



## ADAPTATION FUND

AFB/EFC.22/10  
21 March 2018

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### **ADAPTATION FUND BOARD**

Ethics and Finance Committee

Twenty-second Meeting

Bonn, 20-21 March 2018

### **REPORT OF THE TWENTY-SECOND MEETING OF THE ETHICS AND FINANCE COMMITTEE**

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

1. The Chair of the Ethics and Finance Committee (EFC), Ms. Patience Dampsey (Ghana, Non-Annex I Parties), opened the meeting and greeted the participants at 9.40 a.m. on 20 March 2018.

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

2. Ms. Tove Zetterström-Goldmann (Sweden, Annex I Parties) took over as the Chair of the EFC, and Ms. Dampsey took over from Ms. Zetterström-Goldmann as the Vice-Chair of the EFC.

#### **Agenda Item 3: Organizational matters**

##### *a) Adoption of the agenda*

3. The agenda below was based on documents AFB/EFC.22/1 (Provisional agenda) and AFB/EFC.22/2 (Annotated provisional agenda).

4. The agenda was adopted as proposed in the document.

1. Opening of the meeting.
2. Transition of the Chair and Vice-Chair.
3. Organizational matters:
  - a) Adoption of the agenda;

- b) Organization of work.
- 4. Implications of the establishment of the Fund's Evaluation Function.
- 5. Efficiency and effectiveness of the accreditation process.
- 6. Financial issues:
  - a) Investment income;
  - b) Financial status of the Trust Fund and CER monetization;
  - c) Work Plan for the fiscal year 2019
  - d) Administrative budgets of the Board and secretariat and the trustee for the fiscal year 2019;
- 7. Second phase of the overall evaluation of the Fund.
- 8. Other matters.
- 9. Adoption of the recommendations and report.
- 10. Closure of the meeting.

*b) Organization of work*

- 5. The EFC 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. Mr. Aram Ter-Zakaryan (Armenia, Eastern Europe) declared a potential conflict of interest.

**Agenda Item 4: Implications of the establishment of the Fund's Evaluation Function**

7. Introducing the item, the Vice-Chair recalled that the Board, in decision B.30/38, had approved the option of re-establishing a long-term evaluation function for the Adaptation Fund through a Technical Evaluation Reference Group (AF-TERG) and requested the secretariat to prepare the AF-TERG terms of reference. In responding to the Board's request, the secretariat had sought input from the Independent Evaluation Office of the Global Environment Facility (GEF IEO) and the secretariat of the technical evaluation reference group of the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund). Based on its discussions with the two entities and on proposed elements in the draft terms of reference, the secretariat had concluded that the planned arrangement of roles and responsibilities of the AF-TERG warranted a substantial discussion by the Board. As the intersessional process offered limited possibility for such discussions, the secretariat proposed, and the Board agreed, to defer consideration of the AF-TERG terms of reference to the thirty-first meeting of the Board.

8. The representative of the secretariat presented document AFB/EFC.22/3, which described the potential changes in the Fund's governance entailed by the creation of the AF-TERG, including participation ex-officio of the AF-TERG chair in EFC meetings, establishment of a TERG Recruitment Working Group composed of Board members, and recruiting of an additional secretariat staff member to act as the AF-TERG secretariat. He went on to outline the proposed changes at the secretariat level and in the EFC as described in the document.

9. During the ensuing discussion, questions arose regarding the reasons for what was considered a high number of AF-TERG members. In response, the representative of the secretariat explained that while the three-member independent review panel established to oversee the overall evaluation of the Fund had been assigned a specific task, the proposed five-member AF-TERG would have a full work programme, including not only the overall evaluation when requested by the Board, but also thematic evaluations, mid-term and final programme evaluations and case studies. The larger number of members would also allow for diversity of backgrounds and languages. The Board would, however, be able to increase or decrease the number of members later as required.

10. The representative of the secretariat also elaborated on the role of the AF-TERG chair at EFC meetings in response to a query. Even if not making a presentation, he said, the AF-TERG chair should attend to ensure that the AF-TERG was familiar with the Fund and its activities, respond to any questions the EFC members might have, and present a work programme and budget on an annual basis. AF-TERG presentations would constitute EFC meeting documents and would be publicly available on the Fund's website.

11. The Ethics and Finance Committee (EFC) recommended that the Board:

(a) Approve the terms of reference of the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) as contained in Annex II to the report of the EFC (AFB/EFC.22/10);

(b) Approve the amendment to the terms of reference of the Ethics and Finance Committee as contained in Annex III to the report of the EFC (AFB/EFC.22/10);

(c) Establish the AF-TERG Recruitment Working Group composed of the following Board members and alternates: [...]

