 28 of document AFB/EFC.19/3, request the secretariat to prepare a proposal for consideration by the EFC at its twentieth meeting clarifying the scope of "material change" under Article 4.03 of the standard legal agreement between the Board and implementing entities (amended in October 2015).

(Recommendation EFC.19/1)

Agenda Item 4: Evaluation of the Fund

12. Introducing the item, the representative of the secretariat recalled that the EFC, at its eighteenth meeting, had considered options for conducting Phase II of the overall evaluation of the Fund, and that the Board had requested the secretariat to further investigate the availability of the previous Independent Review Panel (IRP) members and to continue discussions with the Global Environment Facility Independent Evaluation Office (GEF-IEO). The EFC was now being asked to consider the outcome of those investigations and discussions, as reflected in document AFB/EFC.19/4, "Updated options for the second phase of the evaluation of the Fund". He drew particular attention to the terms of reference and the request for proposals prepared by the evaluation task force and contained in Annex 4 of the document. In response to a concern raised regarding the inclusion of the gender policy, which had only recently been adopted, he noted that gender had previously been an aspect of the environmental and social policy, and that the gender policy, while recently adopted, was mentioned in the terms of reference and could be used to formulate recommendations for project and programme approval and implementation criteria.

13. The representative of the secretariat then presented document AFB/EFC.19/5, recalling that during the consideration of Phase II of the evaluation of the Fund at its eighteenth meeting,

the EFC had also raised the issue of the evaluation function of the Fund. The evaluation function had previously been entrusted to the GEF-IEO, but the director of that entity had withdrawn from the function in March 2014, and it had never been replaced. Consequently, at the EFC's recommendation, the Board had requested the secretariat to prepare options for providing the Fund with an evaluation option (decision B. 27/26), which were now being presented to the EFC for its consideration.

14. The discussion centred on the choice of a solution for the long-term evaluation function for the Fund and the possibility that it could also cover Phase II of the evaluation. There was general agreement that a long-term solution was preferable to an ad hoc arrangement in order to enhance transparency and align with the Fund's own best practice guidelines for accreditation.

15. Regarding the possibility of waiting until the new evaluation function was in place to conduct Phase II of the evaluation, there was general consensus that as the overall evaluation of the Fund was intended to provide a snapshot of the Fund at a moment in time, Phase II should start as soon as possible after Phase I, which had been completed in December 2015. Nevertheless, involving the GEF-IEO in Phase II of the evaluation, if possible, would provide an opportunity to assess its viability as the evaluation function for the Fund.

16. Having considered the options for conducting the second phase of the overall evaluation of the Adaptation Fund (portfolio evaluation) as set out in document AFB/EFC.19/4, the Ethics and Finance Committee (EFC) recommended that the Adaptation Fund Board (the Board):

- (a) Approve the terms of reference and request for proposals for Phase II of the overall evaluation, as developed by the evaluation task force and contained in Annex 4 to document AFB/EFC.19/4;
- (b) Approve Option 1, "Phase II implemented by an independent firm and overseen by an Independent Review Panel", as contained in document AFB/EFC.19/4;
- (c) Request the evaluation task force to propose, for consideration by the Board during the intersessional period, an independent review panel consisting of three members: (i) an evaluation specialist and (ii) an adaptation specialist, one of which would act as the team leader, and (iii) a representative from civil society, and request the secretariat to proceed accordingly with the necessary administrative arrangements;
- (d) Request the secretariat to launch the request for proposals to undertake Phase II of the overall evaluation of the Adaptation Fund; and
- (e) Request the secretariat to explore further collaboration with the Global Environment Facility Independent Evaluation Office (GEF-IEO) with respect to Phase II of the evaluation.

(Recommendation EFC.19/2)

17. Having considered the options set out in document AFB/EFC.19/5 for providing the Fund with an evaluation function, the Ethics and Finance Committee (EFC) recommended that the Adaptation Fund Board request the secretariat to present further information on Option 1, "Through the GEF Independent Evaluation Office (GEF-IEO)" and Option 2, "Through a Technical

Evaluation Reference Group (TERG)” as set out in document AFB/EFC.19/5, including cost implications, for consideration by the EFC at its twentieth meeting.

(Recommendation EFC.19/3)

Agenda Item 5: Knowledge management strategy

18. The representative of the secretariat introduced document AFB/EFC.19/6 (Draft updated knowledge management strategy and action plan), explaining that the previous knowledge management strategy, approved in 2011, had been updated based on the experience gained by the secretariat and the conclusions of the recent evaluation of the Fund. He presented a brief overview of the knowledge management framework, action plan and budget, and then provided additional clarifications in response to requests from members.

