



ADAPTATION FUND

AFB/EFC.20/3
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Ethics and Finance Committee
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Bonn, Germany, 14-15 March 2017

Agenda item 4)

UPDATED OPTIONS FOR PROVIDING THE FUND WITH AN EVALUATION FUNCTION AND COST IMPLICATIONS

Introduction

1. The Adaptation Fund Board (the Board) endorsed an evaluation framework for the Fund at its thirteenth meeting (March 2011 - Decision B.13/20.a). This framework included evaluation principles and criteria and two overarching objectives; it was developed in accordance with international standards in evaluation. Subsequently, options to implement this framework were explored. The Board approved the option of entrusting the evaluation function to the Global Environment Facility - Independent Evaluation Office (GEF IEO)¹, for an interim three-year period at its 15th meeting (September 2011 - B.15/23).

2. As of March 11, 2014, the Director of the GEF IEO decided to withdraw the GEF IEO as the interim evaluation function of the Fund. The Board, at its 23rd meeting (March 2014), took note of this communication by the Director. The re-establishment of a long-term function for the Fund was discussed at the eighteenth meeting of the Ethics and Finance Committee (EFC). Based on the recommendation of the EFC, the Board requested at its 27th meeting the Secretariat to prepare options for providing the Fund with an evaluation function (March 2016 - B.27/26).

3. The evaluation function would support the implementation of the evaluation framework by improving the accountability and learning in the Fund through three main functions: i) *an evaluation function*: to independently evaluate the effectiveness of the Fund supported projects and programmes and implementing entities; ii) *a normative function*: To set minimum evaluation standards within the Fund in order to ensure improved and consistent measurement of results; and iii) *an oversight function*: to provide quality control of the minimum evaluation requirements and their practice in the Fund and track implementation of Board decisions related to evaluation recommendations. Key elements for an evaluation function are provided in Annex 4 of the present document.

4. At its nineteenth meeting, the EFC reviewed options prepared by the secretariat to re-establish a long-term evaluation function for the Fund meeting. Based on the recommendation of the EFC, the Board requested at its 28th meeting 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*”.

5. The secretariat has developed the present document which presents further information on the two options aforementioned, including cost implications. After reviewing the document, the EFC may wish to consider the two options presented in this document and recommend a way forward to the Board for approval.

6. The annex 3 of the present document provides additional background information with respect to the history of the evaluation function at the Fund.

Updated Options to provide the Fund with an Evaluation Function and Cost Implications

7. This section details the two options retained by the Board for providing an evaluation function for the Fund; including cost implications. It is based on the analysis conducted by the secretariat and discussions at the EFC and Board levels on evaluation matters, including the consideration of the Board-approved “*Evaluation Framework*” (AFB/EFC.5/4 and AFB/EFC.6/4), and on interactions with the GEF Independent Evaluation Office (GEF IEO) and the Global Fund to Fight AIDS, Tuberculosis, and Malaria (Global Fund). For each option, a description is given followed by strengths and opportunities, weaknesses and threats, and an estimated budget. A summary of these two options is also presented in Annex 1.

Option 1: Through the GEF Independent Evaluation Office (GEF IEO)

¹ Known as the Global Environment Facility (GEF) Evaluation Office at the time of decision B.15/23

8. The Board could request the GEF IEO to provide the evaluation function for the Fund. The GEF IEO Director would be accountable to the Board for the evaluation function and would report directly to the governing body. The GEF IEO would be responsible to develop multiannual or annual evaluation work programmes and budgets to be reviewed by EFC and approved by the Board as well as to manage and conduct evaluation work.

9. The GEF IEO has experience with this type of arrangements which would be similar to the arrangements that the GEF IEO has with the GEF and with the Special Climate Change Fund (SCCF) and the Least Developed Countries Fund (LDCF) where it implements their evaluation functions. The GEF IEO was also the entrusted interim evaluation function of the Adaptation Fund for almost three years from September 2011 to March 2014. During this period, however, the GEF IEO did not perform any evaluation work for the Fund so there is not real practice in the function. Unlike the Adaptation Fund, the LDCF and SCCF are funds managed by the GEF.

10. The GEF IEO, in accordance with the 2003 GEF Council decision², operates as an organizational unit that is independent of GEF Agency or GEF Secretariat management. The Office has the central role of ensuring the independent evaluation function within the GEF, setting minimum requirements for Monitoring and Evaluation (M&E), ensuring oversight of the quality of M&E systems on project and programme levels, and sharing evaluative evidence within the GEF. The GEF IEO has the responsibility of implementing the evaluation aspects of the GEF M&E Policy, approved in November 2010³.

11. Based on discussions held with the GEF IEO, such option would entail the following requirements:

- i. that the AF Board entrusts the GEF IEO as the evaluation function of the Fund;
- ii. that the GEF IEO gets clearance from the GEF Council to act as the evaluation function of the Fund; and
- iii. that the AF Board commits financial resources to the GEF IEO on a yearly basis.

Strengths and Opportunities

- a) Would benefit from the GEF IEO experience in overall comprehensive evaluations, knowledge of the related trust funds such as the GEF Trust Fund, the LDCF and the SCCF for which the GEF IEO is the evaluation function and experience of the LDCF and the SCCF;
- b) Benefit from the experience of the GEF IEO in finalizing/publishing this type of evaluation products;
- c) A sort of “*turnkey solution*” – clearly operating at *arm’s length* from the implementation of the Fund – to ensure the evaluation function of the Fund with less administrative support needed from the secretariat;
- d) Some costs will not be charged by the GEF IEO, hence reducing the overall annual budget; this includes reduced consultant costs, as GEF IEO officers will undertake a significant part of the evaluation work, and reduced management costs, including costs such as a part of the salary of the Director of the GEF IEO which would not be charged to the Fund for the days he would be present at EFC and/or Board meetings;
- e) Benefit from the existing evaluation policy and overall evaluation guidance used by the GEF IEO.