(d) Request the AF-TERG Recruitment Working Group, with the support of the secretariat, to undertake the necessary arrangements for the recruitment of the AF-TERG chair and four members intersessionally between the thirty-first and thirty-second meetings of the Board and to report back to the EFC at its twenty-third meeting.

**(Recommendation EFC.22/1)**

#### **Agenda Item 5: Efficiency and effectiveness of the accreditation process**

12. Introducing the item, the representative of the secretariat recalled that at its twenty-first meeting, the Board had requested the secretariat to reflect on the accreditation experience of the Adaptation Fund in collaboration with the Accreditation Panel and to prepare a report on the experience gained and lessons learned, including an overview of guidance on accreditation, for the Board's consideration (decision B.30/2). She then presented the document prepared in response to the Board's request (AFB/EFC.22/4), stressing that it had been prepared on the basis

of a desk review, without any additional surveys as the secretariat had considered that sufficient material was already available.

13. Following her presentation, the representative of the secretariat responded to a number of questions from members, including questions related to conflict of interests during the nomination of the applicant entity by the designated authority and adding standards on anti-money-laundering/countering the financing of terrorism. She explained that selection of a national implementing entity by the designated authority was a country-driven process in which the Fund could not be actively involved.

14. It was suggested during the discussion that other institutions might have capacities that could be relied on with respect to the question of standards on anti-money-laundering/ countering the financing of terrorism. It was also noted, however, that the panel and the EFC were only just starting a new process of further facilitating accreditation, and that there would be time for further discussion on the matter at later meetings.

15. Having considered the information contained in document AFB/EFC.22/4, the Ethics and Finance Committee recommended that the Board:

- (a) With respect to reviewing existing policies or establishing new policies for the accreditation process:
  - (i) Request the secretariat to prepare a document on a “fast-track” accreditation process for entities accredited with the Green Climate Fund and to present it to the Board at its thirty-second meeting;
  - (ii) Request the Accreditation Panel to consider whether there is a need to introduce accreditation standards related to anti-money-laundering / countering the financing of terrorism, and if it determines that there is, to identify which capacities should exist within the implementing entity applicant and which capacities of other institutions could be relied on, and to present a proposal on the matter to the Ethics and Finance Committee at its twenty-third meeting;
  - (iii) With respect to “dormant” applications, meaning applications that have been inactive for six months:
    - a. Request the secretariat to inform the designated authority (DA) of the entity’s inactivity in pursuing the accreditation process; and
    - b. Request the secretariat to remove the application from the accreditation pipeline after four consecutive six-month periods of inactivity; and
  - (iv) Encourage national implementing entity applicants to develop their capacities by working jointly on projects implemented by a multilateral or regional implementing entity;
- (b) With respect to strengthening the accreditation process:
  - (i) Request the secretariat to prepare a guideline or tool for focal points of implementing entity applicants and to communicate to DAs the information note for

DAs on selecting a potential national implementing entity to avoid potential delays;  
and

(ii) Encourage the secretariat:

- a. To provide implementing entity applicants with enhanced assistance at an earlier stage of the accreditation process, including an in-country visit to the entity, possibly sharing the costs with the implementing entity applicant; and
- b. To explore the possibility of arranging, when possible, ceremonial or celebratory events to mark accreditation;

(c) With respect to simplifying the accreditation process:

(i) Request the secretariat:

- a. To encourage the Accreditation Panel to ensure that their review of accreditation applications is in line with the approved accreditation standards and to explore ways to minimize duplication in the accreditation review process, such as streamlining reporting by the panel; and
- b. To explore ways to reduce language barriers for implementing entity applicants preparing accreditation applications;

(ii) Request the Accreditation Panel to make an early determination on whether a national implementing entity applicant is eligible for the streamlined accreditation process approved by decision B.25/17; and

(iii) Encourage the Accreditation Panel to consider third-party assessments on project performance and the capacity of an implementing entity applicant as complementary information

**(Recommendation EFC.22/2)**

## **Agenda Item 6: Financial issues**

a) *Investment income*

16. Introducing the item, the representative of the secretariat recalled that discussions regarding the treatment of investment income earned by implementing entities on amounts held in respect of project grants had been ongoing since the twenty-sixth meeting of the Board. At its thirtieth meeting, by decision B.30/40, the Board had agreed to allow implementing entities to use the funds for project/programme purposes as set out in document AFB/EFC.21/6. By the same decision, it had also requested the secretariat to gather more comprehensive information from implementing entities on amounts held in respect of project grants, to prepare a document based on the information gathered with examples of accounting/treasury practices for income earned by implementing entities on amounts held in respect of project grants for consideration by the EFC at the current meeting and, if necessary, to prepare a proposal for an amendment to the standard legal agreement between the Board and implementing entities for consideration by the EFC.

