



ADAPTATION FUND

AFB/EFC.26.b/7
22 October 2020

ADAPTATION FUND BOARD

Ethics and Finance Committee

Twenty-sixth Meeting

Bonn, Germany (Virtual), 15-16 October 2020

REPORT OF THE TWENTY-SIXTH 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. Sylviane Bilgischer (Belgium, Annex I Parties), opened the meeting at 2.00 p.m. Central European Time on 15 October 2020 and greeted the participants. She introduced herself to the new members of the Board and said that while they would be officially greeted at the upcoming meeting of the Board they were welcome to participate in the present meeting of the EFC. She expressed the hope that all the participants were well and personally unaffected by the present COVID-19 pandemic. That pandemic had affected all international meetings, including those of the Adaptation Fund, and she was pleased that the secretariat had been able to continue its work under such challenging conditions. In closing she thanked the Vice-Chair, Mr. Mohamed Zmerli (Tunisia, Africa) for his help in preparing for the present meeting and informed the EFC that he would chair the discussion under agenda item 6.

Agenda Item 2: Organizational matters

a) Adoption of the agenda

2. The EFC adopted the following agenda for its twenty-sixth meeting on the basis of the provisional agenda set out in document AFB/EFC.26.b/1:

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

- b) Organization of work.
- 3. Annual performance report for the fiscal year 2020.
- 4. The Fund's response to the COVID-19 pandemic.
- 5. Financial issues:
 - a) Financial status of the Trust Fund and CER monetization;
 - b) Reconciliation of the Board and secretariat and trustee budgets for the fiscal year 2020.
- 6. Report of the Chair of the Technical Evaluation Reference Group.
- 7. Other matters.
- 8. Adoption of the recommendations and report.
- 9. Closure of the meeting.

b) Organization of work

- 3. The EFC adopted the organization of work proposed by the Chair based on the provisional timetable contained in the provisional annotated agenda (AFB/EFC.26.b/2).
- 4. 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 agenda of the meeting. She also drew attention to the Code of Conduct and Zero Tolerance Policy for the Board, which were available on the website of the Fund.
- 5. No conflicts of interest were declared.

Agenda Item 3: Annual performance report for the fiscal year 2020

6. The representative of the secretariat introduced the annual performance report for the fiscal year 2020 (AFB/EFC.26.b/3) which provided a wide range of information on the implementation of the medium-term strategy during the reporting period, and which had been organized around the strategy's foci of action, innovation, and learning and sharing. She said that the Fund's portfolio had grown to 107 projects including 32 being implemented by national implementing entities (NIEs), and that 45 countries had reached or almost reached their country cap. The largest amount of grant funding had been to the Africa region, followed by Latin America and Caribbean, Asia-Pacific and Eastern Europe; in terms of sector distribution, the largest amount had been allocated to projects in disaster risk reduction followed by food security, agriculture, water management and rural development. She said that an analysis at the regional level had shown that in Africa and Latin America and the Caribbean the largest investments were

in the food security sector while in Asia-Pacific and Eastern Europe, disaster risk reduction was the sector registering the largest investment.

7. Pursuant to decision B.34/43 the secretariat had included in the report a section on the Fund level strategic outcomes, that linked financial investments towards these outcomes with the actual project results achieved for the completed projects and programmes. Up to 30 June 2020, 18 projects and programmes amounting to a total of US\$ 109.3 million had been completed, of which US\$ 93.1 million had been allocated towards the Fund's strategic outcomes. Those 18 projects and programmes had benefitted approximately 2.2 million people. She said that as part of the Fund's reporting requirements, implementing entities (IEs) were required to submit project performance reports (PPR) on an annual basis, and that as of 30 June 2020, a total of 61 projects had submitted at least one. During the current reporting period a total of 39 PPRs had been received and the number of late submitted PPRs had increased slightly, which was probably due to the COVID-19 pandemic.