Weaknesses and Threats

- a) A more permanent evaluation function may incur high costs in the short term, while the AF portfolio is still “young”;
- b) Choice of this option would necessitate the clearance from the GEF Council for the GEF IEO to act as the evaluation function of the Fund;
- c) A higher fixed-costs option compared with Option 2.

² Terms of Reference for an Independent Monitoring and Evaluation Unit (<http://www.thegef.org/gef/node/4134>).

³ GEF M&E Policy (November 2010) (<http://www.thegef.org/gef/node/4184>).

Estimated Budget

12. The GEF IEO has stated that it would need a dedicated senior evaluation officer and a second staff (possibly at 50% of staff time) at analyst level to carry out the work programme of the evaluation function of the Fund. It has added that the budget required could amount to about 1% of the Adaptation Fund projects/programmes approved per year (on an average timespan of four years), which is standard practice in evaluation of funds, based typically on a multi-year or annual work programme. Such work programme could include performance evaluations, country studies, thematic evaluations, project-level quality assurance of mid-term or final evaluations or overall corporate- or portfolio-level evaluations similar to the Phase 2 evaluation commissioned by the Board and to be finalized in FY18. The overall annual budget, including the salaries of permanent dedicated staff hired by the IEO, is estimated by the GEF IEO at US\$ 800,000. This is consistent with the level of resource mobilization that has been targeted at US\$ 80 million as per the Board's Resource Mobilization Strategy for 2014-2015 and 2016-2017 (see Annex 2 for details). The actual budget of the work programmes may be higher or lower, depending on the planned activities in a given fiscal year. For instance, in a year where an overall evaluation similar to the current Phase 2 evaluation is scheduled, the budget may increase significantly. In case of non-use of part of the budget requested by the GEF IEO at the end of a given fiscal year, the remaining amount would be put back into the AF Trust Fund.

Option 2: Through a Technical Evaluation Reference Group (TERG)

13. The Board could establish a Technical Evaluation Reference Group (TERG) such as the one used by the Global Fund to Fight AIDS, Tuberculosis and Malaria or the similar Monitoring & Evaluation Reference Group used by UNAIDS. This group would be an independent evaluation advisory group, accountable to the Board, established to ensure the independent implementation of the Fund's evaluation framework. More information on the TERG at the Global Fund are provided in annex 5 of this document.

14. The TERG would be comprised of an independent group of experts in evaluation who are all institutionally independent of the secretariat, Board, and Board committees. The members would serve in their personal capacities only and would not represent their employers, governments or Fund's entities. Membership of the group would be drawn from a range of stakeholders, including practitioners, research institutions, academics, donor and implementing countries, and non-governmental organizations.

15. A call for applications could be launched by the EFC and candidates could be selected through a selection committee that would recommend a proposed list of candidates to the Board, for its approval. Criteria for selection could include:

- credibility and independence
- expertise and experience in evaluation
- country experience
- knowledge of topics in adaptation to climate change impacts
- commitment and availability to participate in a part time basis
- absence of conflict of interest
- geographic representation and
- Gender balance.

16. There should be at least 3 members (one would be elected as Chair), appointed for 20 days a year (10 days in person meeting, 10 days to be involved in focal point activities on specific reviews), for 3 years not renewable; additional experts may be brought in as necessary to implement the work programme. The TERG chair would attend the bi-annual Board meeting and that the TERG would meet once or twice a year. In addition to travel expenses, members should receive compensation based on an honorarium, decided by the EFC.

17. The TERG would carry out and oversee independent evaluations on behalf of the Board and its Committees according to the evaluation framework. The TERG would prepare multi-year work

programmes and budget in accordance with the evaluation framework requirements. The content of these multi-year work programmes may also be linked with the medium-term strategy that the Board is currently discussing, which would allow the alignment of the multi-year TERG work programme with the AF medium-term strategy. These multi-year work programmes would be discussed with the EFC and approved by the Board. The TERG would then design, commission and oversee these independent evaluations, with administrative support from its small secretariat.

18. The Chair of the TERG could report to the Board through the EFC and the Board as frequently as deemed appropriate and present results of evaluations and other work conducted by the TERG. Recommendations from the TERG – including an annual budget - could be considered by the EFC, as per the EFC's terms of reference, which would forward them in turn to the Board for advice.

19. A small TERG secretariat composed of a half-time staff position and a part-time consultant would provide support to the TERG, in particular with regard to the arrangements for the implementation of the group's work programme. The workload of the TERG secretariat will vary depending on the work programme.

Strengths and Opportunities

- a) Since this is not a resident group there would be limited general operating costs to be paid for the small secretariat;
- b) Evaluation process and outputs overseen by renowned international experts in evaluations;
- c) Possibility to have diverse experts representing different stakeholder from different horizons (experts from various countries, experts in cross-cutting issues, ex-officio representatives, etc.);
- d) "Intimate" knowledge of the Adaptation Fund, mostly through the TERG secretariat, which will be involved in discussions with the Board and secretariat. This will allow the AF secretariat to not spent too much time in reviewing the TERG work compared to option 1 and will allow the TERG secretariat to ensure that the contents and timeline of the evaluation are relevant;
- e) A lower fixed-cost option and more flexible to adapt to the evaluation needs as they evolve over time.

