



ADAPTATION FUND

AFB/EFC.21/4
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Ethics and Finance Committee
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Agenda item 4

**UPDATED OPTIONS FOR AN EVALUATION FUNCTION AND
COST IMPLICATIONS: INDICATIVE THREE-YEAR
EVALUATION WORK PROGRAM OF THE FUND WITH COSTS**

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 was developed in accordance with international standards in evaluation; it includes evaluation principles and criteria and two overarching objectives. At its fifteenth meeting in September 2011, the Board approved (decision B.15/23) the option of entrusting the evaluation function to the Global Environment Facility - Independent Evaluation Office (GEF IEO)¹, for an interim three-year period. As of March 11, 2014, the Director of the GEF IEO withdrew the GEF IEO as the interim evaluation function of the Fund. The Board, at its twenty-third meeting in March 2014, took note of this communication by the Director.

2. The re-establishment of a long-term evaluation function for the Fund was discussed at the eighteenth meeting of the Ethics and Finance Committee (EFC) in March 2016. Based on the recommendation of the EFC, the Board decided, at its twenty-seventh meeting, to:

[...]

- b) *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)

3. At its nineteenth meeting, the EFC reviewed options prepared by the secretariat and presented in document AFB/EFC.19/5, to re-establish a long-term evaluation function for the Fund. Based on the recommendation of the EFC, the Board - at its twenty-eighth meeting - 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)

4. The secretariat presented such further information on the two options in document AFB/EFC.20/3, which was reviewed by the Ethics and Finance Committee at its twentieth meeting in March 2017. Discussions included cost implications, recognizing that a large proportion of the costs would vary according to the Fund's evaluation needs and that to assess the costs of the evaluation function, it is necessary to review the evaluation requirements over the next 2-3 years. Based on the recommendation of the EFC regarding the two options for the evaluation function, at its twenty-ninth meeting, the Board decided:

- a) *To request the secretariat to prepare, for consideration by the Ethics and Finance Committee at its twenty-first meeting, a document containing, for each of the two options, additional information on:*
- (i) An indicative three-year work program, including estimated costs, for the evaluation function based on the foreseen workload, including the expected numbers of medium-term and final evaluations and other evaluations to be carried out; and*
 - (ii) How the necessary technical expert guidance and inputs would be arranged at the set-up stage of the function and during its implementation, including possible assistance provided by the Global Environment Fund Independent Evaluation*

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

Office (GEF-IEO), should Option 2 be selected, or by a Technical Evaluation Reference Group, should Option 1 be selected.

(Decision B.29/30)

5. The secretariat has developed the present document which presents budget implication for an indicative three-year evaluation work program for each option. The three-year work program itself is not affected by the option that will be selected, hence in this document only one work program will be presented. The document also includes the technical expert guidance and inputs needed to set up the evaluation function for each option.

6. The annex 1 of the present document provides a summary of key elements of the Evaluation Framework endorsed by the Board.

Summary of the Evaluation Function of the Fund

7. According to the Evaluation Framework, the Evaluation Function encompasses the following three functions:

- 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) **Advisory 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.

8. Furthermore, the Evaluation Framework identified three distinct levels of evaluation of Fund's activities:

- a) **Project level:** mid-term evaluations and final evaluations of projects funded by the Fund. These evaluations are conducted by independent Evaluators;
- b) **Implementing Entities level:** evaluate the performance and effectiveness of Implementing Entities at any time while Implementing Entities are accredited;
- 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, operations, management and administration and to identify potential improvements.

9. According to the Evaluation Framework, the Board reserves the right to carry out independent and external reviews or evaluations of projects whenever it deems these necessary. It also reserves the right to evaluate the performance and effectiveness of Implementing Entities at any time while Implementing Entities are accredited.