8. As part of the provisions included in the Project Implementation Policy and the Policy for Project Delays, IEs submit different requests to the secretariat to adapt and solve the diverse range of issues that might arise during project implementation. Accordingly, 23 requests for adjustments had been received by the secretariat during the fiscal year 2020: 17 had requested project or programme extensions, four had requested changes of project outcomes, outputs or indicators, two had requested a change in project implementation arrangements, one had requested provision of direct project services and one had requested a change in the project disbursement schedule. Between 2014 and 2020 a total of 86 such requests had been received.

9. She recalled that an Innovation Facility had been established consisting of a small grant mechanism, for grants of up to US\$ 250,000, and a large grant mechanism, for grants up to US\$ 5 million. A new funding window for learning grants of up to US\$ 150,000 had also been established, and the Readiness Programme has been modestly expanded to add new activities which were only being offered to NIEs. During the reporting period the secretariat had also completed the learning materials for a e-learning course on accreditation and on addressing environmental and social as well as gender considerations in projects' design and implementation, which had been translated into French and Spanish. In addition, the secretariat updated the PPR template, which now includes specific sessions to track and report on gender indicators and specific gender issues encountered during project implementation.

10. In response to a query about the indicators used to assess the Fund-level strategic outcomes, the representative of the secretariat explained that conducting this analysis on the linkage of investments per outcome, with the actual results achieved, which was a new section in the report, had not been an easy task as there were many different and diverse indicators being used under some outcomes and, due to the diverse nature of results, it was difficult to aggregate them. In order to undertake such analysis, the secretariat had extrapolated data from the result tracker section of the final Project Performance Reports. When projects had been completed before the results tracker section was included in the PPR template, the secretariat had analysed the independent terminal evaluation of the project instead.

11. She also said, with respect to the self-assessment of the projects by the IEs, that both the executing entities (EEs) and IEs had completed the self-rating section of the PPRs which had indicated how the project was performing on the ground and what challenges it was facing. That allowed the secretariat to have a better understanding of the problems and proactively offer support when it was needed. She said that it was the objective of the Fund that the majority of the self-ratings would at least be satisfactory and that had generally been the case. There were a few isolated cases where they had been less than satisfactory but that had flagged the need for the secretariat to intervene to offer support and address the problems that projects under implementation might face.

12. With respect to a query about the decrease in the percentage of concepts endorsed against project proposals submitted during fiscal year 2020, she explained that part of the reason for that drop could be attributed to the present pandemic. The Board decision B.25/2 requires that all first time submissions to be submitted to be considered in regular meetings of the PPRC and since those meeting were not held due to COVID-19 pandemic, then the proposals, which included concept proposals, could not be considered by the PPRC and therefore could not be approved by the Board.

13. Concern was expressed on the quality of some PPRs, seven per cent of which had been rated as either marginally unsatisfactory or unsatisfactory. That was disturbing especially as some of those self-ratings had come from multilateral implementing entities (MIEs) which were presumed to have the capacity to monitor and report on projects. That lack of quality had implications for the implementation of the projects and the future of the Fund. The secretariat responded that although some PPRs were rated either marginally unsatisfactory or unsatisfactory, they represented a very small part of Fund's portfolio and IEs were taking measures to improve the project implementation in the subsequent reporting period. Most of those projects were located in fragile areas with very low capacity of EEs or facing external issues including political instability or severe climate hazards.

14. The Ethics and Finance Committee (EFC) recommended that the Adaptation Fund Board (the Board):

- (a) Approve the Adaptation Fund's Annual Performance Report (APR) for the fiscal year 2020, as contained in document AFB/EFC.26.b/3; and
- (b) Request the secretariat to prepare a summarized version for the general public in a reader friendly format, following the approval of the APR by the Board.

