



ADAPTATION FUND BOARD

Ethics and Finance Committee

Thirty-sixth meeting

Bonn, Germany, 7–8 October 2025

**DRAFT REPORT
OF THE THIRTY-SIXTH MEETING
OF THE ETHICS AND FINANCE COMMITTEE OF THE ADAPTATION FUND BOARD**

Item 1. Opening of the meeting

1. The Chair of the Ethics and Finance Committee (EFC), Ali Daud Mohammed (Kenya, Africa), opened the meeting at 9.10 a.m. on 7 October 2025.

Item 2. Adoption of the agenda

2. The EFC adopted the following agenda for its thirty-sixth meeting on the basis of the provisional agenda (AFB/EFC.36/1/Rev.1):
 1. Opening of the meeting.
 2. Organizational matters:
 3. Annual performance report for fiscal year 2025.
 4. Financial status of the trust fund and CER monetization.
 5. Reconciliation of the administrative budgets of the Board and secretariat, the evaluation function and the trustee for financial year 2025.
 6. Analytical work on nationally determined contribution / national action plan alignment.
 7. Portfolio monitoring mission update.
 8. Report of the Chair of the Technical Evaluation Reference Group, including:
 - (a) Work programme update of the Technical Evaluation Reference Group;
 - (b) Readiness evaluation report;

- (c) Report on the implementation of the Evaluation Policy, including the initial Management Action Tracker;
 9. Other matters.
 10. Adoption of the recommendations and report.
 11. Closure of the meeting.
3. 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 they might have with any item on the agenda of the current meeting. He also drew attention to the Board's code of conduct and zero tolerance policy, which were available on the website of the Fund.
4. No member declared a conflict of interest.

Item 3. Annual performance report for fiscal year 2025

5. Representatives of the secretariat provided an overview of the annual performance report for fiscal year 2025 (AFB/EFC.36/2).
6. Following the presentation, members posed a number of questions relating to, among other things, reaccreditation of national implementing entities (NIEs); promotion of the Fund; project sustainability, including sustainability indicators; innovation projects; and South-South cooperation. Noting that reaccreditation would be more fully addressed under an item on the agenda of the Board meeting, a representative of the secretariat reported that 41 of the Fund's 63 implementing entities had been reaccredited to date, including 23 NIEs, and 19 applications for reaccreditation were currently under review, including 11 for NIEs. With respect to innovation projects, one representative of the secretariat referred members to a webpage¹ for more information on a wide range of innovation projects implemented by the Fund, and another recalled that the Board had recently increased the ceilings for learning grants and for bundled small learning and innovation grants, with a view to increasing the number of project applications received through those funding windows.
7. Responding to a question on how the Fund was promoted, one of the representatives of the secretariat said that the Fund, with support from its communication function, conveyed information on the Fund's work to the general public as well as the Fund's partners, implementing entities and beneficiaries, including through social media, workshops for peer-to-peer exchange, webinars and online events. The knowledge management function and Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) also collected knowledge and shared it with the general public in the context of its work. Turning to the question of project sustainability, she drew attention to a recently published report on mainstreaming scaling in the Adaptation Fund, which looked at both how the Adaptation Fund approached scaling and opportunities for further scaling. The secretariat

¹ <https://www.adaptation-undp.org/afcia/dashboard>.

also looked closely at sustainability during monitoring missions, and had found the level of ownership created at the national and local levels to be an important factor for sustainability, along with the extent to which the project built on existing mechanisms within the government. The AF-TERG also looked at sustainability and scale-up in its ex-post evaluations. There was no specific indicator on sustainability because the Fund's results framework was organized around eight outcome areas that did not include sustainability; however, relevant information was collected through the annual project performance reports, which included questions on scale and sustainability.

8. Addressing queries about South-South cooperation, the Manager of the secretariat recalled that the readiness programme included various instruments designed to foster South-South cooperation. The Fund currently provided Readiness Package Grant that built on the previous South-South cooperation Grants to support NIEs from one country helping potential entities from another country become accredited. In addition, the Adaptation Fund and the Green Climate Fund shared a very active community of practice composed of NIEs of both organizations, which met several times a year, supporting the exchange of knowledge and lessons learned in terms of practical aspects and access to finance.
9. Having considered document AFB/EFC.36/2, the Ethics and Finance Committee recommended that the Adaptation Fund Board (the Board):
 - (a) Approve the Adaptation Fund's annual performance report for the fiscal year 2025, as contained in annex I to document AFB/EFC.36/2;
 - (b) Request the secretariat to prepare a summary version of the annual performance report for the general public, in a reader-friendly, graphically designed format, following the Board's approval.