Three-Year Evaluation Work Programme (2018-2020)

10. Based on the Evaluation Framework and on the Board Decision B.29/30 to formulate an indicative three-year work program, the Evaluation Function of the Fund could tentatively undertake the following activities in the years 2018 to 2020:

- a) *Review of AF Monitoring & Evaluation (M&E) Policy and Evaluation Guidelines*

11. The Fund's M&E Policy will be reviewed in consultation with Implementing Entities, in particular

to incorporate new trends in monitoring and evaluation and other changes and to align the policy with to-date requirements of the Fund. Issues that will be reviewed in relationship to evaluations include the roles and responsibilities of Implementing Entities, evaluation criteria, minimum requirements at project and portfolio levels, linkages to the Fund Results Based Management (RBM) approach, and guidelines on the different types of evaluations, including projects, process, and overall performance.

12. Regarding terminal evaluations, which are the responsibility of Implementing Entities and recipients of grants, the Evaluation Function will review guidelines for Terms of Reference (TOR) to conduct these terminal evaluations including guidelines on the independence of evaluators, issues relevant to the Fund, and a rating system for selected criteria (i.e., outcomes, risks to sustainability, M&E Systems).

13. In order to undertake ex-post evaluations, the Fund's M&E policy and guidelines could be reviewed and impact indicators could be added for projects/programmes to establish baselines at their inception and develop M&E plans to monitor these impact indicators.

Work Plan Activity	Effort (days)		
	2018	2019	2020
Review AF M&E Policy and Guidelines	10	0	5
Introduce impact indicators in the M&E policy and guidelines	20	10	

b) Project-level quality assurance of mid-term and final evaluations

14. The Evaluation Function will provide quality control of the available mid-term and final evaluation of projects, including a review of the evaluation standards in place and ensure a consistent measurement of results achieved at the projects level with the overarching objective of the Fund. A summary of this project-level quality assurance of evaluations will be published in the Adaptation Fund Annual Performance Report. Any recommendation will be submitted to the EFC for further consideration.

15. As it stands today (August 2017), the availability of project-level evaluations in the coming years are as follows:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Mid-Term Evaluations	14	9	5	
Terminal Evaluations	7	13	17	13

Work Plan Activity	Effort (days)		
	2018	2019	2020
Conduct quality control of available MTRs and TEs	63 (21 Reports)	66 (22 Reports)	66 (22 Reports)

c) Performance evaluations, including ex-post evaluations

16. Using terminal evaluations of completed AF-funded projects, the Evaluation Function will provide an assessment of these terminal evaluations focusing on results achieved, quality of M&E systems, sustainability of these results, innovative approaches used in these projects including gender considerations and a synthesis of lessons learned. Beside project-related performance, the Evaluation Function may look at performance achieved in the other aspects of the Fund, including the Implementing Entity accreditation process and the Fund's resource mobilization modalities.

17. Additionally, as more projects are completed, ex-post evaluations will be undertaken to assess the long-term effects - intended or unintended, direct or indirect - produced by the Fund's

interventions. These ex-post evaluations will focus on impact indicators and assess how the projects outputs and outcomes financed by the AF have achieved transformational impacts over the long-term, including their impacts on women, poor and marginalized groups, and indigenous groups. A summary of these ex-post evaluations will be communicated in the AF annual reports.

18. These evaluation activities will analyze the performance of the Fund operations and determine the long-term effects of AF support, how these were achieved and what can be done to enhance them. They will provide the Fund with critical information on the overall performance of the Fund's operations and portfolio and feedback for ongoing improvements of the portfolio, as well as the quality of monitoring and evaluation across the portfolio. A summary of these annual performance evaluations will be communicated in the AF annual reports.

Work Plan Activities	Effort (days)		
	2018	2019	2020
Conduct Performance Evaluations	25 (1)	40 (1)	50 (1)
Conduct Ex-Post Evaluations	30 (1)	30 (1)	30 (1)

d) Country studies

19. Few countries will be selected to conduct "country studies". These country studies will focus on the multiple benefits of the Fund support to partner countries and whether AF-funded projects in countries are addressing the driving forces of climate change and contributing to climate change adaptation. These studies will particularly assess how the Fund's financial support fits and supports the countries' priorities. In the case of direct access countries, the studies will look at the benefits and challenges of such modality in addressing the climate agenda of the country.