17. The representative of the secretariat then presented document AFB/EFC.22/5, prepared in response to decision B.30/40. Subsequently, responding to questions from members, she indicated that although some entities had indicated that they handled investment income earned on project grants in accordance with their own policies, the secretariat trusted that such entities would comply with the requirements of any agreement they signed with the Board. The new provisions would become part of the standard agreement as soon as the Board approved them and would apply to any new agreements signed.

18. Having considered the information contained in document AFB/EFC.22/5 and in accordance with decision B.30/40, the Ethics and Finance Committee recommended that the Adaptation Fund Board consider and approve the proposed amendments to the standard legal agreement aimed at addressing the issue of investment income earned by implementing entities, as contained in annex I to document AFB/EFC.22/5.

**(Recommendation EFC.22/3)**

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

19. A representative of the trustee provided an update on the financial status of the Adaptation Fund Trust Fund, as contained in document AFB/EFC.22/6. He informed the EFC that new donations had been received from the Brussels capital region, Germany, Ireland, Italy and Sweden since the last meeting, for a total of US\$ 81 million. In addition, the trustee was currently processing a new €4 million donation from the Walloon region of Belgium. Since the end of the last fiscal year, 30 June 2017, the trustee had transferred just over US\$ 12 million to implementing entities, leaving US\$ 217 million available for new funding decisions as of 31 December 2017. Also worthy of note was an increase in the Fund's investment income due to the general increase in interest rates, generating a return of over 1.3% for calendar year 2017.

20. A second representative of the trustee joined the meeting via Skype to provide an update on the market for Certified Emission Reductions (CERs) and CER monetization. He reported that opportunistic CER sales continued, with 414,000 tonnes sold since 30 June 2017, generating just over US\$ 1 million. The average sale price was approximately US\$ 2.74 per tonne, compared to a prevailing market price of approximately €0.10 per tonne. He subsequently responded to questions regarding the market for CERs and demand for certain types of CER. He explained that CERs were used in different regimes, the main regime being the European Union Emissions Trading System (EU ETS). The pricing on the EU ETS had been very low, however, and the volume held by the Fund was much larger than the total EU ETS market turnover in all of 2017, so the Fund could not expect high proceeds from selling a large volume in the current environment. There appeared to be two types of Clean Development Mechanism (CDM) projects that generated a premium over EU ETS pricing: projects with additional social sustainable development features, and projects that could be used for the Republic of Korea compliance scheme. Only a limited number of the CDM projects that had generated the Fund's CERs fell into these categories, however.

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

*c) Work plan for the fiscal year 2019*

22. The Manager of the secretariat presented document AFB/EFC.22/7 containing the work plan proposal for the fiscal year 2019, which extended from 1 July 2018 to 30 June 2019. He recalled that the Board had adopted the medium-term strategy at its thirtieth meeting, and had

requested the secretariat to prepare a draft implementation plan for the strategy for consideration by the Board at its thirty-first meeting, which would only take place after the EFC meeting. Consequently, while the work plan included a number of new activities for the implementation of the medium-term strategy, those activities were clearly indicated in the document and would not be implemented if Board did not approve the implementation plan.

23. Following his presentation, the Manager of the secretariat addressed a number of questions and comments. He informed the members that in the event that an individual important meeting had not been specifically budgeted for, there was normally sufficient flexibility in the travel budget to allow one or two secretariat staff to attend. Responding to a question regarding the promotion of the Fund's comparative advantages and complementarity, he assured members that the intention was to reflect all the medium-term strategy themes in the Fund's communications materials, including the crosscutting theme of coherence and complementarity with other funds. He also provided tentative dates of upcoming monitoring and evaluation missions for Board members interested in joining such missions, and finally, welcomed a suggestion to investigate crowdfunding opportunities using social media.

24. Having considered the proposal by the secretariat, the Ethics and Finance Committee recommended that the Board approve the draft secretariat work schedule and proposed work plan for fiscal year 2019 as contained in document AFB/EFC.22/7, subject to approval by the Board of the implementation plan for the medium-term strategy as described in document AFB/B.31/5/Rev.1.