Recommendation EFC.26.b/1

Agenda Item 4: The Fund's response to the COVID-19 pandemic

15. The representative of the secretariat presented the report on the Adaptation Fund's response to the COVID-19 pandemic and adaptive measures to mitigate its impact on the Fund's portfolio (AFB/EFC.26.b/4). He said that the document provided an update on the ongoing impact

of the COVID-19 pandemic on the Fund's portfolio and presented the steps being taken by the secretariat to mitigate that impact. The secretariat had conducted a survey of the IEs in June 2020, the results of which indicated that 78 per cent of them expected the pandemic to have a moderate to high impact on their portfolios, with NIEs being especially affected. Monitoring and evaluation had also been affected, projects delivery had been delayed, and the pandemic had generally increased vulnerability to climate change.

16. The challenges being faced, and the measures being proposed, to address those challenges, are more fully described in the document, but the representative of the secretariat highlighted some of the actions that had been undertaken and the measures being proposed. The secretariat had already contacted the IEs and suggested that they apply to use the flexibility that already existed in the Operational Policies and Guidelines (OPG) of the Fund, and had adapted its procedures where that had been possible. The secretariat was recommending a blanket no-cost extension of the project completion dates of up to twelve months for concrete adaptation projects or programmes that had been delayed due to the COVID-19 pandemic and were set to be completed within the next 24 months. It was also suggesting that there be a flexible application of the 'material change' set out in paragraph 6 of annex 7 of the OPG to allow for a project budget reallocation of up to 20 per cent of the total project budget to cover COVID-19 related measures. Finally, it was recommending that countries be encouraged to integrate broader resilience dimensions into future programming of the Fund.

17. It was asked whether the idea of encouraging broader resilience reflected a real need and whether that idea had come out of a dialogue with the IEs. Clarification was also sought on the rationale for the suggested 20 per cent budget reallocation when the OPG only provided for a budget revision of up to 10 per cent. It was suggested that the recommendation should refer to reallocation rather than changes in the budget.

18. It was also asked whether the original goals and objectives of the projects could still be achieved without imposing an additional burden during the pandemic, and it was asked what was meant by the use of the term 'temporarily', and whether a more specific period could be indicated. It was also suggested that where projects were to be completed within a year a three to six-month extension could be offered.

19. The representative of the secretariat explained that secretariat had participated in a number of events where the green and resilient post-COVID-19 recovery was being discussed. The secretariat had been asked how the Fund was helping to address the recovery from the COVID-19 pandemic and it was believed that the Fund could do more to assist with the post pandemic recovery. The Fund had already received requests from the IEs to redirect funds to address COVID-19 issues, but that flexibility did not exist under the OPG. Some of the IEs were being asked to undertake sanitary measures for which no budgetary provisions currently existed.

20. The proposed recommendation would give that flexibility to address such issues but also retain the aspect of respecting the country ownership of the process. The secretariat had proposed allowing a reallocation of 20 per cent of the funding as a middle ground between the 10 per cent allowed for in the OPG and some of the amounts currently being requested, on the

understanding that the objectives of the projects could still be achieved if such a reallocation took place.

21. With respect to the temporary nature of the measures being proposed he explained that they were expected to last as long as the pandemic continued; and until terminated by the Board. He also said that the proposed extension would be available to all projects and agreed that it would be better to use the term reallocation in the recommendation. It was important for the Fund not to be silent on the issue of COVID-19 as that might undermine its efforts to build resilience on the ground.

22. There appeared to be agreement on the recommendation with the exception of the suggestion to encourage countries to seek a broader resilience. It was asked whether there was a risk that such a provision would adversely affect the objectives of the Fund and whether the Board had developed any indicators to evaluate such activities. While it made sense to align new programming by the Fund with government recovery plans it should be possible to go beyond that to mainstream adaptation into those recovery plans and thus follow the mandate of the Adaptation Fund. It was also asked how the request that IEs work with countries would apply to the NIEs which were part of their own countries. It was observed that it sounded strange to address such a recommendation to them, and the secretariat was asked to revise the text of the recommendation.