19. Responding to questions regarding the budget implications of the strategy, the Manager of the secretariat noted that the secretariat was not proposing to hire any additional permanent staff, that the cost for the current year had been included in the budget approved at twenty-seventh meeting of the Board, and that the related costs for fiscal years 2018 and 2019 would be presented for approval at the appropriate time.

20. Having considered the proposal by the secretariat, the Ethics and Finance Committee (EFC) recommended that the Adaptation Fund Board (the Board):

- (a) Approve the draft updated knowledge management strategy and action plan contained in document AFB/EFC.19/6; and
- (b) Request the secretariat to implement the strategy and the action plan and to report to the Board on an annual basis.

(Recommendation EFC.19/4)

Agenda Item 6: Effectiveness and efficiency of the accreditation process

21. The representative of the secretariat presented document AFB/EFC.19/7/Rev.1 (Effectiveness and efficiency of the accreditation process: assessment, including a gap analysis, of the Green Climate Fund’s (GCF) fiduciary and environmental and social standards) jointly with a former Accreditation Panel member who had assisted with the assessment and gap analysis and who joined the meeting by telephone for the purposes of the presentation and discussion under the item.

22. The representative of the secretariat explained that the GCF had launched fast-track accreditation process for entities already accredited by the Adaptation Fund (the Fund), among others, and had already fast-track accredited seven of the Fund’s National Implementing Entities and two of the Fund’s Regional Implementing Entities under that process. In its intersessional decision AFB/B.25-26/12, the Board had requested the secretariat to carry out the assessment and gap analysis with a view to reciprocating with its own process for fast-tracking re-accreditation and potential accreditation applicants to the Adaptation Fund. She presented the scope and methodology of the assessment, and the consultant then presented the results of the gap analysis and responded to questions and comments from members.

23. The Manager of the secretariat provided additional clarification, noting that the scope of gap analysis was limited to possible fast-track re-accreditation of entities previously accredited by the Adaptation Fund and the GCF. In the event that the Board wished to investigate the possibility of introducing the Fund's fast-track accreditation, it should be recalled that the Fund currently had three categories of entity (NIE, RIE and MIE) that were well defined in its operational policies and guidelines, and that any new entities would have to meet the eligibility criteria.

24. Following consideration of the assessment of the GCF fiduciary and environmental and social standards, including the gap analysis, as contained in document AFB/EFC.19/7/Rev.1, the Ethics and Finance Committee recommended that the Adaptation Fund Board:

- (a) Fast-track the re-accreditation of implementing entities accredited with the Green Climate Fund (GCF) within a period of four years prior to the submission of the re-accreditation application to the Adaptation Fund; and
- (b) Request the secretariat to communicate that decision to the GCF secretariat.

(Recommendation EFC.19/5)

Agenda Item 7: Gender policy and action plan

25. The representative of the secretariat presented documents AFB/EFC.19/8 (Gender policy: revised operational policies and guidelines for Parties to access resources from the Adaptation Fund) and AFB/EFC.19/8/Add.1, which had been prepared by the secretariat in accordance with decision B.27/28.

26. Following the presentation, the Ethics and Finance Committee (EFC) recommended that the Adaptation Fund Board approve the amendments to Annex 5 to the operational policies and guidelines for Parties to access resources from the Adaptation Fund contained in document AFB/EFC.19/8/Add.1.

(Recommendation EFC.19/6)

Agenda Item 8: Complaint handling mechanism

27. At the invitation of the Chair, the Manager of the secretariat provided an update on the two outstanding cases, both of which had been resolved since the previous meeting of the EFC.

28. The Ethics and Finance Committee took note of the report by the Manager of the secretariat.

29. The representative of the secretariat then presented document AFB/EFC.19/9/Rev.1 (Proposed ad hoc complaint handling mechanism (ACHM)), prepared pursuant to decision B.27/31 and describing a proposed mechanism for addressing complaints related to accredited implementing entities. She highlighted the fact that the proposed mechanism was designed to be complementary to the Fund's risk management framework, including the grievance mechanism that implementing entities had to have in order to become accredited. Responding to comments from members, she also recalled that under the Fund's risk management framework, corruption issues were to be first handled by an implementing entity's self-investigatory system. Furthermore, the standard legal agreement between the Board and the implementing entities

covered situations relating to misuse of funds, which could be reported to the EFC directly or through secretariat. Upon the EFC's recommendation on possible course of action, the Board could decide whether to suspend or even terminate the project in question.