Weaknesses and Threats

- a) Independence of the TERG and its set up would need to be established and accepted by the Board;
- b) Additional effort from the secretariat to administer the small TERG secretariat and also, periodically to hire experts and recruit TERG members;
- c) Additional effort from the secretariat to establish the framework and guidance for this evaluation function such as TORs, evaluation policy, evaluation guidance, etc.
- d) Overall budget may be affected by high costs of internationally renowned experts;
- e) Operations of the TERG less at *arm's length* from the implementation of the Fund, due to a closer link between the secretariat and the TERG secretariat and more effort to be provided by the secretariat to the evaluation function through this option.

Estimated Budget

20. The TERG will present to the EFC annual budgets, which once agreed will be submitted to the Board for its approval. An estimated budget for the fixed costs under this option is US\$ 153,600⁴. Further details on costs are presented in Annex 2. The overall budget is variable, and would depend on the work programme approved at any given year. It could range from US\$ 600,000 to US\$ 900,000. It should be noted that the costs of using consultants under the TERG option would be higher compared with option 1, as the GEF IEO staff would undertake a significant portion of the evaluation work, hence reducing costs.

⁴ Based on similar estimate of annual work programme as for Option 1 and assuming that the costs of using consultants under the TERG option would be higher, as the GEF IEO staff would undertake a significant portion of the evaluation work.

Annex 1: Summary of Options

The table below provides a summary of the two options presented above:

	Description	Summary of Strengths and Opportunities	Summary of Weaknesses and Threats
Option 1:	Through the GEF Independent Evaluation Office (GEF IEO)	<ul style="list-style-type: none"> • Would benefit from the GEF IEO experience in overall comprehensive evaluations, knowledge of the related trust funds such as the GEF Trust Fund, the LDCF and the SCCF for which the GEF IEO is the evaluation function and experience of the LDCF and the SCCF; • Benefit from the experience of the GEF IEO in finalizing/publishing this type of evaluation products; • A sort of “turnkey solution” – clearly operating at arm’s length from the implementation of the Fund - to ensure the evaluation function of the Fund with less administrative support needed from the secretariat; • Some costs will not be charged by the GEF IEO, hence reducing the overall annual budget; this includes reduced consultant costs, as GEF IEO officers will undertake a significant part of the evaluation work, and reduced management costs, including such costs as a share of the salary of the Director of the GEF IEO which would not be charged to the Fund for the days he would be present at EFC and/or Board meetings; • Benefit from the existing evaluation policy and overall evaluation guidance used by the GEF IEO. 	<ul style="list-style-type: none"> • A more permanent evaluation function may incur higher costs in the short term; • Choice of this option would necessitate the clearance from the GEF Council for the GEF IEO to act as the evaluation function of the Fund; • A higher fixed-cost option.
Option 2:	Through a Technical Evaluation Reference Group (TERG)	<ul style="list-style-type: none"> • Since this is not a resident group there would be limited general operating costs to be paid for the small secretariat; • Evaluation process and outputs overseen by renowned international experts in evaluations; • Possibility to have diverse experts representing different stakeholder from different horizons (experts from various countries, experts in cross-cutting issues, ex-officio representatives, etc.); 	<ul style="list-style-type: none"> • Independence of the TERG and its set up would need to be established and accepted by the Board; • Additional effort from the secretariat to administer the small TERG secretariat and also, periodically to hire experts and recruit TERG members; • Additional effort from the secretariat to establish the framework and guidance for

		<ul style="list-style-type: none"> • “Intimate” knowledge of the Adaptation Fund, mostly through the TERG secretariat, which will be more involved in discussions with the Fund. This will allow the AF secretariat to not spent too much time in reviewing the TERG work compared to option 1 and will allow the TERG secretariat to ensure that the contents and timeline of the evaluation are relevant; • A lower fixed-cost option and more flexible to adapt to the evaluation needs as they evolved over time. 	<p>this evaluation function such as TORs, evaluation policy, evaluation guidance, etc.</p> <ul style="list-style-type: none"> • Operations of the TERG less at arm’s length from the implementation of the Fund, due to a closer link between the secretariat and the TERG secretariat and more effort to be provided by the secretariat to the evaluation function through this option.
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Note that the cost of implementing an evaluation work programme is not included in this discussion.

Annex 2: Estimated Budget for each Option

Cost to implement option 1 – GEF IEO

As per discussed with the GEF IEO, it would probably need a dedicated senior evaluation officer and a part-time second staff at analyst level to carry out the work programme of the evaluation function of the Fund. **The estimated budget required could amount to about 1% of the Adaptation Fund projects/programmes approved per year. This includes the costs of implementing the evaluation work programme.**

The table below shows the trend of Adaptation Fund projects/programmes approved during the last four fiscal years.

Approvals by FY (in million US\$)				
	FY 12	FY 13	FY 14	FY15
Projects approved	15	3	6	14
Grant amount (excluding fees and execution costs)	90.2	15.7	35.7	78.4
Execution costs	7.7	1	2.5	6.9
Entity fees	7.9	1.2	3.1	7.1
Grant amount approved	105.8	17.9	41.2	92.4
1% of approved grant amount	1.058	0.179	0.412	0.924

The estimate of expected project approvals based on the resource mobilization target is shown in the table below, with trends of actual resource mobilization over the past three years.