(Recommendation EFC.36/1)

Item 4. Financial status of the trust fund and CER monetization

10. A representative of the trustee presented the Adaptation Fund Trust Fund financial report prepared by the trustee as at 30 June 2025 (AFB/EFC.36/3). At 30 June 2025, funds available for new decisions had amounted to \$563.8 million, net of the operational reserve, with an additional \$79.4 million in contributions receivable and \$19.5 million in the form of pledges, for a total of \$662.8 million in potential funding availability. An additional \$23.2 million in contributions had been received in the third quarter. In the first half of calendar 2025, the Fund had generated \$27.7 million in investment income, bringing total investment income earned since inception to \$176.7 million. In the same period, the trustee had generated \$4.4 million in proceeds from the sale of CERs at an average price of \$2.1 per ton, with such sales currently representing voluntary purchases by private or

public sector entities. The trustee's latest report, along with its previous reports for the Fund, was available on the trustee's website.²

11. Following his presentation, the representative of the trustee responded to a number of questions. Asked about the lower level of investment income, he noted that the amount represented the return for only the first six months of the year, and that the annualized return could be expected to remain in line with the returns in previous years. Regarding the cost of the trustee's services relative to the investment income generated, he indicated that the trustee's cumulative administrative budget since inception was \$15.9 million, representing about 1 per cent of the Fund's cumulative funding decisions to date.
12. In response to a request, a representative of the secretariat also provided information on new pledges. She explained that, in addition to the new pledge received from Sweden for 2025 that had already been paid, another new pledge, of €5 million, had been received from the Government of Spain. A further pledge had been received from the Government of the Walloon Region, Belgium, in the amount of €3 million, and had also already been paid. In addition to those three new single country pledges there were existing multi-year pledges from the Governments of Iceland, the Republic of Korea and Switzerland, for a total of six new pledges for 2025, totalling €29 million.
13. The Manager of the secretariat added that the secretariat continued to work on approaching Governments that had not yet contributed to the Fund in order to solicit contributions from them but that had not yet led to new pledges in the current year.
14. The Ethics and Finance Committee took note of the trustee's report, as set out in document AFB/EFC.36/3.

Item 5. Reconciliation of the administrative budgets of the Board and secretariat, the evaluation function and the trustee for fiscal year 2025

15. Representatives of the secretariat, the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) and the trustee presented the budget reconciliations for fiscal year 2025 (1 July 2024–30 June 2025) (AFB/EFC.36/4).
16. During the ensuing discussion, several members asked about the relatively low budget execution rate and possible measures to increase it. Responding, a representative of the secretariat said that as of fiscal 2026, the budget would be redesigned to align with the team-based structure of the secretariat, to better identify the cost categories on a line-item basis. The items would have fixed and variable portions, with the variable portions developed by each team in a bottom-up budget planning process and cost drivers identified and mapped out across the year. The new design was intended to make the cost drivers clear and transparent and allow better control and monitoring through the year. A monthly burn rate report would enable each team to track spending and budget

² <https://fiftrustee.worldbank.org/en/about/unit/dfi/fiftrustee/fund-detail/adapt>.

implementation and quarterly budget meetings would be held to catch trends and detect challenges and issues with implementation and solve them collectively.

17. The representative of the AF-TERG said that, based on current projections, he expected the evaluation function to exceed a 90 per cent budget execution rate. The only issue at present was the current freeze on recruitment at the World Bank, which was preventing the hiring of a third member to replace the member whose term had ended in June. Like the Fund secretariat, the AF-TERG had a clear budget management system and ongoing tracking of execution rates.
18. In response to another question, the representative of the secretariat provided additional clarifications on the World Bank hosting fees. She explained that the World Bank had requested all three units of the Global Environment Facility (GEF) Vice-Presidency, namely the GEF secretariat, the GEF Independent Evaluation Office and the Adaptation Fund Board secretariat, to pay a hosting fee of approximately 20 per cent for fiscal 2024 and 18 per cent for fiscal 2025, with the 2 per cent reduction achieved by scaling back the services provided by the World Bank's Budget, Performance Review and Strategic Planning Vice-Presidency. The secretariat had paid a fee of only 11 per cent, however, in accordance with a decision of the GEF Council that capped the payment of the fee at that level.
19. Another representative of the secretariat addressed a query about the 22 per cent execution rate for the resource mobilization budget, explaining that the low rate was misleading, as it arose solely from a timing issue; the expenditure in question had been incurred slightly later than planned and would be recorded in the current financial year.
20. The Ethics and Finance Committee took note of the reconciled budgets of the Board and the secretariat, the evaluation function and the trustee for fiscal year 2025, as set out in document AFB/EFC.36/4.