30. Following consideration of document AFB/EFC.19/9/Rev.1, the Ethics and Finance Committee recommended that the Adaptation Fund Board:

- (a) Approve the Ad Hoc Complaint Handling Mechanism (ACHM) as contained in the annex to the report of the current meeting; and
- (b) Request the secretariat to communicate that decision to the implementing entities and designated authorities and to disseminate it through the Adaptation Fund website and the Adaptation Fund NGO Network.

(Recommendation EFC.19/7)

Agenda Item 9: Implementation of the code of conduct

31. The Chair drew the EFC's attention to the code of conduct and zero tolerance policy for corruption posted on the Fund website. No matters were raised under the item.

32. It was underscored that all Adaptation Fund Board members and alternates should be aware of the code of conduct, the zero tolerance policy for fraud and corruption, and the procedure for reporting such issues to the EFC. It was also agreed that in order to include any issues which might be raised by the Board members or alternates at the end of the meeting, the EFC would in future discuss the item on the code of conduct at the end of its agenda.

33. Following discussion on the matter, the Ethics and Finance Committee recommended that the Adaptation Fund Board (the Board) address the item relating to the code of conduct as the last substantive item on its agenda at every Board meeting.

(Recommendation EFC.19/8)

Agenda Item 10: Financial issues

(a) *Investment income*

34. Introducing the item, the representative of the secretariat drew the Committee's attention to document AFB/EFC.19/10 (Investment income earned by implementing entities), prepared pursuant to decision B.27/32. She noted that in consultation with the trustee, the secretariat had come to the conclusion that it needed more information from the implementing entities in order to make a recommendation to the Board on how to deal with investment income earned by implementing entities on amounts transferred to them for Fund projects and programmes.

35. Having considered the information compiled by the secretariat in document AFB/EFC.19/10, the Ethics and Finance Committee (EFC) recommended that the Adaptation Fund Board request the secretariat to:

(a) Launch a survey of all implementing entities asking them to report their yearly investment income for the Adaptation Fund fiscal years 2014, 2015 and 2016, if available, to the secretariat by February 2017; and

(b) In consultation with the trustee, present a recommendation to the twentieth meeting of the EFC on an approach to deal with investment income generated by implementing entities on amounts held in respect of project grants, based on the survey results.

(Recommendation EFC.19/9)

(b) Financial status of the Trust Fund and CER monetization

36. The representative of the trustee reported on the trustee's activities since the last meeting, including the World Bank Group's recent issuance of the Single Audit of trust funds, and the preparation of the audited financial statements of the Adaptation Fund Trust Fund for fiscal year 2016, which would be ready shortly.

37. He also provided an update on the financial status of the Adaptation Fund Trust Fund and monetization of certified emission reductions (CERs). Since the Fund's inception, total revenue had amounted to US\$ 546.9 million, including US\$ 196.6 million from CER sales, US\$ 344.8 million from donations, and US\$ 5.6 million in investment income generated by the trustee. Funds available for new project and programme approvals had decreased slightly since the previous meeting, to US\$ 168.6 million at the end of June. He reported that opportunistic sales of CERs continued at a modest pace, notwithstanding continued oversupply in the markets and very weak demand from buyers.

38. In response to questions from EFC members, the representative of the trustee reported that: i) there had been no meaningful increase in demand for CERs subsequent to the Paris Agreement, and market conditions remained weak, ii) the trustee would follow up with the United Nations Framework Convention on Climate Change (UNFCCC) secretariat to review the experience to date with the UNFCCC's on-line CER sales platform, and iii) the spike in Intercontinental Exchange (ICE) sales in September did not represent any lasting demand, as overall volumes remained very low.

39. He also reported on a donation agreement signed with the Walloon Region and the amendment of the agreement with the UN Foundation in respect of private donations via the Adaptation Fund website to extend its validity. He said that the trustee would continue to take advantage of opportunities to sell CERs at premium prices through specific over-the-counter sales in fiscal year 2017, and finally to undertake any necessary follow-up pending a decision by the Conference of the Parties Serving as the Meeting of Parties to the Kyoto Protocol (CMP) on the Adaptation Fund Board's recommendation to extend the trustee's mandate upon expiry in May 2017.