Resources mobilized by calendar year			
	2014	2015	2016
Amount mobilized	\$65,000,000	\$75,000,000	\$85,000,000
1% of resources mobilized	\$650,000	\$750,000	\$850,000

The costs of a dedicated senior evaluation officer and a second staff at analyst level (part-time) to carry out the work programme of the evaluation function of the Fund are estimated as follows.

Budget Item	Total / year
<i>IEO Staff</i>	
1 Senior Evaluation Officer	\$158,000
1 Analyst (50% time)	\$45,000
Total IEO staff	\$203,000

Cost to implement option 2 – TERG

Budget Item	Total / year
<i>TERG Members</i>	
Fee (\$700 per day)	\$52,500 (25 days ⁵ ; 3 members)
Travel to annual meeting (DC)	\$24,000 (1 meeting; 3 members)
Travel to Board meetings (Chair)	\$14,000 (2 meetings; Chair)
<i>Secretariat support</i>	
Consultant (part-time \$700 per day, 25 days)	\$17,500
Support (half-time E position)	\$45,000
General Costs (meeting costs)	\$600
<i>Total Cost for TERG and secretariat support</i>	\$153,600
<i>Cost of implementing an evaluation work programme</i>	Variable

⁵ It includes 20 days per member per year plus 5 days per year for the Chair to participate to bi-annual Board meetings.

Annex 3: Background

21. At the seventh meeting of the Board, the “*Operational Policies and Guidelines*” for Parties to access resources from the Fund were approved (AFB/B.7/4, September 2009). As a result, the Board needed to develop a Results-Based Management (RBM) framework to support the Strategic Priorities, Policies and Guidelines of the Fund and which would take into consideration existing good practices and lay out an approach that: (i) incorporates measuring results with widely recognized tools; (ii) assesses risk on an ongoing basis; and (iii) incorporates learning into strategies, projects and programmes.

22. At its eight meeting in November 2009, the Board considered the document AFB/B.8/8, which provided an overview of results based management (RBM) and outlined the major components that could be included in a results framework. The RBM framework would explicitly link the strategic objectives and priorities of the Fund to the various programmes and projects that it finances so that collectively they help achieve the goal(s) of the Fund. One emphasis was on measuring and monitoring the performance of projects and programmes funded by the Fund with a feedback mechanism into decision making, project design and strategy development. At the eighth meeting, the Board requested the secretariat to present a detailed document, outlining a possible approach for results-based management and evaluation for the consideration by the Board at its ninth meeting (Decision B.8/5).

23. The document prepared for the ninth meeting of the Board (AFB/B.9/7 – March 8, 2010), detailed “*An Approach to Implementing Results Based Management (RBM)*”. It is comprised of six main parts, including the third part that is to “*iii) Integrate Evaluation into the project cycle as a key performance tool*”. Under this part, it presented some basic principles implemented by the evaluation functions of other international organizations. Furthermore, the document proposed that the Board undertake the preparation of an evaluation framework to identify the evaluation policies and programmes for the different types of evaluations needed by the Fund to support the accountability, oversight and learning needs. It should also include the overall objective and mission of the evaluation function, roles and responsibilities of the different Fund stakeholders, the types of evaluation and their frequencies, needs for capacity development within the recipients of funds and implementing entities to undertake evaluations, and needs for specific operational guidelines and minimum requirements for projects. At its ninth meeting (March 23-25, 2010) the Board requested the secretariat to revise the document AFB/B.9/7 on the basis of the discussion and comments submitted by Board members and alternates, and to present a revised document on a results-based management-framework for consideration by the Board at its tenth meeting (Decision B.9/3).

24. At its tenth meeting, the Board adopted the implementation of a results based management approach by the Fund as outlined in the document AFB/EFC.1/3/Rev.2. It discussed the need that evaluation should provide information on whether the project or portfolio was on the right track; looking at projects and programmes with a critical eye, to assess validity, credibility and reliability. Evaluation should also provide evidence on how changes are taking place, and the strengths and weakness of the design of the projects, programme or corporate strategies embedded in the RBM. Finally, the Board also requested that a monitoring and evaluation framework and guidelines for final evaluations be developed. (Decision B.10/13)

25. A first evaluation framework was drafted by the secretariat (AFB/EFC.4/5) and reviewed at the Fourth meeting of the EFC on March 16, 2011. The overall purpose of the evaluation framework was to explain concepts, definition of evaluation, roles and use of evaluation within the Fund and to define the institutional framework and the roles and responsibilities of different entities participating in the Fund. Specifically, it established requirements for how Fund activities should be evaluated in line with international principles, norms and standards. It was noted that the framework did not deal with the capacity of implementing entities to do monitoring and evaluation, since that was covered within the accreditation process. Furthermore, the evaluation framework did not discuss the independence of the evaluation function in the Fund.

26. The evaluation framework included evaluation principles and criteria and two overarching

objectives, identified in accordance with international standards in evaluation, and that should be promoted by the evaluation function of the Fund:

- a. Accountability for the achievement of the Fund objectives through the assessment of results, effectiveness, processes, and performance of the Fund financed activities and their contribution to those objectives;
- b. Learning, feedback, and knowledge sharing on results and lessons learned among different groups participating in the Fund to improve on-going and future activities and to support decision-making on policies, strategies, programme management, projects and programmes.

27. The evaluation framework was endorsed at the thirteenth meeting of the Board (March 2011 - Decision B.13/20.a). However, the Board requested that a revised version be presented at the fourteenth meeting of the Board, incorporating comments provided at the EFC meeting as well as comments from Board members. It also requested that the secretariat – with support of the GEF IEO - explore different options – to be included in the next version of the evaluation framework - on who should be responsible for implementing the evaluation framework (Decision B.13/20.d).

