



ADAPTATION FUND

AFB/EFC.32/2
8 October 2023

Adaptation Fund Board
Ethics and Finance Committee
Thirty-second Meeting
Bonn, Germany, 10-11 October 2023

ANNOTATED PROVISIONAL AGENDA

1. Opening of the meeting

The Chair of the Ethics and Finance Committee (EFC), Mr. Michai Robertson (Antigua & Barbuda, Small Island Developing States (SIDS)) will open the meeting.

2. Organizational matters:

a) Adoption of the agenda

Documents: AFB/EFC.32/1/Rev.1, *Provisional agenda* and AFB/EFC.32/2, *Annotated provisional agenda*.

Action expected: The EFC will be invited to adopt the agenda for the meeting and to raise any other matters it may wish to discuss. These other matters will be included on the agenda under item 11.

b) Organization of work

Documents: AFB/EFC.32/1/Rev.1, *Provisional agenda* and AFB/EFC.32/2, *Annotated provisional agenda*.

Background: The Chair will propose to the EFC the organization of work as suggested in the attached provisional timetable.

3. Annual performance report for fiscal year 2023

Document: *AFB/EFC.32/3, Annual performance report for fiscal year 2023.*

Background: The secretariat will present the annual performance report (APR) for the fiscal year 2023 for consideration by the EFC. The report highlights the unique value of the Fund's pioneering sustainable and scalable projects and provides a wide range of

information since the inception of the Fund in 2010 and on the progress of the Medium-Term Strategy (MTS) implementation, following the strategic foci of: Action, Innovation, Learning and Sharing and its cross-cutting areas. The report provides also information on the active pipeline of proposals under development and presents the growth of the Fund's portfolio.

Action expected: The EFC will be invited to consider the annual performance report for the fiscal year 2023 contained in document AFB/EFC.32/3, and to make a recommendation to the Board for approval.

4. Financial issues:

a) Financial status of the Trust Fund and CER monetization

Document: AFB/EFC.32/4, *Adaptation Fund Trust Fund: Financial report prepared by the trustee (as at 30 June 2023).*

Background: The trustee will report on the financial status of the trust fund to the EFC.

Action expected: The EFC will be invited to consider and take note of the report presented by the trustee.

b) Reconciliation of the administrative budgets of the Board and the Secretariat, the Evaluation Function, and the Trustee for fiscal year 2023

Document: AFB/EFC.32/5, Reconciliation of the administrative budgets of the Board and the secretariat, the evaluation function, and the trustee for the fiscal year 2023.

Background: The secretariat and the trustee will present the reconciled budgets for fiscal year 2023 (1 July 2022 – 30 June 2023).

Action expected: The EFC will be invited to consider and take note of the reconciled budgets of the Board and the secretariat, the evaluation function, and the trustee for the fiscal year 2023.

c) Update on the indirect cost recovery issue by the World Bank

Document: None.

Background: The secretariat of the Global Environment Facility (GEF) that hosts the Adaptation Fund Board (AFB) Secretariat has been discussing with the World Bank management on its indirect cost recovery issue, and the AFB Secretariat has also been contributing to the GEF's negotiation with the World Bank. The AFB Secretariat will report the development on the matter since the fortieth meeting of the Board.

Action expected: The EFC will be invited to consider and take note of the report to be provided by the secretariat.

5. Report of the Chair of the Technical Evaluation Reference Group, including:

a) Work update reporting

Document: AFB/EFC.32/Inf.2, *Work Update Report of the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) - Progress Update for Fiscal Year 2023 (FY23) and Forward Priorities for Fiscal Year 2024 (FY24)*

Background: The Chair of the AF-TERG will provide an annual progress update for FY23 on the multi-year workplan and outline forward priorities for FY24.

Action expected: The EFC will be invited to consider the information presented in the Chair's presentation and the written report.

b) Guidance in support of the operationalization of the Evaluation Policy

Documents:

- AFB/EFC.32/Inf.4, *Guidance in support of the operationalization of the Evaluation policy: Real-Time Evaluations*
- AFB/EFC.32/Inf.5/Rev.1, *Guidance in support of the operationalization of the Evaluation policy: Overarching guidance notes*

Background: Pursuant to Decision B.39/55, regarding the Draft Framework for the Development of Evaluation Policy Guidance Documents (AFB/EFC.30/8/Rev.1), the AF-TERG continued the development of evaluation policy guidance documents in consultation with the secretariat. This document provides the second set of evaluation guidance notes prepared by the AF TERG that will further inform the operationalization of the Evaluation Policy scheduled for October 2023.