40. The Ethics and Finance Committee took note of the trustee's report.

(c) Reconciliation of the Board and secretariat, and trustee budgets for the fiscal year 2016

41. A representative of the secretariat presented document AFB/EFC.19/12/Rev.2 (Reconciliation of the administrative budgets of the Board and the Secretariat, and the Trustee).

Following his presentation, both he and the representative of the trustee provided additional clarifications in response to questions from members.

42. During the ensuing discussion, in addressing a concern regarding the substantial increase in the budget for fiscal year 2017 when compared to the actual figures for fiscal year 2016, the representative of the secretariat said that while it was still early in the fiscal year, indications were that spending for fiscal year 2017 was on track with the Secretariat's budget and work plan. In addressing a question on the budget underrun, the representative from the secretariat explained that the current underrun in the fiscal year 2016 budget had been mainly due to implementation of Phase II of the Overall Evaluation of the Fund which had not taken place during the reporting period as initially planned, but was expected to be implemented in fiscal year 2017. In addition, the Climate Finance Readiness Seminar for national implementing entities (NIEs) which is held annually in Washington DC that had initially been planned for June had ended up being held in July, with the resulting costs falling into fiscal year 2017, and thirdly, the secretariat had made significant cost savings from lower rentals due to moving into new office space at the beginning of the year. The Manager of the secretariat added that the budget underrun for fiscal year 2016 could also be partly explained by the fact that insurance had covered the salary of a staff member on disability, while her replacement had not started until much later than anticipated. In response to a question about the share of fees charged by the trustee in comparison to the amount they managed for the Fund, the representative of the trustee reported that total trustee costs in 2016 amounted to approximately one percent of the proceeds received into the trust fund during the year.

43. The Ethics and Finance Committee took note of the reconciled administrative budgets of the Board and secretariat, and trustee for the fiscal year 2016.

Agenda Item 11: Other matters

a) *Requests from National Implementing Entities to increase the country cap*

44. The Chair briefly introduced the issue, noting that three NIEs had sent written requests to the Chair of the Adaptation Fund Board asking that the cap be increased to allow countries that had already have received funding from the Adaptation Fund near or at the US\$ 10 million limit to submit additional project/programme proposals.

45. Members raised opposing concerns during the ensuing discussion. While some felt that the country cap was discouraging countries from undertaking the expensive process of accreditation with the Fund and driving them to other, larger funds, others said that lifting the cap would undermine the underlying principle of equity principle, and that NIEs seeking accreditation needed to be assured that that funds would be available once the process was complete. Some also felt that resource mobilization challenges needed to be resolved before an increase in the cap could be contemplated.

46. In response to a request for clarification, the representative of the secretariat informed the members that the Fund had twenty-four accredited National and Regional Implementing entities, of which thirteen had already received funding. She also noted that several of the entities that had reached their country cap and applied for reaccreditation had expressed concerns about their future engagement with the Fund.

47. Following discussion on the matter, the Ethics and Finance Committee recommended that the Adaptation Fund Board (the Board):

- (a) Address the issue of increasing the country cap in any discussion on the medium-term strategy as referred to in decision B.27/39; and
- (b) Request the Chair of the Board to respond to the letters received from National Implementing Entities regarding an increase in the country cap, referring to decision B.27/39 and the current Board decision.

(Recommendation EFC.19/10)

Agenda Item 12: Adoption of the recommendations and the report

48. The present report was adopted based on the draft report of the Committee contained in document AFB/EFC.19/L.1, as orally amended.

Agenda Item 13: Closure of the meeting

49. The meeting closed at 6:50 p.m. on 5 October 2016.

ANNEX I

**Ethics and Finance Committee
Nineteenth Meeting
Bonn, Germany, 4 and 5 October 2016**

EFC members present in the meeting

Ms. Tove Zetterström-Goldmann (Chair) (Sweden, Annex I Parties)

Ms. Patience DAMPTEY (Vice-Chair) (Ghana, Non-Annex I Parties)

Mr. Hans Olav IBREKK (Norway, Western Europe and others)

Mr. Petrus MUTEYAULI (Namibia, Africa)

Ms. Irina Helena Pineda AGUILAR (Honduras, Latin America and the Caribbean)

Ms. Umayra TAGHIYEVA (Azerbaijan, Eastern Europe)

Mr. Aram TER-ZAKARYAN (Armenia, Eastern Europe)

Mr. Naresh SHARMA (Nepal, Least Developed Countries)

Mr. David Kaluba (Zambia, Africa)

ANNEX II: Proposed Ad Hoc Complaint Handling Mechanism

Ad Hoc Complaint Handling Mechanism (ACHM)

What is the ACHM?