28. A revised evaluation framework was drafted and submitted to EFC at its fifth meeting on June 20, 2011 (AFB/EFC.5/4). It included three levels of evaluation that should be present in the Fund: (i) project level, (ii) implementing entity level; and (iii) Adaptation Fund level. The revised version also included three options for implementing the evaluation framework, which were based on cases of similar financial organizations:

- a. Option 1. Senior Evaluation Officer within the secretariat
- b. Option 2. Technical Evaluation Reference Group (TERG)
- c. Option 3. Support from GEF Independent Evaluation Office

29. At its 14th meeting, the Board requested the secretariat and the GEF IEO to prepare a revised version of the evaluation framework to be presented to the Board at its 15th meeting (Decision B.14/23). The revised version should incorporate further comments provided by the EFC, including costed information for the options b and c above (option a. was dropped) to implement the evaluation framework.

30. A revised evaluation framework (AFB/EFC.6/4) was submitted to EFC at its sixth meeting on September 14, 2011. It included the cost to implement the two selected options for implementing the framework as well as the main functions to be provided by the third option (c) to improve accountability and learning in the Adaptation Fund.

31. At its 15th meeting the Board reviewed the two options to be considered for the implementation of the evaluation framework. After considering the recommendation of the EFC, the Board approved the option of entrusting the evaluation function to the GEF IEO, for an interim three-year period. It also approved the revised evaluation framework contained in the document AFB/EFC.6/4. It also requested the GEF IEO and the secretariat to prepare a final version of the evaluation framework including the inclusion of the definition of the evaluation function as per decision B.15/23.

32. The final version of the evaluation framework was amended as per decision B.15/23 including the insertion of the evaluation function entrusted to the GEF IEO for an interim period of three years. The document (AFB/EFC.8/12) was submitted to the eighth meeting of the EFC on March 14, 2012. The functions surrounding the implementation of the evaluation framework were identified and endorsed as:

- a. **Evaluative Function:** Independently evaluate the effectiveness of the Fund supported projects and programmes as well as implementing agencies and report to the Board on lessons, findings, conclusions, and recommendations from relevant evaluation reports.
- b. **Normative Function:** Set minimum evaluation standards within the Fund in order to ensure improved and consistent measurement of results.
- c. **Oversight Function:** Provide quality control of the minimum evaluation requirements and their practice in the Fund and track implementation of Board decisions related to evaluation recommendations. This includes providing support to the EFC and the Board in the

implementation of the evaluation framework as well as supporting the secretariat in its efforts to incorporate findings and recommendations of evaluations into policies, strategies and procedures, as well as in disseminating results and lessons through the Fund website.

33. The final version of the evaluation framework with the proposed amendments (AFB/EFC.8/12) was approved by the Board at its 17th meeting and requested the secretariat to post on the Fund website the amended version (March 15-16, 2012 - Decision B.17/21).

34. As per the framework, the evaluation function (GEF IEO) was responsible for developing an annual evaluation work programme and budget to be approved by the Board, as well as conducting evaluative work outlined in the approved work programme. The fiscal year 2013 work programme and budget for the evaluation function was then prepared by the evaluation function (AFB/EFC.9/10) with a budget for FY2013 of US\$ 28,200, which was submitted to the ninth meeting of the EFC on June 26-27, 2012.

35. The document containing the 2013 work programme and budget for the evaluation function was reviewed by the Board at its 18th meeting. However, as per Decision B.18/36, the Board did not approve the request to establish a separate budget for the evaluation function at this early stage; but it approved the fiscal year 2013 work programme and budget, which was revised to US\$ 17,000 to cover the costs for the evaluation function of the Fund over the period 1 July 2012 to 30 June 2013.

36. At its twentieth meeting (April 2013), the Board decided to "*request the secretariat to prepare a document for the twelfth meeting of the EFC to inform the discussion of the overall evaluation of the Fund, covering options for the terms of reference, cost, and timing of an overall evaluation, as well as options for commissioning the evaluation.*" (Decision B.20/14).

37. Document AFB/EFC.12/4 was prepared by the GEF IEO in its capacity as interim evaluation function for the Fund. The document included a review of overall comprehensive evaluations and options for conducting an overall comprehensive evaluation of the Fund. It was presented at the EFC twelfth meeting (July 2013).

38. At its 21st meeting (July 3-4, 2013) the Board considered the recommendations of the EFC and requested the secretariat to prepare a new document regarding the overall evaluation of the Fund (Decision B.21/17), containing a) options for terms of reference for possible evaluations of the Fund covering different scopes; b) a proposal regarding the timing of each option taking into account the status of the Fund's active portfolio; c) costs associated with each option; and d) options for commissioning the evaluation.

39. As of March 11, 2014, the GEF IEO Director decided to withdraw the GEF IEO as the interim evaluation function of the Fund. The Board, at its 23rd meeting, took note of this communication by the Director.

40. Document AFB/EFC.14/5 detailing options for the overall evaluation of the Fund was considered by the Board at its 23rd meeting (March 2014). The Board decided to approve the option 3 presented by EFC (two-phased evaluation), to set up an independent review panel to oversee the first stage of the evaluation and to request the secretariat to issue a request for proposals to conduct the evaluation.