**(Recommendation EFC.22/4)**

d) *Administrative budgets of the Board and secretariat and the trustee for the fiscal year 2017*

25. The Manager of the secretariat presented the proposed budget for the Board and secretariat for fiscal year 1 July 2018–30 June 2019, as contained in section II of document AFB/EFC.22/8. He also presented the budget for the evaluation function as contained in section III of the document, explaining that it represented solely the costs associated with establishing the technical evaluation group (TERG); once established, the TERG would be expected to present a work programme of evaluations to be carried out in fiscal year with their associated budget to the Board at its thirty-second meeting, in October 2018, which would entail a budget revision for fiscal year 2019.

26. The representative of the trustee subsequently presented the trustee estimated costs and expenses for fiscal year 2019, as contained in section IV of the document.

27. Following the presentations, the Manager of the secretariat responded to a question regarding the costs associated with the support services provided to the Fund by the Global Environment Facility (GEF). He noted that the Fund had benefited from GEF support since the outset of its activities, and that some figures, such as the percentage allocated to the Head of the Fund secretariat, namely the CEO and chairperson of GEF, had decreased over time. He also noted, however, that the secretariat team was small, and that co-review assistance from GEF technical experts was particularly useful when workloads were heavy. The secretariat had looked into lowering the costs, but as it was currently reviewing new projects and even new types of projects, had concluded that it would not be possible for the coming fiscal year.

28. Addressing a comment that the budget was unbalanced, presenting only expenses but not revenue, the representative of the trustee noted that the revenue of the Fund was reported in

the financial reports prepared by the trustee. He confirmed that there were sufficient funds available to cover the proposed budgets, and provided some supporting figures from the report of the trustee (see item 6 (b)).

29. Having considered the budget proposals by the secretariat and the trustee as contained in document AFB/EFC.22/8/Rev.1, the Ethics and Finance Committee recommended that, subject to approval by the Board of the implementation plan for the medium-term strategy as described in document AFB/B.31/5/Rev.1, the Board:

(a) Approve, from the resources available in the Adaptation Fund Trust Fund, the proposed budget of US\$ 5,101,193 to cover the costs of the operations of the Board and secretariat over the period 1 July 2018 to 30 June 2019, comprising US\$ 3,930,603 for the secretariat administrative services (the main secretariat budget), US\$ 546,040 for accreditation services and US\$ 624,550 for the Readiness Programme;

(b) Approve, from the resources available in the Adaptation Fund Trust Fund, the proposed budget of US\$ 382,272 to cover the costs of the start-up operations of the evaluation function of the Adaptation Fund over the period 1 July 2018 to 30 June 2019;

(c) Approve, from the resources available in the Adaptation Fund Trust Fund, the proposed budget of US\$ 586,250 for trustee services to be provided to the Adaptation Fund over the period 1 July 2018 to 30 June 2019; and

(d) Authorize the trustee to transfer the amounts in subparagraphs (a) and (b) to the secretariat and the amount in subparagraph (c) to the trustee.

**(Recommendation EFC.22/5)**

### **Agenda Item 7: Second phase of the overall evaluation of the Fund**

30. Ms. Eva Lithman, the leader of the Independent Review Panel (IRP), joined the meeting for the consideration of the agenda item.

31. Introducing the item, the Chair recalled that the Board, at its twenty-eighth meeting, had decided to proceed with the second phase of the overall evaluation, to be overseen by the Independent Review Panel (IRP). The process began in June 2017 and was scheduled to end in March 2018.

32. A representative of Tango International, the independent firm that performed the evaluation, joined the meeting by Skype to present the draft report (AFB/EFC.22/9).

33. Following his presentation, Ms. Lithman provided the IRP's comments on the work done to date and the draft report. She began by saying that the IRP's task was broadly to contribute to the quality of the evaluation. There were several dimensions to consider. With respect to one obvious dimension, namely the independence of process and behaviour, the IRP was satisfied with the evaluation by Tango. A second dimension was methodology, which concerned validity and reliability and related to the data collected and how it was analysed. The IRP members had reservations in this regard; for instance, they would have preferred to see a broader set of stakeholders involved, although Ms. Lithman noted that more data would be collected from stakeholders prior to the finalization of the evaluation. The IRP also considered that case studies had been underutilized in the evaluation, and that assertions made by stakeholders in interviews



were sometimes simply taken at face value, which was not necessarily warranted. In addition, the application of different sampling frames for different data sets was a concern, as triangulating data from different data sources and different sampling bases was complicated and required time and careful work; the IRP was under the impression that the evaluation team may not have had time to fully process the data, although hopefully would in the coming weeks. A third dimension of quality was utility, which involved the contribution of the evaluation process, what was learned during the process and who was involved in discussions, to validate findings, conclusions and recommendations. The utility of the evaluation would be evidenced by the EFC's discussion and the way that the Board would eventually take the evaluation forward.