1. The Ad Hoc Complaint Handling Mechanism (ACHM) is complementary to the Adaptation Fund's risk management framework, including the grievance mechanism required for accreditation of Implementing Entities.
2. The Adaptation Fund (Fund) makes the ACHM available to Implementing Entities and members of the communities that are adversely affected by the implementation of project/programmes funded by the Fund. The purpose of the ACHM is to assist in responding to complaints raised against project/programmes funded by the Fund through a participatory approach.
3. Complainants and implementing entities should use the implementing entity's grievance mechanism as a first step. However, the ACHM can be used in cases where the Parties have failed to reach a mutually satisfactory solution through the implementing entities' grievance mechanism within a year. The ACHM requires a written submission of a complaint by at least one of the Parties.
4. The Adaptation Fund Board secretariat (secretariat) will independently manage all aspects related to complaint handling, under the oversight of the Ethics and Finance Committee (EFC) of the Adaptation Fund Board (Board).¹
5. The ACHM builds on alternative dispute resolution techniques². Main features of the ACHM are to effectively facilitate dialogue among stakeholders, mediate/assist in resolving issues raised, and develop and share lessons to improve future operations.

How does it function?

6. **Receipt:** Within **5 business-days** of receiving a complaint, after determining whether the complaint is not excluded from the process as per below, the Manager of the secretariat informs the Parties of the receipt of the complaint.
7. In the course of information sharing between the Parties, the secretariat ensures that names and other identifiers are redacted if confidentiality is requested.

¹ See Adaptation Fund risk management framework, available at <https://www.adaptation-fund.org/documents-publications/operational-policies-guidelines/>.

² These include facilitation, mediation, cooperative or interest-based problem-solving, neutral evaluation, joint fact-finding, negotiation, conciliation, arbitration etc.

8. **Assessment and Agreement:** The secretariat, based on consultations with the Parties prepares a draft assessment report laying out the concerns and expectations of the Parties within **20 business-days**. The Parties can provide comments to this report within **10 business-days**.

9. The secretariat incorporates relevant comments into a public Final Assessment Report, annexing the Parties comments and the complaint. The secretariat will design and include, in consultation with the Parties and based on their good faith, an agreed upon strategy towards the mutual understanding of the issues (confirming or dispelling complaints) and potential acceptable ways forward in order to reach solutions. The strategy will be based on alternative dispute resolution techniques. The Final Assessment Report is submitted to the EFC, which will make a recommendation for approval by the Board, as per the Fund's risk management framework.

10. **Non-objection by EFC on the Final Assessment Report:** The secretariat confirms that the agreement of the Parties is included in the Report. The secretariat then promptly circulates this report to the EFC by email and seeks their absence of objection within **14 business-days**. If the objection is raised, the secretariat informs the Parties that the secretariat will cease all dispute resolution activities with regard to such complaint.

11. In case the non-objection is provided, the secretariat in consultation with the Parties and their participation implements the strategy. Relevant trust building measures or dispute resolution activities can be based on specific issues raised, or grouping of issues, addressing them independently one from the other, or holistically covering all aspects of the complaint.

12. **Implementation and Monitoring:** The ACHM requires trust building measures, and continued good faith engagement. Hence, it cannot be time bound. The secretariat will prepare and submit the update reports on the implementation of the agreed-upon dispute resolution strategy proposed in the Final Assessment Report. The Update Reports are submitted to the EFC. The cost for ACHM activities is covered by the Fund.

13. The ACHM is not a guarantee to achieving resolution. If within two Update Reports the ACHM was not able to implement any activity part of the dispute resolution strategy, the Manager of the Fund's secretariat in consultation with the EFC Chair may decide to suspend or terminate the dispute resolution activities.

14. In case the dispute resolution activities are suspended, the secretariat informs the Parties that the ACHM will temporarily cease with regard to such complaint and the reasons behind the suspension.

15. The Manager of the secretariat in consultation with the Parties revisits the decision to suspend dispute resolution activities on a bi-monthly basis. In doing so, the secretariat seeks the Parties' good faith agreement to reengage. The ACHM resumes such activities if the Manager of the secretariat in consultations with the Parties deems that conditions are met to do so.