41. At its 27th meeting (March 17-18, 2016) the Board discussed the options for conducting the second stage of the evaluation of the Fund, which were detailed in the document AFB/EFC.18/3. The Board decided to initiate the second phase of the evaluation of the Fund. In addition, the Board also decided to "*Request the secretariat to prepare options for providing the Fund with an evaluation function, building upon previous work related to the evaluation framework of the Fund, for consideration at the nineteenth meeting of the EFC*" (Decision B.27/26).

42. Three options to re-establish an evaluation function for the Fund were reviewed and discussed

by the EFC at its nineteenth meeting: i) through the GEF Independent Evaluation Office (GEF IEO); ii) through a Technical Evaluation Reference Group (TERG); and iii) ad-hoc arrangements. At its 28th meeting, the Board considered the comments and recommendations of the EFC. The discussion centered 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, to enhance transparency and align with the Fund's own best practice guidelines for accreditation. In conclusion, the Board "*decided to 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*" (Decision B.28/36).

Annex 4: Key Elements of an Evaluation Function

43. Establishing an evaluation function would require an adequate institutional framework for the effective management of the function. The function needs to be implemented independently from the management of the institution and the Head of evaluation should report directly to the governing body of the institution⁶. The institution should also establish an evaluation policy adhering to the *UNEG Norms and Standards for Evaluation*. The evaluation function is responsible for developing annual evaluation work programmes and budgets for approval by the Board as well as conducting evaluative work outlined in the approved work programmes. This function should include the following key elements:

Objectives

44. The evaluation function should have two overarching objectives:
- a. Accountability for the achievement of the Fund objectives through the assessment of results, effectiveness, processes, and performance of the Fund financed activities and their contribution to those objectives. Evaluation aims to understand why — and to what extent — intended and unintended results were achieved and to analyze the implications of the results;
 - b. Learning, feedback, and knowledge sharing on results and lessons learned among different groups participating in the Fund to improve on-going and future activities and to support decision-making on policies, strategies, programme management, projects and programmes. Evaluation can inform planning, programming, budgeting, implementation and reporting and can contribute to evidence-based policymaking, development effectiveness and organizational effectiveness.

Functions

45. An evaluation function could encompass, among others:
- a. **Evaluative Function:** Independently evaluate the effectiveness of the Fund supported projects and programmes, the accreditation process, the Fund policies, funding windows, direct access modality, as well as implementing agencies and report to the Board on lessons, findings, conclusions, and recommendations from relevant evaluation reports.
 - b. **Normative Function:** Set minimum evaluation standards within the Fund in order to ensure improved and consistent measurement of results.
 - c. **Oversight Function:** Provide quality control of the minimum evaluation requirements and their practice in the Fund and track implementation of Board decisions related to evaluation recommendations. This includes providing support to the EFC and the Board in the implementation of the evaluation framework as well as supporting the secretariat in its efforts to incorporate findings and recommendations of evaluations into policies, strategies and procedures, as well as in disseminating results and lessons through the Fund website.

Levels of Evaluation

46. The Fund should have three distinct levels of evaluation:
- a. **Project level:** mid-term evaluations and final evaluations of projects funded by the Fund;
 - b. **Implementing entity level:** evaluate the performance and effectiveness of implementing entities at any time while the implementing entity is accredited⁷;
 - c. **Adaptation Fund level:** an overall independent evaluation of the Fund to assess the extent to which the Fund is achieving its objectives and the performance of its governance,

⁶ UNEG, June 2016, Norms and Standards for Evaluation.

⁷ A discussion took place at the 15th Board Meeting (September 15-16, 2011) on what would trigger an evaluation of an implementing entity. The Board reserved the right to evaluate the performance and effectiveness of implementing entities at any time while the implementing entity is accredited. Such an evaluation would be triggered by a request from any Board member through a notification to EFC, which would review the request. Two different scenarios were envisaged: (i) Where the issue was related to performance and effectiveness, the EFC would request the entity involved to provide further information and might then engage an independent evaluator to conduct further assessment of the situation, or engage an independent evaluator to conduct an evaluation of the entity's performance and/or effectiveness, or dismiss the case; (ii) Where the issue was related to financial mismanagement such as corruption, misuse of funds or neglect of duty, the EFC would request the entity involved to follow the procedures presented in the accreditation application section on "Transparency, self-investigative powers and anti-corruption measures."

operations, management and administration and to identify potential improvements

Definition of Evaluation

47. According to the “*UNEG Norms and Standards for Evaluation*”, an evaluation is an assessment, as systematic and impartial as possible, of an activity, project, programme, strategy, policy, topic, theme, sector, operational area, institutional performance etc. It focuses on expected and achieved accomplishments, examining the results chain, processes, contextual factors and causality, in order to understand achievements or the lack thereof. It aims at determining the relevance, impact, effectiveness, efficiency and sustainability of the interventions and contributions of the organizations of the UN system. An evaluation should provide evidence-based information that is credible, reliable and useful, enabling the timely incorporation of findings, recommendations and lessons into the decision-making processes of the organizations and stakeholders⁸.