34. Overall, the IRP considered that the final draft report fulfilled the formal requirements of the overall evaluation: it had all the expected parts, responded to the quite elaborate scope of work and contained a useful presentation of operational aspects of the Fund. The evaluation team may have underestimated how complicated the evaluation would be to carry out, however, as evidenced by its inability to keep to the agreed timeline and the incomplete drafts received. The IRP had identified aspects that could have been explored in more detail, and felt that it would be useful for the final report to focus on the Fund's characteristics. This would apply to small projects as a niche area, for instance, which had been better highlighted in the presentation of the report than the draft report itself. It would also apply to the direct access modality: further analysis or comparisons on the advantages of having a national implementing entity as opposed to a multilateral implementing entity would be useful. With respect to sustainability, it was important to distinguish between sustainability in the sense of additional financing for a project and securing the sustainability of results achieved, which were two different dimensions, although interconnected. The treatment of the US\$10 million country cap in the report was confusing and also merited more analysis. Likewise, the report could elaborate more on the theme of gender and what could be expected as the outcome of the new policy.

35. Ms. Lithman closed her remarks by saying that the evaluation was a complex undertaking that may have also been unnecessarily complicated. The Fund would eventually have to discuss its management response and possibly issues that merited further and deeper study given that the evaluation would be a broad overview. She also raised a number of questions regarding the usefulness and feasibility of such very comprehensive evaluations, the appropriate process for reviewing the work of an entire organization in several dimensions, and the best mechanisms for securing input to an evaluation team and having a safeguarding function. Finally, she allowed that the IRP should perhaps have been more active in focusing the exercise from the start, while noting that the format had been to some extent predetermined.

36. During the ensuing discussion, a number of issues were highlighted, including the varied reasons for the US\$10 million cap and the need for analysis of the advantages and disadvantages of maintaining or raising it; the reference to the Fund's cost effectiveness; and the question of co-financing opportunities. Responding to the question of cost advantage, the Tango representative explained that the cost of the Fund secretariat was large relative to the Fund's portfolio but acknowledged that the wording in draft report was misleading; overall, the secretariat was one of the smallest climate fund secretariats, and as such was efficient.

37. With respect to how the question of financing was dealt with in the draft report, one member stressed that in the United Nations Framework Convention on Climate Change it was generally recognized that adaptation should be funded through grants, not loans.

38. Finally, several members noted that the tone of the presentation by the Tango representative had been considerably more positive than the impression conveyed by the

executive summary in the draft report, and expressed the hope that the final report would reflect the messages of the presentation.

39. Having considered the draft report of the overall evaluation of the Adaptation Fund as contained in document AFB/EFC.22/9 and the presentation by the representative of the Independent Review Panel, the Ethics and Finance Committee (EFC) recommended that the Board:

- (a) Take note of the draft report of the second phase of the overall evaluation of the Adaptation Fund and the discussion on the matter at the twenty-second meeting of the EFC;
- (b) Request the Independent Review Panel to supervise the finalization of the report, taking into account the discussion that took place at the twenty-second meeting of the EFC;
- (c) Request the secretariat to circulate the final report to the Board; and
- (d) Request the Chair of the Board, supported by the secretariat, to prepare a management response to the second phase of the overall evaluation of the Fund for consideration by the Board during the intersessional period between its thirty-first and thirty-second meetings.

**(Recommendation EFC.22/6)**

**Agenda Item 8: Other matters**

40. There were no other matters.

**Agenda Item 9: Adoption of the recommendations and report**

41. The present report was adopted based on the draft report contained in document AFB/EFC.22/L.1, as orally amended.

**Agenda Item 10: Closure of the meeting**

42. The meeting closed at 5:45 p.m. on 21 March 2018.

## **ANNEX I**

### **Ethics and Finance Committee Twenty-second Meeting Bonn, Germany, 20 and 21 March 2018**

#### **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. David KALUBA (Zambia, Africa)

Mr. Mohamed ZMERLI (Tunisia, Africa)

Ms. Umayra TAGHIYEVA (Azerbaijan, Eastern Europe)

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

Ms. Yadira GONZALES COLUMBIE (Cuba, Latin America and the Caribbean)