23. Subsequently the representative of the secretariat introduced a revised version of the text. There was general support for the revised text which had addressed the concerns previously expressed by the EFC.

24. Having considered document AFB/EFC.26.b/4 on the Adaptation Fund's response to the COVID-19 pandemic and adaptive measures to mitigate its impact on the fund's portfolio, the Ethics and Finance Committee recommended that the Adaptation Fund Board (the Board):

(a) Take note of the Report on the Adaptation Fund's response to the COVID-19 pandemic and adaptive measures to mitigate its impact on the Fund's Portfolio, which highlights the importance of taking immediate actions to enable the projects and programmes supported by the Fund to continue delivering on their objectives;

(b) Temporarily approve a blanket no-cost extension of project completion date up to 12 months for eligible projects which have been delayed due to COVID-19 and were set to be completed within 24 months from the date of extension request provided that an implementing entity's request of such extension meets the criteria as described in paragraph 33 of document AFB/EFC.26.b/4;

(c) Temporarily allow, in the context of paragraph 6 of Annex 7 of the Fund's Operational Policies and Guidelines (Project/Programme Implementation) on project material change, an implementing entity (IE) to implement reallocations in budget at output-level between

the original budget and the revised budget, up to a maximum of 20 per cent of total project budget, without seeking prior approval of the Board, provided that:

- (i) The concerned reallocations in budget are justified to be related to COVID-19 and to enable the project or programme to achieve its originally set goals and objectives;
- (ii) The IE must report to the Board on the project budget reallocations as part of its annual project performance report;
- (iii) Project budget reallocations not related to COVID-19 and changes exceeding 20 per cent of total project budget related to COVID-19 shall be subject to the requirements as described under paragraphs 6-8 of Annex 7 of the Fund's Operational Policies and Guidelines (Project/Programme Implementation); and
- (d) Encourage countries to consider matters related to COVID-19 within the mandate of the Adaptation Fund in their future programming of funding by the Adaptation Fund, in order to achieve a broader resilience by reflecting, as appropriate, objectives of government recovery plans in future programming.

Recommendation EFC.26.b/2

Agenda Item 5: Financial issues

a) Financial status of the Trust Fund and CER monetization

25. A representative of the trustee presented the Adaptation Fund Trust Fund financial report prepared by the trustee as at 30 June 2020 (AFB/EFC.26.b/5), as well an update on CER monetization to 16 October 2020. He informed the EFC that since the last Conference of the Parties, 10 new donation agreements had been signed totalling the equivalent of US\$ 118.9 million. Of this amount US\$ 77.3 million of donations had been paid into the trust fund and donations receivable were in the equivalent of US\$ 41.6 million. The pledges made by the European Commission in 2018 and by the Government of the Walloon Region of Belgium in 2019 remained outstanding.

26. The funding available for new decisions had amounted to US\$ 167.2 million as at 30 June 2020, which represented a decrease of US\$ 30.4 million over the second quarter of 2020. That had been due to cumulative increased commitments for both projects and programme and the administrative budget for the upcoming year. The total potential funding available was the equivalent of US\$ 224.3 million which was made up of the previously mentioned US\$ 167.2 million and the equivalent of US\$ 41.6 million in receivable donations and the equivalent of US\$ 15.5 million in outstanding pledges.

27. A second representative of the trustee provided an update on the market for Certified Emission Reductions (CERs) and CER monetization. He reported that during calendar year to 16 October 2020, 157 thousand tonnes of CERs had been sold, generating US\$ 1.583 million at an average sale price of approximately US\$ 10.11 per tonne. The focus will continue to be on over-the-counter transactions that had addressed the need for offsets to achieve climate neutrality

and sales for compliance with carbon tax schemes and emission trading schemes. He said that for the moment those were the practical markets for the sale of CERs.

28. The EFC was informed that the second tranche due in 2020, as indicated in the multi-year donation agreement with the Government of Sweden had been received by the trustee. In addition, the Government of the Walloon Region of Belgium confirmed it would be countersigning its donation agreement and making its donation in the coming weeks.