Evaluation Principles

48. The evaluation function should be implemented under the following evaluation principles:

- **Independence** from policy making process and management: The evaluation process should be impartial and independent in its function from the process concerned with policy making, delivery and management of assistance. A requisite measure of independence of the evaluation function is a recognized pre-condition for credibility, validity and usefulness.
- **Credibility** based on reliable data, observations, methods and analysis: Credibility requires that evaluations should report successes as well as failures. Recipient countries should, as a rule, fully participate in evaluation in order to promote credibility and commitment. Whether and how the organization’s approach to evaluation fosters partnership and helps builds ownership and capacity in developing countries merits attention as a major theme.
- **Utility**: To have an impact on decision-making, evaluation findings must be perceived as relevant and useful and be presented in a clear and concise way. They should fully reflect the different interests and needs of the many parties involved in development co-operation. Importantly, each review should bear in mind that ensuring the utility of evaluations is only partly under the control of evaluators. It is also critically a function of the interest of managers, and member countries through their participation on governing bodies, in commissioning, receiving and using evaluations
- **Impartiality**: giving accounts from all stakeholders; key elements of impartiality are objectivity, professional integrity and absence of bias
- **Partnerships**: between implementing entities, governments, civil society and beneficiaries
- **Transparency**: clear communication concerning the purpose of the evaluation, its intended use and data and analysis
- **Disclosure**: lessons shared with general public
- **Ethics**: regard for the welfare, beliefs, and customs of those involved or affected
- **National Evaluation Capacities**: The effective use of evaluation can make valuable contributions to accountability and
 - learning and thereby justify actions to strengthen national evaluation capacities
- **Human Rights and Gender Equality**: The universally recognized values and principles of human rights and gender equality need to be integrated into all stages of an evaluation
- **Professionalism**: selection of the required expertise for evaluations

Evaluation Criteria

49. Evaluations should explore five major criteria, depending of what is being evaluated and understanding that not all of them need to be systematically reviewed in all cases:

- **Relevance** of the Fund and funded projects/programmes: to local and national sustainable development plans, priorities and policies, poverty alleviation plans, national communications or adaptation programmes, and other relevant instruments; to the objectives of the Fund, and to the guidance from the convention;
- **Effectiveness**: The extent to which the intended outcome(s) have been achieved or how

⁸ This definition draws on Regulation 7.1 of Article VIII of ST/SGB/2000/8 and from the widely accepted Principles for Evaluation of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD DAC).

likely it is to be achieved;

- **Efficiency:** A measurement of how economically the funds, expertise, time, etc. provided by the Fund have been converted into results;
- **Impact:** The positive/negative and unforeseen changes to, and effects produced by, the Fund support, individually or at the aggregated level;
- **Sustainability:** The likelihood that benefits will continue for an extended period of time after project completion.

Responsibility for the evaluation function

50. An organization's governing body is responsible for ensuring the establishment of a duly independent, competent and adequately resourced evaluation function to serve its governance and management needs. The evaluation budget should be commensurate to the size and function of the organization and to the range of services to be provided by the evaluation function.

51. The governing body is responsible for appointing a professionally competent responsible body and for fostering an enabling environment that allows this body to plan, design, manage and conduct evaluation activities in alignment with the UNEG Norms and Standards for Evaluation. The governing body and/or the executive head are responsible for ensuring that evaluators, evaluation managers and the head of the evaluation function have the freedom to conduct their work without risking their career development. Management of the human and financial resources allocated to evaluation should lie with the responsible body in order to ensure that the evaluation function is staffed by professionals with evaluation competencies in line with the UNEG Competency Framework.

52. Where a decentralized evaluation function exists, the central evaluation function is responsible for establishing a framework that provides guidance, quality assurance, technical assistance and professionalization support.

Annex 5: TERG: An example at the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund)

53. The M&E function of the Global Fund is done through two advisory structures: a Technical Review Panel (TRP) performing independent evaluation of grant applications, and a Technical Evaluation Reference Group (TERG) performing independent assessments of the strategy and operational work. Both bodies report to the Board through the Strategy Committee (SC) that has the mandate to (i) provide oversight of the strategic direction of the Global Fund; and (ii) ensure the optimal impact and performance of its investments in health.

54. The Technical Evaluation Reference Group (TERG) was set up in 2003 to support the Global Fund Secretariat's M&E function. Its role was reviewed in 2009 and in 2011 and, following an audit of the functioning of the TERG in 2013, the Office of the Inspector General recommended to revise the terms of reference of the TERG to be more aligned with the changes in the Secretariat and to stress the TERG's independent assurance function. Finally, in 2016, the Global Fund's Strategy, Investment and Impact Committee (SIIC) acknowledged the TERG self and peer-assessment and endorsed the TERG's proposed priorities and actions. Accordingly, the terms of reference for the TERG were recently revised and approved in June 2016 by the Strategy Committee of the Global Fund⁹.

Mandate

55. As per the revised terms of reference, the TERG is an independent evaluation advisory group. The TERG is accountable to the Board for ensuring independent evaluations of the Global Fund business model, investments and impact. Specifically, the TERG provides:

- a. **Independent evaluations** – The TERG provides an independent assurance function by overseeing independent evaluations on behalf of the Board and its Committees into areas where, for reasons of objectivity and credibility, independence in management and oversight is essential. These independent evaluations are complementary to and add value to the evaluation function of the Secretariat, grant recipients and the assurance function provided by the Office of the Inspector General. The evaluations may include country evaluations with respect to impact and progress towards the goals of the Global Fund strategy. The nature and scope of such evaluations shall be in accord with annual or multi-year evaluation approaches approved by the SC;
- b. **Learning function** – The TERG facilitates organizational learning through its independent evaluations. This is an ongoing learning process through which evaluation information feeds into an analysis of what has worked or not, thereby informing decisions about future directions. Further, the TERG shall independently assess and report on the monitoring and evaluation work conducted by the Secretariat and grant recipients, recognizing that such assessments are intended to support the Executive Director and Secretariat staff responsible for implementing the internal evaluation function;
- c. **Advisory function** – The TERG shall provide independent advice on monitoring and evaluation matters to the Secretariat, and to the Board and its Committees through the SC. This will include a review of the monitoring and evaluation work programmes developed by the Secretariat.