Item 6. Analytical work on nationally determined contribution / national action plan alignment

21. A representative of the secretariat presented the findings of a study on the alignment of Adaptation Fund portfolio projects with national adaptation plans (NAPs) and nationally determined contributions (NDCs) (AFB/EFC.36/5, annex).
22. During the ensuing discussion, members noted the challenges involved in determining alignment and highlighted the complexity of developing a national action plan and the significant differences in approach from one country to the next. Several underscored that perfect alignment was not possible; furthermore, misalignment with NAPs or NDCs should not necessarily be viewed as negative, as it reflected a level of flexibility, or potential for innovation, in implementation at the local level. One said that the climate funds should aim to help countries meet their needs rather than drive adaptation ambition and support

innovation, and she advised caution regarding the message conveyed regarding the Fund's function.

23. One member suggested that, given the complexity of the process, the alignment analysis methodology could be improved by partnering in each country with someone from civil society who was familiar with government procedures. Responding, a representative of the secretariat acknowledged that it would be more useful to speak directly to the country but noted that in the present case the secretariat had received few responses to its surveys associated with the study undertaken, leading to even fewer opportunities for interviews.
24. Responding to other comments, as well as several questions, a representative of the secretariat confirmed that the alignment study had not been intended to pass judgement on countries' priorities but rather to look at whether the Fund was responding to the countries' priorities, primarily as expressed in the NAPs and NDCs. She further noted that most of the Fund's projects had been approved before NAP were developed at the country level. In addition, NDCs contained little detail on adaptation priorities or projects, hence the analysis could only be done using the limited information in those documents. She underscored that close alignment could only really be sought in the 23 projects that had been approved after NAP submission, and in fact almost all of them had shown very high alignment to either broad or specific NAP goals. In cases where a project was approved before NAP development but the NAP became available during project implementation, the secretariat had also found high alignment when specific information was provided in the NAP. Turning to a suggestion to scale up through the Green Climate Fund, she drew attention to the scaling-up framework currently being developed by the Adaptation Fund and the Green Climate Fund, under which the Adaptation Fund would support countries in preparing a package to present to the Green Climate Fund. The secretariat was currently reviewing a draft version of the framework and hoped to put the framework into effect very soon.
25. The Ethics and Finance Committee took note of the information provided.

Item 7. Portfolio monitoring mission update

26. Representatives of the secretariat presented an oral update on a project on transboundary flood risk in the Western Balkans, covering Albania, Montenegro and North Macedonia; a nature-based solution project in Malaysia; and a project on climate and disaster resilience for urban settlements in Lao People's Democratic Republic.³
27. Members welcomed the update and the encouraging results reported, saying that seeing projects was encouraging and inspiring. They also said that they would like future updates to include information on the more challenging projects. One highlighted the points made on leveraging co-financing and the importance of the sense of agency for project impact, success and sustainability.

³ The PowerPoint presentation is available as information document AFB/EFC.36/Inf.1.

28. Responding to the comments, the representative of the secretariat mentioned that even projects presented at the current meeting had generated many lessons and faced challenges, but given the short amount of time available for the update, the secretariat had not had the time to share the details with the EFC in the context of the presentation. She assured the members that the secretariat had extensive exchanges with the project teams during project site visits and that project performance overall was tracked through the project performance reports, which at times went through three rounds of feedback and engagement with the stakeholders, during which the secretariat identified the challenges faced and provided whatever support it could.
29. The Ethics and Finance Committee took note of the information provided.