Ms. Sylviane BILGISCHER (Belgium, Western Europe and others)

Mr. Antonio NAVARRA (Italy, Annex I Parties)

Mr. Naresh SHARMA (Nepal, Least Developed Countries)

**ANNEX II**



**ADAPTATION FUND**

**TERMS OF REFERENCE OF THE TECHNICAL EVALUATION  
REFERENCE GROUP OF THE ADAPTATION FUND (TERG)<sup>1</sup>**

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<sup>1</sup> This is the version of the Proposed Revised Terms of Reference of the Technical Evaluation Reference Group submitted by the EFC to the Adaptation Fund Board along with recommendation EFC.22/1. The final approved version of the Term of Reference is contained in the Report of the Thirty-first meeting of the Board.

## **Mandate**

1. The Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) is an independent evaluation advisory group, accountable to the Board, established to ensure the independent implementation of the Fund's evaluation framework. Specifically, the TERG will provide:

- (a) Evaluation Function: Independently commission the evaluation of the relevance, effectiveness, efficiency and sustainability of the Fund through its overall operation, including its supported projects and programmes as well as implementing entities 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. This includes providing advice to the Board in its efforts to incorporate findings and recommendations of evaluations into policies, strategies and procedures.

## **Composition**

2. The AF-TERG shall be comprised of an independent group of experts in evaluation who are all functionally independent of the secretariat, Board, and Board committees. The members will serve in their personal capacities only and will not represent their employers, governments or Fund's entities.

3. There shall be at least five members including the Chair and at least one member with experience with civil society organizations.

4. Membership of the group will be drawn from a range of stakeholders, including practitioners, research institutions, academics, donor and recipient countries, and non-governmental organizations.

## **Working Modalities**

5. The AF-TERG will meet at least once a year, depending on its workload. It is foreseen that during the initial period, at least, there may be a need for additional meetings. The duration of each meeting will be two to three days depending on the agenda to be discussed. Meetings will be scheduled at a time convenient to a majority of the members. Additional meetings may be scheduled if the need arises, as requested by the AF-TERG Chair. To facilitate the exchange of views among AF-TERG members between in-person meetings, other means of communication will be maintained, including electronic discussion groups, conference calls or video conferencing.

6. The Chair of the AF-TERG shall also attend the bi-annual meetings of the Ethics and Finance Committee (EFC) of the Board as ex-officio member.

7. The Chair of the AF-TERG shall report to the Board through the EFC as frequently as deemed appropriate and will present results of evaluations and other work conducted by the AF-TERG. Recommendations from the AF-TERG – including an annual budget - are expected to be considered by the EFC, as per the EFC's terms of reference, which would in turn forward them to the Board for information, together with any recommended decisions.

8. A small **AF-TERG secretariat** composed of a full-time dedicated staff position supported by a part-time consultant and AFB secretariat administrative staff as needed would provide support to the AF-TERG, in particular with regard to the arrangements for the implementation of the evaluation work programme. The full-time staff will operationally report to the Chair of the AF-TERG and administratively report to the Manager of the AFB secretariat. The workload of the AF-TERG secretariat will vary depending on the work programme.

9. The Board, through the EFC, will oversee the performance of the AF-TERG, in a manner that does not infringe on the **independence of the AF-TERG in terms of content and conclusions of evaluations**. The Board may also commission independent evaluations on the AF-TERG, in order to capture lessons learned and amend the arrangement as needed.

10. The expected workload of AF-TERG members and its Chair would be approximately **16 and 24 days a year**, respectively (6 to 14 days in person meeting including the Chair's participation in Board meetings, and 10 days to be involved remotely in focal point activities on specific reviews or evaluations under the work programme).

11. Additional experts may be brought in as necessary to implement the work programme.

### **Recruitment and Appointment of AF-TERG Members**

12. The **recruitment** of AF-TERG members shall be managed by the EFC with support from the secretariat through an open, transparent and criteria-based process. Criteria for selection will 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.

13. The first Chair of the AF-TERG will be appointed by the Board following recommendation from the AF-TERG Recruitment Working Group to be established by the EFC, through a competitive recruitment process administratively supported by the AFB secretariat. The AF-TERG Chair will be a member of the Working Group for the appointment of the other members. Subsequent Chairs and other AF-TERG members will be appointed by the Working Group. Members of the AF-TERG shall normally serve for a period of three years, and shall be eligible to serve not more than two consecutive terms or six years. The membership of the AF-TERG shall be managed so that approximately one-third of its membership shall retire by **rotation** every two years. The very first members of the TERG shall therefore be granted exception in number of

years of service to allow for effective initiation of the rotation system. The member from civil society will be appointed following the same competitive selection process as the other members.