16. **Remedy and Incentive:** In case such activities are to be terminated because of the lack of cooperation by any of the Parties, the secretariat may refer the complaint to the EFC, who may recommend to the Board the measures included in the Risk Management Framework.

17. **Resolution:** Once all matters are deemed resolved or dispute resolution activities are terminated, the secretariat issues a Final Resolution Report, making mention of any interim solutions reached in the process.

18. The secretariat will include in the Final Resolution Report a succinct analysis of systemic policy-related aspects that may have led to the complaint or its lack of resolution. Such aspects may include Policy compliance, institutional capacity, environmental and social risk management framework, weakness in supervision, technical expertise, disclosure and consultations, or other relevant aspects.

19. This report is shared with the Parties to provide their comments within **14 business-days**. The secretariat incorporates any relevant comments in the Final Resolution Report, annexes the Parties' comments, and submits the report to the Board.

Who can complain, can it be confidential?

20. Any individual, or their representative(s), living in an area where impacts of a Fund-supported project may occur, can bring a written complaint forward to the secretariat.

21. If complainants believe that there may be a risk of retaliation for raising their concerns, they can request confidentiality. Confidentiality includes names, addresses, pictures and any other identifying information. This provision also applies to complainants' representatives or any other individual believed to be, at present time or in the future, at risk of retaliation.

22. Confidentiality can be requested at any time and is provided throughout the process. Except the secretariat, no one will have access to confidential information.

How and when to complain?

23. Complaints will be submitted in writing in any UN language.³ However, when a complaint is not submitted in English and for the purposes of translation, additional time may be required to prepare the draft assessment report referenced in paragraph 8.

24. Contact information to submit a complaint are as follows: 1- by electronic email to complaints@adaptation-fund.org; or 2- by hard copy to Adaptation Fund Board secretariat, 1818 H Street NW, N7-700, Washington, DC 20433, USA.

³ The official languages of the UN are Arabic, Chinese, English, French, Russian and Spanish.

25. Complaints will indicate names and addresses of the complainants. They will also indicate whether representative(s) are appointed, listing the representative(s) names and addresses.
26. Complaints will include any information relevant to the project (i.e., title, location, sector, description ...) including the project activities believed to be the actual or potential source of the harm, the nature of the harm attributed to those activities
27. Complaints can be sent up to the date of the submission of the final evaluation report of the project concerned.

Exclusions

28. Complaints with any of the following characteristics are excluded from the ACHM:
- a) Anonymous complaints (confidential complaints are different and provided for as per above);
 - b) Frivolous, malicious, or vexatious complaints⁴;
 - c) Complaints from executing entities or their staff against the implementing entity with which they are contracting related to a contract between the executing entity and the implementing entity;
 - d) Complaints related to activities that have no relevance to the Fund-supported project; or,
 - e) Complaints related to matters already addressed in the context of an earlier complaint and for which a solution was agreed upon, unless this complaint is based on new facts not known at the time of the initial complaint.

Disclosure

29. In accordance with Implementing Entities' fiduciary duties to comply with the standard on transparency, anti-corruption measures, and self-investigative authority, the Adaptation Fund will maintain a page on its website, the Accountability Register, relevant to the grievance mechanisms of the Implementing Entities. This page will list each Implementing Entities' grievance mechanisms as well as this ACHM.

⁴ The generally accepted meanings of the terms "frivolous, malicious and vexatious" are as follows: (i) frivolous-trivial, trifling or futile, not serious; (ii) malicious-bearing active ill-will or spite, or having wrongful intention toward any other; and (iii) vexatious-causing or tending to cause irritation, frustration or distress, or not having sufficient grounds for action and seeking only to cause annoyance. The factors which may indicate that a complaint is frivolous, malicious or vexatious include the complaint: fails to identify clearly the substance or precise issues which require to be addressed; complains solely about trivial matters to an extent out of proportion to their significance; is part of a "tit for tat" complaint; continually changes, apparently to prolong the engagement with the ACHM; adds no new information from a complaint which has already been addressed by the ACHM; is made by a person who makes excessive contact or unreasonable demands, including abusive behavior and threats.

30. In the interest of transparency, the Adaptation Fund also dedicates on its Accountability Register a page for each complaint received where all relevant documents are disclosed, including final assessment reports, public notices, update reports, and final resolution reports. This page is cross-linked to the project's page.

31. Implementing Entities are encouraged to link the Adaptation Fund's Accountability Register to their website.