29. The Ethics and Finance Committee took note of the trustee's report as contained in document AFB/EFC.26.b/5.

b) Reconciliation of the Board and secretariat and trustee budgets for the fiscal year 2020

30. The representative of the secretariat presented the reconciliation of the Board and secretariat, evaluation function, and trustee budgets for the fiscal year 2020 (AFB/EFC.26.b/6). She said that the full description of the reconciliation exercise was available in the report and that she would be highlighting those budget items for which there had been relatively big variances between the budget and the actual expenditures. With respect to the administrative budget she said that the cross-support costs for staff from the Global Environment Facility had been variable and had depended on the number of proposals submitted for review. The cancellation of the physical meeting of the Board in March 2020 and the postponement of the United Nations Climate Conference in Bonn, Germany in June 2020, both due to the COVID-19 pandemic, had resulted in lower travel and logistical costs. The pandemic had also caused the cancellation of a number of readiness events.

31. The pandemic had limited travel and consequently the travel costs of the accreditation panel. While the number of meetings had been reduced the 'accreditation system' cases had increased due to the enhancement of the accreditation workflow and the hiring of a consultant to support the increasing accreditation related workload. She said that the underrun in that total amount of the evaluation function budget had been mainly due to the evaluation component. The budget for that, for fiscal year 2020, had been budgeted as lump sum to flexibly cover evaluation activities when the evaluation function was still in the start-up stage and the work programme was not developed yet. The actual costs for evaluation had eventually been significantly different from the estimated costs.

32. The representative of the trustee said that the higher investment management costs were due to larger average cash balances held in the Trust Fund than had been originally anticipated. He said that because the management fee was a fixed percentage of those amounts the actual fee charged was correspondingly higher than expected.

33. The Ethics and Finance Committee took note of the information contained in the reconciliation of the Board and secretariat and trustee budgets for the fiscal year 2020 (AFB/EFC.26.b/6).

Agenda Item 6: Report of the Chair of the Technical Evaluation Reference Group

Work Update Report – Report of the acting Chair of the Technical Evaluation Reference Group

34. At the request of the Vice-Chair of the EFC the acting Chair of the Adaptation Fund Technical Evaluation Reference Group (AF-TERG) provided an overview of: the work of the AF-TERG during fiscal year 2020, what it had been doing since then, its plans for the rest of the present fiscal year and its intended contributions to the end of fiscal year 2023. That information is more fully described in documents: *Work Update Report - Report of the acting Chair of the Technical Evaluation Reference Group* (AFB/EFC.26b/Inf.1) and *Evaluating Adaptation: Common Challenges Identified across Three Studies Commissioned by the Adaptation Fund Technical Evaluation Reference Group (AF-TERG)* (AFB/EFC.26.b/Inf.2).

35. He said that the Work Strategy and Work Programme of the AF-TERG were based on its three main functions and sought to ensure that Monitoring, Evaluation and Learning (MEL) was absorbed and used by the Fund and its partners at all levels. The Work Programme was organised into 10 work elements, and it was intended to cover nine of those during the present fiscal year. He highlighted the activities that had taken place during the past three months, which are more fully described in the documents, and drew attention to the engagement of a consultant to review and revise the Evaluation Framework and the project working groups which were being established to provide feedback towards the reviewing and revision the Evaluation Framework as well as the mid-term review of the medium-term strategy.

36. He said that those project working groups would cultivate a culture of authentic Adaptation Fund stakeholder engagement and provide advice to ensure that the evaluative products were developed with and for the intended users. They would increase the usefulness of evaluative products and would benefit from Board participation – as one of the key stakeholders in these project working groups – by ensuring that the collective voice of the Board was heard in important projects and by providing advice and increasing the understanding of the work of the AF-TERG.