### **AF-TERG Work Plan and Budget**

14. The AF-TERG will **commission and oversee independent evaluations** and relevant tasks on behalf of the Board and its Committees according to the evaluation framework. The AF-TERG will prepare multi-year work programmes and budget in accordance with the evaluation framework requirements. Where relevant, the content of these multi-year work programmes should be linked to strategies of the Fund, such as medium-term strategies. Proposed multi-year work programmes will be presented to the EFC for consideration and for recommendation for approval by the Board. The AF-TERG will then design, commission and oversee these independent evaluations, with administrative support from its secretariat. As part of its advisory role however, the AF-TERG may develop guidance notes, recommendation papers or any relevant document for consideration by the Board.

15. The AF-TERG, through its Chair, will report annually to the EFC and/or Board on the implementation of its work plan.

16. The annual **budget** of the AF-TERG, its secretariat and work programme will be prepared together with the AFB secretariat and will be submitted for approval by the Board as part of the administrative budget of the Fund.

17. Activities within the work programme are diverse and include the following:

- (a) Review of AF Monitoring & Evaluation (M&E) related Frameworks, Policies and Guidelines;
- (b) Quality review of project-level mid-term and final evaluation reports;
- (c) Performance evaluations, including ex-post evaluations;
- (d) Country studies;
- (e) Thematic evaluations; and
- (f) Overall corporate- or portfolio-level evaluations.

### **Compensation**

18. Members of the AF-TERG who are external experts shall be paid fees for their services and travel expenses.

### **Relations with the AFB Secretariat**

19. The AF-TERG will operate in an arrangement that guarantees **the independence** of the evaluations overseen by the AF-TERG. The primary focal point for the AF-TERG in the AFB Secretariat is the Manager.

20. All communications of a strategic nature from the AF-TERG Chair and its members shall be addressed and channelled to the EFC and/or the Board through the Manager of the secretariat. The AF-TERG will inform the Manager of AF-TERG conclusions and/or activities that require his/her attention or strategic engagement.

21. The Manager will:

- (a) Oversee the practical aspects of hiring of AF-TERG members and the management of their contracts within the World Bank administrative system;
- (b) Appoint the dedicated secretariat team staff (the AF-TERG secretariat) who will support the AF-TERG, communicate their names and roles to the AF-TERG and supervise the administrative aspects of their work;
- (c) Participate in AF-TERG meetings as member ex-officio and ensure timely responses from the secretariat to enquiries of the AF-TERG and efficient cooperation by the secretariat with the AF-TERG;
- (d) Ensure relevant communications from the AF-TERG are received by the secretariat and conveyed to the Board, and addressed by the Board or the secretariat as appropriate;
- (e) Oversee the preparation of the official reports of AF-TERG meetings, the preparation of Board documents presenting the AF-TERG work programme and budget, as well as the publication or submission to the Board of deliverables of the AF-TERG work programme;
- (f) Oversee the compliance of procurement for evaluations with applicable administrative rules and guidelines, including contracting external organizations.

22. The Manager will NOT:

- (a) Oversee the technical aspects of hiring of AF-TERG members and their technical work;
- (b) Engage in direct supervisory roles of AF-TERG members;
- (c) Oversee the technical aspects of the preparation of the official reports of AF-TERG meetings, or the preparation of Board documents presenting the AF-TERG work programme and budget;
- (d) Engage in the substance matter aspects of procurement for evaluations.

### **AF-TERG Member Profile**

23. The AF-TERG will be comprised of an independent group of experts in evaluation who will serve in their personal capacities only and will not represent their employers, governments or Fund's entities.

24. Membership of the group will be drawn from a range of stakeholders, including practitioners, research institutions, academics, donor and recipient countries, and non-governmental organizations, taking into account geographical and gender balance and diversity of technical sector experience.