Action expected: The EFC will be invited to consider and take note of the presented documents.

c) Rapid evaluation of the Fund

Document: AFB/EFC.32/6/Rev.1, *Rapid evaluation of the Adaptation Fund*

Background: Following Decision B.39/57 and based on the Terms of Reference (ToR) for the rapid evaluation of the Fund presented to EFC through document AFB/FC 30-31/Inf. 1, the AF-TERG conducted a rapid evaluation of the Adaptation Fund in the period March – August 2023. The evaluation had three objectives, namely to:

- 1) *Develop a framework to organize existing evidence around the Fund's mandate, priorities, core indicators and the Fund's Evaluation Policy.*

- 2) *Synthesize evidence, lessons and experiences to identify trends and identify potential knowledge gaps, in relation to the results (including impact), operations and comparative advantage of the Fund.*
- 3) *Provide inputs to the overall evaluation of the Fund which, per Decision B.29/7, will conclude in 2026.”*

Following the analytical framework developed as part of the evaluation at macro, meso and micro levels, the evaluation developed a set of recommendations as presented in the attached evaluation report.

Action expected: The EFC will be invited to consider and take note of the report on the rapid evaluation, as contained in document AFB/EFC.32/6/Rev.1, and to make a recommendation to the Board in line with the recommendations contained in Document AFB/EFC.32/6/Rev.1.

d) Approach for AF-TERG work programme FY25-27

Document: AFB/EFC.32/Inf.3, *Approach to the second strategy and work programme of the Technical Evaluation Reference Group of the Adaptation Fund for the period 2025-27 (WP2)*

Background: The current multi-year work programme of the AF-TERG (AFB/EFC.26.a-26.b/3) was approved by the Board through intersessional decision B.35a-B.35.b/29 and covers the period up to June 2024. As this is the last year of the current work programme, the AF-TERG has prepared this draft approach paper for the second multi-year programme (WP 2) to seek guidance from the EFC and Board members on the overall direction, prioritization across workstreams, the potential increase in the numbers of evaluation products to be delivered, capacity of the AF-TERG and resources available. The final version of the work programme will be prepared through extensive consultations and presented to the Board in March 2024.

Action expected: The EFC is invited to consider the approach paper, as presented in document AFB/EFC.32/Inf.3 and provide recommendations to the AF-TERG on the overall direction for the preparation of the new multi-year work programme for the period FY25-27.

6. Review of implications and options for evaluation costs and evaluation budget guidance

Document: AFB/EFC.32/7, *Operationalization of the Evaluation Policy of the Adaptation Fund - Review of budget implications and options for consideration*

Background: Pursuant Board decision B.40/66 requesting the secretariat to prepare a review of implications and options for the consideration of the EFC at its thirty-second meeting with regard to Decision B.40/66, including consulting with relevant stakeholders such as the AF-TERG and Adaptation Fund implementing entities, the document

EFC.32/7 is presented for consideration. The secretariat has coordinated with AF-TERG during the preparation of this document.

Action expected: The EFC will be invited to consider and take note of the report on “Review of implications and options for evaluation costs and evaluation budget guidance” in support of the operationalization of the Evaluation Policy budgeting guidance notes, as contained in document AFB/EFC.32/7, and to make a recommendation to the Board for its approval of the budget range for project evaluation cost as proposed by the secretariat in Document AFB/EFC.32/7.

7. Management response to the rapid evaluation

Document: AFB/EFC.32/8, Management response to rapid evaluation of the Adaptation Fund

Background: As per Board decision B.39/57, the secretariat prepared a management response to the findings of the rapid evaluation conducted by AF-TERG as contained in document AFB/EFC.32/6/Rev.1. The document of the secretariat management response as contained in document AFB/EFC.32/8 presents the overall response and specific feedback on each of the findings of the rapid evaluation.

Action expected: The EFC will be invited to consider and take note of the management response to the rapid evaluation, as contained in document AFB/EFC.32/8, and to make a recommendation to the Board for its approval.

8. Update on implications of the fiduciary issues related to the United Nations Development Programme

Document: AFB/EFC.32/10, Update on implications of the fiduciary issues related to the United Nations Development Programme [Confidential]

Background: As per Board decision B.40/68, the secretariat will present a report on the update on the on the implications of the fiduciary issues related to the United Nations Development Programme (UNDP) as contained in document AFB/EFC.31/7.

Action expected: The EFC will be invited to take note of the update report contained in document AFB/EFC.31/7 and its annexes and recommend to the Board for approval the way forward on the matters related the implications of the fiduciary issues related to the United Nations Development Programme.

9. Request for a revision of legal agreement

Document: AFB/EFC.32/9, Request for a revision of Adaptation Fund’s standard legal agreement by the Food and Agriculture Organization of the United Nations (FAO) [Confidential]

Background: The project titled “Strengthening Resilience to Climate and Covid-19 shocks through Integrated Water Management on the Sudan – Chad Border area (SCCIWM)”,

submitted by the Food and Agriculture Organization of the United Nations (FAO) was approved by the Board in its thirty-eighth meeting in March 2022 (Decision B.38/30). As per the Fund's operational policies and guidelines, a legal agreement is required to be signed between the Board and FAO within a period of four (4) four months from the date of notification of the approval of the project/programme proposal. To date, the project legal agreement has not been signed between the Board and FAO. FAO sent letter to the Chair of the Board in August 2022, requesting an amendment of the Fund's standard legal agreement on matters related to policy compliance and auditing respectively as contained in clauses 3.02 (i) and auditing as contained in clause 7.01 (f) of the standard legal agreement. At its thirty-first meeting, the EFC considered the FAO's request to amend the Fund's legal agreement and made a recommendation to the Board. At its fortieth meeting, the Board decided:

- (a) To take note of the letter from the Food and Agriculture Organization of the United Nations (FAO) requesting amendments to the standard legal agreement of the Adaptation Fund (the Fund), as contained in annex 1 to document AFB/EFC.31/10;
- (b) To reiterate that the Fund's standard legal agreement applies uniformly to all implementing entities (IEs), is not open to different readings or negotiations and cannot be amended to accommodate a request by an individual IE or to make an exception exclusively for an individual IE;
- (c) To request FAO to sign the legal agreement for the project entitled "Strengthening resilience to climate and COVID-19 shocks through integrated water management on the Sudan-Chad border area" no later than 30 June 2023, recalling paragraph 63 of the Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund;
- (d) To request the secretariat:
 - (i) To send letters to the relevant designated authorities informing them about the delays resulting from the legal issues raised by FAO;
 - (ii) To communicate the present decision to FAO;
 - (iii) To report to the Ethics and Finance Committee at its thirty-second meeting on the outcomes of the requests contained in subparagraphs (c), (d) (i) and (d) (ii) above, and to propose further steps as necessary.

(Decision B.40/70)

In response to Decision B.40/70, the secretariat sent letters to the relevant designated authorities informing them about the delays resulting from the legal issues raised by FAO and sent a letter to FAO with Board decision B.40/70 requesting FAO to sign the legal agreement no later than 40 June 2023, recalling paragraph 63 of the OPG. FAO sent a response letter to the secretariat letter on 1 July 2023.

Action expected: The EFC will be invited to (1) take note of secretariat's report on this matter and (2) consider and recommend a course of action to the Board for its consideration.

10. Implementation Matter 001

Document: None.

Background: At its thirty-first meeting, the secretariat provided an oral report to the EFC on an implementation matter in a project funded by the Adaptation Fund. Having considered the recommendation of the EFC on this matter, at the fortieth meeting, the Board decided to request the secretariat:

- (a) To continue to follow up on Implementation Matter 001 by engaging with the implementing entity concerned;
- (b) To report back to the Ethics and Finance Committee at its thirty-second meeting

(Decision B.40/7)

In response to Decision B.40/7, the secretariat followed up on this matter by engaging with the implementing entity concerned and prepared a report to be presented to the EFC at its thirty-second meeting.

Action expected: The EFC will be invited to take note of the secretariat's oral report on this matter and consider recommend a course of action, as appropriate and necessary, to the Board for consideration.

11. Other matters

EFC members will be invited to discuss any other matters raised during the adoption of the agenda.

12. Adoption of the recommendations and report

EFC members will be invited to adopt EFC's recommendations to the Board and the report of the EFC meeting.

13. Closure of the meeting

The Chair of the Ethics and Finance Committee (EFC) will close the meeting.

PROVISIONAL TIMETABLE

All timetables are (UTC+01:00) Central European Time (Bonn, Germany).

Day 1: 10 October 2023

[Board agenda item]

9:00 – 9:15 Election of the outstanding officers

Morning session

9:30 – 9:50 1 Opening of the meeting

2 a) Adoption of the agenda

2 b) Organization of work

9:50 – 10:50 5 Report of the Chair of the Technical Evaluation Reference Group, including:

a) Work update reporting

b) Guidance in support of the operationalization of the Evaluation Policy

10:50 – 11:10 *Coffee break*

11:10 – 12:00 5 Report of the Chair of the Technical Evaluation Reference Group, including: [Continued]

c) Rapid evaluation of the Fund

d) Approach for AF-TERG work programme FY25-27

12:00 – 12:30 6 Review of implications and options for evaluation costs and evaluation budget guidance

12:30 – 14:00 *Lunch break*

Afternoon session

14:00 – 14:30 7 Management response to the rapid evaluation

14:30 – 15:00 8 Update on implications of the fiduciary issues related to the United Nations Development Programme

15:00 – 15:20 *Coffee break*

15:20 – 15:50	3	Annual performance report for fiscal year 2023 [Remote presentation]
15:50 – 16:20	9	Request for a revision of legal agreement
16:20 – 16:50	10	Implementation Matter 001

Day 2: 11 October 2023

Morning session

9:00 – 9:10	1	Opening of the meeting
9:10 – 9:40	4 a)	Financial status of the Trust Fund and CER monetization
9:40 – 10:10	4 b)	Reconciliation of the administrative budgets of the Board and the Secretariat, the Evaluation Function, and the Trustee for fiscal year 2023
10:10 – 10:30	4 c)	Update on the indirect cost recovery issue by the World Bank
10:30 – 10:50		<i>Coffee break</i>
10:50 – 11:20	11	Other matters
11:20 – 12:30		(Remaining agenda items from Day 1 if any)
12:30 – 14:00		<i>Lunch break</i>

Afternoon session

[The secretariat may request for additional time before agenda 12 to accommodate discussions held earlier on Day 2 in the EFC report for adoption.]

14:00 – 14:30	12	Adoption of the recommendations and report
	13	Closure of the meeting