37. He said that the implementation of the work programme was being affected by the COVID-19 pandemic and the resultant travel restrictions. As a relatively new function of the Fund, the AF-TERG would have benefited from visiting countries and projects, and from face-to-face meetings with IEs, the EFC and the Adaptation Fund Board. Looking ahead to fiscal year 2021, he said that the AF-TERG would complete the work elements that were in progress, especially the mid-term review of the Medium-term Strategy and the initiation of the review of the Evaluation Framework. He envisaged that by the end of fiscal year 2023, the AF-TERG would have a good understanding of the Fund's dynamic needs and priorities and be producing and sharing relevant, useful and timely evaluation products. It would be generating fit-for-purpose evaluative advice and providing evaluation guidance that met the Fund's needs and ensured that the evaluative, advisory and oversight functions fed into each other.

38. In response to questions about the membership in the proposed project working groups, the acting Chair of the AF-TERG explained that the membership would consist of representatives of the IEs, the Board secretariat, the NGO network and the Board. The evaluation experts would

come from outside the Fund, and, in response to a query about whether the NGO Network had already been approached, he confirmed that it had already been engaged as part of a survey that had already been undertaken. With respect to site visits, and whether it would be preferable for them to take place jointly with the Fund secretariat, the acting Chair of the AF-TERG said that a joint virtual visit had taken place in the past and were part of the joint work elements with the Fund secretariat.

39. The Manager of the secretariat said that he had been working closely with the AF-TERG since its inaugural meeting. Despite the pandemic that collaboration had been reasonably successful and although it was not possible to undertake physical site visits it had been planned that a member of the AF-TERG would have accompanied the secretariat on the recently cancelled site visit to India. He said that he had participated in the meetings of the AF-TERG in his capacity as Manager of the secretariat and had been impressed by the dynamic approach that the members of the AF-TERG had taken towards their work.

40. Chair of the EFC said that it was unclear what input was expected from the members of either the EFC or the Board and she asked what their workload would be. While it was good opportunity to be involved in the evaluation and monitoring process, the members of the EFC were not monitoring and evaluation experts and she wondered what added value they would provide to the process.

41. Acting Chair of the AF-TERG explained that the members of the project working group would be expected to bring forward the needs and expectations of the groups that they represented. They would also be expected to make suggestions on the most effective ways to engage the different stakeholder groups to ensure their meaningful participation in the evaluative work. They would provide feedback to the AF-TERG members and the consultants, although advice on the design and implementation of evaluative work was a task that might be more appropriate for the evaluation experts.

42. He said that the members would be expected to be available to the AF-TERG team as a sounding board and provide advice, although the AF-TERG and the consultants would retain the right of their own independent judgement about that advice. The calendar for the review of medium-term strategy was very condensed and it was expected that there would be a minimum of three meetings being held before the first meeting of the Board in 2021. The period for the review and revision of the evaluation framework was longer and would last until the end of 2022. There would also be a minimum of three meetings during that period, and that process would also involve the testing of the evaluation framework.

43. The EFC took note of the presentation by the acting Chair of the Adaptation Fund Technical Evaluation Reference Group.

Proposed recommendation by the Adaptation Fund Technical Evaluation Reference Group

44. The coordinator of the AF-TERG secretariat then asked if the EFC would be willing to consider a draft recommendation prepared by the AF-TERG to recommend nomination of members of the EFC or the Board to the project working group.

45. Chair of the EFC said that the agenda item had already been closed; the EFC had already taken note of the report and that no action had been suggested. She said that while a recommendation could be proposed, she was not sure that the EFC had all the elements to take a decision on it especially as the acting Chair of the AF-TERG had presented an oral report and the members might not be able to recall all the details that had been mentioned by him. She said that it was also unclear whether the issue being raised should be dealt with in the EFC or at the Board level. That was something that still needed to be clarified and she suggested that the AF-TERG make its proposal the following day when the EFC resumed its work.