*Expertise and experience* - The AF-TERG member profile as a group will include diversity in areas of relevant expertise, evaluative skills and thematic knowledge including the following:

- (a) At least 15 years of professional experience in evaluation work at progressively increasing levels, related to monitoring / evaluation / research and management;
- (b) At least 8 years of professional experience in development at field level and international level;
- (c) Evaluation experience: extensive knowledge of, and experience in applying, qualitative and quantitative evaluation methods; a strong record in designing and leading overall evaluations; technical competence in the area of evaluation (theory and practice), and a strong methodological background;
- (d) Climate finance experience, especially extensive knowledge of, and experience in applying climate change adaptation concepts;
- (e) Strong knowledge in project management with strong emphasis on monitoring and evaluation;
- (f) Extended experience in designing, implementing and evaluating adaptation projects and programs in developing countries, covering key adaptation thematic areas;
- (g) Experience in least developed countries, working with those most vulnerable to climate change impacts;
- (h) Extended knowledge of the Adaptation Fund and of UNFCCC, Paris Agreement, Kyoto Protocol and climate change and other environmental international regimes and policies;
- (i) Extended knowledge on operational aspects of institutions (policies, governance, and accounting);
- (j) Strong communication and outreach skills;
- (k) Strong skills and experience in gender-related matters.

*Languages –*

25. Language capacity in English and extent of international work (all AF regions). Fluency in at least one of the other six official languages of the United Nations (Arabic, Chinese, English, French, Russian and Spanish) would be an asset.

26. In addition to the expertise and skills mentioned above, the following will be expected when selecting the AF-TERG Chair:

- (a) Demonstration of high levels of autonomy and integrity;
- (b) He/she is widely recognized across the evaluation community as a source of knowledge;
- (c) Ability to communicate on complex and highly specialised issues at senior management and executive meetings;

- (d) A track record in strategic and global thinking;
- (e) Excellent relationship and communication management skills;
- (f) Experience in setting up and executing a budget;
- (g) Sensitivity to gender, political, and respect for cultural, aspects;

*Independent evaluation capacity –*

- (a) Application of ethical guidance.
- (b) Absence of conflict of interest: the team/evaluator must not have been involved in the design and/or implementation, supervision and coordination of and /or have benefited from the Fund/ project/ programme under evaluation. Evaluators are independent from the development intervention, including its policy, operations and management functions, as well as intended beneficiaries.

*Key personal competencies –* The AF-TERG member profile for individual members includes the following competencies and responsibilities:

- (a) A knowledge and personal commitment to the Adaptation Fund principles, core values and its activities;
- (b) A facilitative and consultative approach including ability to work independently as well as in a multi-cultural environment;
- (c) Good communication skills;
- (d) High ethical standards; and
- (e) Flexibility and time availability.

**Revision of the TOR**

27. The Board will revise these terms of reference as necessary.

**ANNEX III**



**ADAPTATION FUND**

**PROPOSED REVISED TERMS OF REFERENCE  
OF THE ETHICS AND FINANCE COMMITTEE**

## ETHICS AND FINANCE COMMITTEE

### TERMS OF REFERENCE

1. The Ethics and Finance Committee (EFC) shall be responsible for providing advice to the Board on issues of conflict of interest, ethics, finance and audit.
2. In this regard, the EFC shall:
  - a) Develop, for approval by the Board, a draft Code of Conduct for the implementation of section VII of the Rules of Procedure in order to protect Board members and alternates and the staff of the secretariat from conflict of interest in their participation, identifying cases of conflict of interest and the related procedures;
  - b) Oversee the implementation of the Code of Conduct and address differences in its interpretation as well as consequences of breach of the Code of Conduct;
  - c) Review and provide advice on the budget for the operating expenses of the Board, secretariat and trustee;
  - d) Advise the Board on overall resource mobilization policy and approach, including recommendations from the trustee with respect to monetization of CERs and receipt of contributions from other sources;
  - e) Review the financial statements of the Fund;
  - f) Review the performance of the Fund and its accredited implementing entities, making use of both internal and external evaluations and reports from implementing entities and other sources, as appropriate;
  - g) Address issues concerning monitoring and evaluation at the Fund level; including the Annual Performance Report of the Fund, and other matters in accordance with the Operational Policies and Guidelines for Parties to Access resources from the Adaptation Fund;
  - h) **Oversee the performance of the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG), including establishing an AF-TERG Recruitment Working Group, reviewing its annual work plan and budget; the Chair of the AF-TERG shall also attend the bi-annual meetings of the EFC as ex-officio member;**
  - i) Oversee the activities of the secretariat involving recruitment and procurement of services and other activities related to the area of responsibility of the Committee;
  - j) Oversee the activities of the trustee in areas relevant to the responsibility of the Committee;
  - k) Consider any other matter the Board deems appropriate.
3. The EFC, in consultation with the Board Chair, may require assistance and/or advice from experts in the performance of its functions;
4. When the matter under discussion so requires, the trustee will attend the meetings of the EFC.