Composition

56. The TERG is an independent group of experts in M&E who are all institutionally independent of the GF Secretariat, Board and Board Committees. Members of the TERG serve in their personal

⁹ The Global Fund, June 2016, *Terms of Reference of the Technical Evaluation Reference Group (TERG)*

capacities and do not represent their employers, governments or other organizations. Membership of the TERG is drawn from a range of stakeholders, including practitioners, research institutions, academics, from donor and recipient countries, and non-governmental organizations.

57. The selection of TERG members is guided by criteria such as credibility and independence; commitment and availability to participate in meetings; geographical representation and gender balance; expertise and experience in monitoring and/or evaluation; knowledge and expertise in HIV/AIDS, tuberculosis and malaria, health system strengthening, and the Global Fund and its activities; country experience in data collection and analysis and quality assurance; and absence of conflict of interest respectively.

58. The GF-TERG is composed of 19 Members:

- 13 voting members serving in their personal capacity;
- 4 non-voting members, each one representing the monitoring and evaluation function or reference panels of each of the following organizations:
 - UNAIDS;
 - Roll Back Malaria;
 - The Stop TB Partnership;
 - The GAVI Alliance.
- 1 member from the monitoring and evaluation focal point among the SC's membership;
- 1 member as the TERG focal point in the GF Secretariat.

59. Additional experts may be invited by the TERG Chair and Vice Chairs to participate in TERG meetings as the need arises

60. The TERG elect a Chair and two Vice-Chairs from among its appointed voting members. The rules regarding the length of appointment set out in the TERG Terms of Reference will apply equally to the Chair and Vice-Chairs.

Recruitment and Appointment of TERG Members

61. The recruitment of TERG members is managed by the Strategy Committee (SC) with the support from the Secretariat and input from the Executive Director through an open, transparent and criteria-based process. A Working Group on TERG Recruitment is constituted prior to a TERG recruitment process.

62. The SC appoints TERG members in accordance with the Committee's quorum and voting requirements. The non-voting members representing partner organizations are nominated by their respective organizations. TERG officially requests these nominations. This process normally coincides with the TERG recruitment process

63. TERG recruitment is guided by the TERG Recruitment Strategy. The objective of the TERG Recruitment Strategy is to streamline its recruitment procedures and provide a transparent, criteria-based selection process. The membership of the TERG is managed so that approximately one-third of its membership retires by rotation each year.

64. Members of the TERG normally serve for a period of three years, and are eligible to serve not more than two consecutive terms or six years.

65. A *TERG Recruitment Strategy* was developed and is part of the TERG terms of reference approved by the SC. It describes the strategy and operational procedures for the recruitment of TERG Members.

Working Modalities

66. The TERG normally has three formal meetings each year, each one lasting two to three days,

scheduled at a time convenient to a majority of members. Additional TERG meetings may be scheduled if the need arises, as requested by the TERG Chair. This amounts to a level of effort of about six to 10 days per year with respect to in-person meetings. An additional 10 days annually is estimated for remote activities depending on specific needs (e.g. review of documents, preparation of position papers, participation in country programme reviews or data quality reviews, etc.). In the exceptional event that a TERG member is unable to attend a meeting, s/he cannot normally designate a replacement. The Chair may make exceptions to this in exceptional circumstances.

67. With the support from the GF Secretariat, the TERG develops an annual work programme and a budget covering TERG operations, independent evaluations and work of the TERG Secretariat. Under the guidance of the SC, the work programme is developed in consultation with the Global Fund Secretariat, the Office of the Inspector General and Board Committees. The work programme is informed by the GF's evaluation strategy and the TERG's multi-year evaluation approach.

68. The TERG submits its annual work programme to the SC for approval. The TERG budget associated with the work programme is recommended by the SC to the Audit and Finance Committee (AFC) for inclusion in each year's operating expenses budget, which the AFC reviews and submits to the Board for approval. The TERG work programme and budget is independent of that of the GF Secretariat. The TERG budget for 2016 that was included in the GF operating expenses budget was USD 1.9 million.

69. The TERG regularly reports on its work to the Board through the SC, including on the implementation of its work programme and annually an assessment of the objectivity and rigor and working modalities of the TERG Secretariat. A summary of the TERG report to the SC is included as part of the SC report to the Board.

70. The Board, either directly or through its committees, may request the TERG to consider commissioning or overseeing independent evaluations in areas it identifies. The TERG reports the findings on such evaluations directly to the SC, which update the relevant Board committee or the Board on the work of the TERG. All recommendations of the TERG are advisory and are not binding on the GF. The SC, other Board committees and the Secretariat cannot revise TERG recommendations nor prevent those recommendations from reaching the full Board.

71. In addition to travel expenses and per diems, which can be claimed in accordance with GF policies, TERG appointed members may also each be granted an honorarium. The amount of this honorarium and its detailed modalities is determined in accordance with any framework recommended by the relevant Board Committee and adopted by the Board.

72. The TERG has a TERG Secretariat in the GF Secretariat composed of 2.5 full time staff. It provides operational, administrative and logistical support to the TERG in the implementation of the TERG work programme, including the management of independent evaluations and the organization of TERG meetings. The TERG Secretariat is responsible for managing the TERG budget on a day-to-day basis and it reports to the Executive Director through the Head of the Strategy, Investment and Impact Division (SIID) of the GF's Secretariat.