20. These country studies will provide the Fund and the partner-countries with an assessment of the results and performance of AF-supported activities at country level, how these activities are aligned with national strategies and priorities as well as with the global mandate of the Fund, how efficient the practical implementation of fund operations are, and how the most vulnerable communities are engaged in AF projects and the links between AF funded projects and poverty, social exclusion, and geographical marginality. This country-level knowledge will be shared among the Board members, the participating countries, and the agencies and organizations that design, plan and implement AF-funded activities.

Work Plan Activity	Effort (days)		
	2018	2019	2020
Conduct Country Studies	30 (1 country)	30 (1 country)	30 (1 country)

e) Thematic evaluations

21. Thematic evaluations will be conducted on a sample of projects related to a specific theme/area of the Fund interventions. They will provide information, particularly on lessons learned and best practices, on specific themes/areas.

Work Plan Activity	Effort (days)		
	2018	2019	2020
Conduct Thematic Evaluations	30 (1)		30 (1)

f) Overall corporate- or portfolio-level evaluations

22. Results from the Phase 2 evaluation of the Fund commissioned by the Board and to be

finalized in FY18 will be reviewed. Further corporate or portfolio-level evaluations will be conducted focusing on institutional and procedural issues across the Fund and assessing experience with the Fund strategies, policies, criteria, and procedures.

23. It is expected that an overall corporate level evaluation will be conducted every four years. The next one is planned to start in 2020. This next evaluation could focus on resource mobilization, assessing how the AF is progressing in diversifying its sources of financial resources, on the Clean Development Mechanism (CDM) and on the evolution of the monetization of Certified Emission Reductions (CERs), assessing how this mechanism can become a potential source of capitalization for the AF. It could also review how the AF give priority to vulnerable countries and communities and assess its impact on these countries and communities. Finally, the next evaluation could also review the accreditation, its efficiency and effectiveness, particularly in accrediting NIEs.

Work Plan Activity	Effort (consultant days)		
	2018	2019	2020
Conduct Overall Corporate Evaluation			285

Budget to Implement this Three-Year Work Programme

24. The total level of effort required to implement the work plan above is presented in the table below and a budget for this work program (2018-2020) is provided thereafter for each option.

Work Plan Activities	Effort (days)		
	2018	2019	2020
Review AF M&E Policy and Guidelines	10	0	5
Introduce impact indicators in the M&E policy and guidelines	20	10	
Conduct quality control of available MTRs and TEs	63	66	66
Conduct Performance Evaluations	25	40	50
Conduct Ex-Post Evaluations	30	30	30
Conduct Country Studies	30	30	30
Conduct Thematic Evaluations	30		30
Conduct Overall Corporate Evaluation			285
Total Level of Effort (days)	208	176	496

25. Based on the Board decision B.29/30 to formulate an indicative three-year work program and the level of effort summarized above, a budget for this program (2018-2020) is provided below for each option.

a) Budget for Option 1 - GEF-IEO

26. As presented in the document AFB/EFC.20/3, The GEF IEO would 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. Additional consultants and experts may be hired depending on the needs of the work programme. Under this option, the estimated total budget required for the evaluation function of the AF is up to about 1% of the Adaptation Fund projects/programmes approved per year. The table below indicates the amount, which would be required (1%) to fund the evaluation function of the AF based on the resource mobilized 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

27. Based on these figures, an annual budget of USD 750,000 to 800,000 is expected for the option 1 – Evaluation Function through the GEF-IEO.

b) Budget for Option 2 - TERG

28. Under this option, the budget request would include two main parts: the fixed costs to fund the TERG and variable costs to finance the work programme of the TERG. This work programme would be reviewed by EFC and approved by the Board before being implemented and would be conducted by consultants and experts hired for each evaluation assignment. The table below indicates the budget needed to conduct the work programme identified above.