46. The Vice-Chair of the EFC said that more clarity on the operational steps for the creation of the working groups was needed as that was not clear in the documents. He said that there were two options. It could be an internal organizational matter based on the voluntary participation of all stakeholders, including members of the EFC, who then would be representing themselves as experts. The other possibility would be the nomination by the EFC, or the Board, of the members. That would require discussion with, and clarification by, the Fund secretariat of the possibility of the Board nominating stakeholders, such as members of civil society, external experts and NIEs, to the working groups.

47. The position of the Vice-Chair was supported by members who said that if the EFC was to consider such a draft decision more clarity was needed on why the EFC itself could not provide the same function in the intersessional period and why a separate working group was needed. It was suggested that the proposal be laid out in four or five points that explained the functions of the working group so that the EFC would be able to understand whether it was able to cover them, especially as the members would not be experts for those functions. The draft recommendation should be presented without giving any promise to approve it in advance. It was a new idea and it needed to be discussed. While the idea was clear the implementation of the idea had to be elaborated, and it seemed that the function being proposed could be addressed by the EFC itself.

48. The Manager of the secretariat said that the Fund secretariat would help the secretariat of the AF-TERG draft a recommendation to the Board on the issue. He had discussed some elements for such a recommendation with the secretariat of the AF-TERG but noted that the EFC had been clear that its consideration of such a recommendation would be a first discussion of the issue and that it was too soon to say whether the EFC would reach a conclusion on it.

49. Subsequently the Manager of the secretariat introduced a draft recommendation for the consideration of the EFC.

50. In the discussion that followed it was asked whether the creation of the project working groups would require the approval of the Board and whether the AF-TERG could establish the objectives of the working groups for itself and invite the inclusion of independent experts or whether that would also require a Board decision. The Manager of the secretariat explained that

the plan was to have the members of the Board voluntarily participate in the working groups in their individual capacities and not as representatives of the Board. Consequently, the Board would not need to appoint them to the working groups.

51. Doubts were expressed about the participation of the members of the Board in their individual capacity. The AF-TERG was to provide independent advice to the Board and there seemed to be a possibility for a conflict between that and the supervisory function of the Board. It was also observed that originally the proposal had been that the EFC would have a specific role with respect to the AF-TERG and it was asked what the relationship of the EFC to the project working groups would be and how that could be reconciled with the voluntary participation of members of the EFC.

52. The acting Chair of the AF-TERG explained that the EFC had a supervisory role and that the AF-TERG reported to it. The contradiction seemed to be between the EFC playing an advisory role while at the same time undertaking its supervisory role. He said that the members of the AF-TERG had seen a potential link between those two roles and that during the process of engaging and working with the AF-TERG, by providing advice, the EFC members would get a good sense of how the AF-TERG worked. That would provide insights for their supervisory role. He said that the proposal addressed the participation by Board members in the project working groups and not the creation of those working groups. The AF-TERG had an independent choice of experts but did not have the power to have Board members participate in the working groups which was the reason for the recommendation.

53. The coordinator of the AF-TERG secretariat said that the AF-TERG was an independent body which could get inputs from a variety of stakeholders, including the members of the Board. The recommendation did not affect its independence. It was up to the AF-TERG to decide whether or not to take the advice of the project working groups, so there was no question of the independence of the AF-TERG. The Board members were being asked to participate in an individual capacity to avoid the issue of the supervisory role of the EFC. The reason to extend that invitation to all Board members was to also include the members of the PPRC for their expertise.

54. The Vice Chair said that more clarity was needed on the role of the members of the EFC in the project working groups and how that affected the supervisory nature of their work. He asked whether the Board could take a decision to encourage members to participate if they were to participate in their individual capacity and not as members of the Board. As drafted subparagraphs (a) and (b) of the recommendation could give that clarity and therefore could be supported, but there seemed to be no support in the EFC for subparagraph (c) of the draft recommendation. It had been observed that the draft recommendation was only the initial step and more information was required. Possible options should be suggested before a decision could be made and the recommendation should refer to the possible participation of the Board members and not prejudge their participation in the working groups.