Budget Item	2018	2019	2020
TERG Members (3)			
Fee (\$700 per day) ²	\$49,000	\$49,000	\$49,000
Travel to annual meeting (DC) ³	24,000	24,000	24,000
Travel to Board meetings (Chair) ⁴	14,000	14,000	14,000
Consultants / Experts			
Fee (\$700 per day)	145,600	123,200	347,200
Travel	40,000	40,000	60,000
Secretariat support			
Consultant (part-time \$700 per day, 25 days)	17,500	17,500	17,500
Support (half-time Program Analyst position)	45,000	45,000	45,000
General Costs (meeting costs)	600	600	600
Total Cost for Evaluation Function	\$335,700	\$313,300	\$557,300

29. Based on these figures, an annual budget of USD 320,000 to 470,000 is expected for this option 2 – Evaluation Function through a TERG.

Technical Expert Guidance and Inputs Arrangements

30. Both options would provide the necessary capacities to execute the evaluation function of the AF through existing internal capacities in climate change adaptation in the case of the GEF IEO and/or the hiring of consultants/experts in evaluation of climate change adaptation projects/programmes as needed by both options.

a) Mobilization: Option 1 – GEF IEO

31. The key steps to mobilize this option are as follows:

- a) The secretariat will develop TOR for the Evaluation Function to be performed by

² Includes 20 days per member per year plus 5 days per year for the Chair to participate to bi-annual Board meetings.

³ Includes one meeting per year for three TERG Members

⁴ Includes the participation of the TERG Chair to 2 board meetings per year.

- the GEF IEO
- b) The secretariat and the GEF IEO will draft an agreement – including the TOR
- c) This agreement will be submitted to the EFC and the Board to be approved
- d) Once the agreement will be in place, the GEF IEO will develop its own work plan with the corresponding budget
- e) This budgeted work plan will be submitted to the EFC and the Board for its approval
- f) The approved work plan will be executed with the hiring of additional consultants/experts as needed
- g) Once an assignment will be finalized, it will be submitted to the EFC for its review and comments including possible recommendations
- h) An annual report will be drafted by the GEF IEO and submitted to the EFC for its review

b) Mobilization: Option 2 - TERG

32. The key steps to mobilize this option are as follows:

- a) The secretariat will develop TOR for the TERG
- b) The secretariat will hire a committee of three experts to form the TERG
- c) The GEF IEO may provide guidance/advice to set-up the TERG
- d) The TERG will develop its own work plan with the corresponding budget, including a budget for secretariat support
- e) This budgeted work plan will be submitted to the EFC and Board for its approval
- f) Once approved, a secretariat will be hired/organized to support the work of the TERG
- g) The approved work plan will be executed with the hiring of additional consultants/experts as needed.
- h) Work performed by consultants/experts will be reviewed by the TERG
- i) Once an assignment will be finalized, it will be submitted to the EFC for its review and comments and possible recommendations
- j) An annual report will be drafted by the TERG and submitted to the EFC for its review

Recommendation

33. The Ethics and Finance Committee (EFC) may want to consider the indicative three-year evaluation workplan and estimated budget, as well as technical expert guidance and inputs arrangements for the two options for an Evaluation Function for the Adaptation Fund, i.e. Option 1, “Through the GEF Independent Evaluation Office (GEF IEO)” and Option 2, “Through a Technical Evaluation Reference Group (TERG)”, as described in the present document (AFB/EFC.21/4), and consider recommending a way forward to the Adaptation Fund Board including approving one of the options presented in this document.

Annex 1: Key Elements of the AF-Evaluation Framework

34. 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 institution⁵. 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

35. The evaluation function should have two overarching objectives:
- b) 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;
 - c) 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

36. An evaluation function could encompass, among others:
- b) **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.
 - c) **Normative Function:** Set minimum evaluation standards within the Fund in order to ensure improved and consistent measurement of results.
 - d) **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

37. The Fund should have three distinct levels of evaluation:
- b) **Project level:** mid-term evaluations and final evaluations of projects funded by the Fund;
 - c) **Implementing entity level:** evaluate the performance and effectiveness of implementing entities at any time while the implementing entity is accredited⁶;
 - d) **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,

⁵ UNEG, June 2016, Norms and Standards for Evaluation.

⁶ 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

38. 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 stakeholders⁷.

Evaluation Principles

39. 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

40. 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

⁷ 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

41. 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.

42. 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.

43. 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.