55. The Manager of the secretariat asked whether the possible options should be circulated intersessionally or submitted to the next meeting of the EFC, and there was agreement that the

possible options should be considered at the next meeting of the EFC to allow for a proper discussion of them.

56. The coordinator of the AF-TERG secretariat pointed out that if the EFC decided to defer consideration of the issue of membership by Board members in the project working groups until its next meeting then that would preclude Board members from participating in the discussions of the mid-term review of the medium-term strategy which would also be presented at the next meeting of the EFC, or providing feedback on the review and revision of the Adaptation Fund's Evaluation Framework for which a project working group was also being considered. He asked whether the members of the EFC were comfortable with that. He also pointed out that subparagraph (b) of the recommendation, as drafted, had been meant for individual evaluation work elements and that there might be slight differences in the work, objectives rules and responsibilities and the time commitments.

57. The Manager of the secretariat explained that the project working groups were being set up by the AF-TERG and it was within its mandate to determine the membership of those groups; what was presently being discussed were options for the participation of the Board members and not the participation of the other members of the working groups.

58. The acting Chair of the AF-TERG said that the possible options were either that the Board members would participate as individuals or as representatives of the Board. It was also possible that the Board members could serve as a focal point within the Board that conveyed the interests and expectations of the Board on issues of the evaluative work being conducted.

59. Having considered the report by the acting Chair of the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) and the information contained in paragraph 15 of document AFB/EFC.26.b/Inf.1 on the use of project working groups (PWGs) during the implementation of evaluative work elements, the Ethics and Finance Committee recommended that the Adaptation Fund Board (the Board):

- (a) Take note of the information contained in paragraph 15 of document AFB/EFC.26.b/Inf.1 on the establishment and use of project working groups (PWGs) during the implementation of evaluative work elements; and
- (b) Request the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) to submit to the Ethics and Finance Committee, at its twenty-seventh meeting, the necessary information on: the objectives, composition and membership of the PWGs, the roles and responsibilities of their members, the timeframe and time commitment, and present options for the possible participation of members of the Board in the work of the PWGs.

Recommendation EFC.26.b/3

Agenda Item 6: Other matters

60. No other matters were raised.

Agenda Item 7: Adoption of the recommendations and report

61. The Chair said that secretariat would prepare the report of the meeting and circulate it to the members of the EFC for endorsement prior to the second part of the thirty-fifth meeting of the Board. The present report was adopted intersessionally by the EFC following its twenty-sixth meeting.

Agenda Item 18: Closure of the meeting

62. Following the customary exchange of courtesies the meeting was closed at 3:45 p.m. Central European Time on 16 October 2020.

ANNEX I

Ethics and Finance Committee Twenty-sixth Meeting Bonn, Germany (Virtual) 15-16 October 2020

EFC members present in the meeting

Mr. Ibila DJIBRIL (Benin, Africa)

Mr. Mohamed ZMERLI (Vice-Chair) (Tunisia, Africa)

Ms. Ji Young CHOI (Republic of Korea, Asia-Pacific)

Ms. Sheyda Nematollahi SARVESTANI (Islamic Republic of Iran, Asia-Pacific)

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

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

Ms. Mariana KASPRZYK (Uruguay, Latin America and the Caribbean)

Ms. Eleonora COGO (Italy, Western Europe and others)

Mr. Nilesh PRAKASH (Fiji, Small Island Developing States)

Ms. Sylviane BILGISCHER (Chair) (Belgium, Annex I Parties)

Mr. Mattias BROMAN (Sweden, Annex I Parties)

Ms. Antonia FLÜCK (Switzerland, Annex I Parties)

Mr. Ali Waqas MALIK (Pakistan, Non Annex I Parties)

Ms. Naima OUMOUSA (Morocco, Non Annex I Parties)