Item 8. Report of the Chair of the Technical Evaluation Reference Group of the Adaptation Fund

A. Work programme update of the Technical Evaluation Reference Group

30. The Chair and the Secretariat Coordinator of the AF-TERG provided an update on the second multi-year work programme (AFB/EFC.36/6), with a focus on the comprehensive evaluation of the Fund, the mid-term review of the second medium-term strategy of the Fund, and the evaluation of the systems and processes supporting governance for enhanced performance of the Fund.
31. Following their presentation, they provided additional information in response to questions and comments from members.
32. Responding to a query about the peer review and a comment from one member regarding the need for an external evaluation of the AF-TERG, the Chair of the AF-TERG clarified that the internal reflection she had described was only stage I of a two-stage process. The approach to the second stage, which was currently expected to be an external process, would be discussed with the secretariat and presented to the EFC at its thirty-seventh meeting. A member of the EFC expressed support for the internal reflection process, but emphasized the importance of it being complemented by an outside view, which was an inherent part of an independent evaluation. Another member of EFC also expressed support for the process. Turning to questions regarding ex post evaluations, the AF-TERG Chair explained that the AF-TERG looked at the sustainability of project outcomes and pathways for resilience and shared its findings with implementing entities, but did not have a mandate to follow up with stakeholders on putting sustainability mechanisms in place. As findings were shared directly with stakeholders, they could be used to inform any subsequent project cycle or project proposal development. All six ex post evaluations completed to date were publicly available on the AF-TERG website, and the AF-TERG would need to complete 12 to have sufficient evidence before it could draw any overarching conclusions from its findings. She also addressed a question on AF-TERG representation in external forums and Fund events, saying that the AF-TERG participated selectively in events, particularly where other evaluation agencies were likely to attend,

presenting an opportunity for an exchange of views, as well as events where it could participate in lesson-sharing and share evidence of the work of the Fund in the climate finance arena.

33. The Secretariat Coordinator addressed a question regarding the representativity of stakeholder groups in the various evaluations, saying that, for each of the three evaluations that it currently had running in parallel, the AF-TERG was attempting to interview Board members representing each of the different constituencies, while at the same time attempting to avoid stakeholder fatigue. In addition, depending on the topics covered in each evaluation, it would also look at the external stakeholders who could provide valuable insights. The Chair of the AF-TERG nevertheless acknowledged that all Board members were being offered interviews for the evaluation of the systems and processes supporting governance for enhanced performance of the Adaptation Fund (G/PS), because it affected everyone, although the AF-TERG understood that everyone might not be able to do the interviews.
34. The Ethics and Finance Committee took note of the information provided.

B. Readiness evaluation report

35. A member of the AF-TERG presented the main findings and key messages of the evaluation of the readiness programme of the Adaptation Fund, following which a representative of the Fund secretariat presented the management response to the evaluation (AFB/EFC.36/7).
36. One member said that the results of the evaluation were consistent with her experience with readiness grants, which a decade earlier had not been sufficient either for preparing for accreditation or developing a project proposal. She advised the secretariat to ensure that it kept abreast of the cost of developing a funding proposal, and that the environmental and social standards (ESS) and gender document was not a “women and girls” document, which in her experience could create problems at the national level. In that regard, she characterized the ESS and gender document as a risk management tool that was applied across all developing countries even though the risk in all those countries was not the same; consequently, she suggested that the Adaptation Fund consider carrying out risk profiling.
37. Another member, commenting on the recommendations, concurred with management’s response to the first recommendation, as the recommendation applied more to the accreditation readiness than programming readiness. She also noted that some developing countries might already have an NIE but still need capacity-building because of staff turnover. Moving on to the second recommendation, she said that it was beyond the scope of the AF-TERG mandate. Lastly, in connection with the fourth recommendation, which called for more tailored support for countries seeking NIE accreditation and/or climate adaptation financing, she recalled that so-called “middle-income countries” were also in need of readiness support.

38. Responding, the member of the AF-TERG said that the group had only received the management response a few days earlier and needed more time to discuss it with the secretariat and refine the recommendations. The representative of the secretariat, in turn, said that from management's perspective, the evaluation attempted to create a straight line through readiness, capacity-building, accreditation, project preparation and project implementation, but that the balance between efficiency and effectiveness sometimes failed to take into consideration the operational model of the readiness programme, meaning the potential for underestimating country context and what that meant in terms of capacity limits. Staff turnover was one aspect but over the years the secretariat had identified many other aspects that made it less straightforward to create that straight line, and there was a clear need to balance effectiveness and efficiency in a real context. Consequently, the secretariat had tried its utmost to ground the evaluation in context and move towards the theory of change in terms of understanding the problem, with the solutions as objectives.

39. The Ethics and Finance Committee, having considered the information contained in document AFB/EFC.36/7 and its annexes, recommended that the Adaptation Fund Board (the Board):

(a) Take note of the key findings and recommendations of the draft thematic evaluation of the readiness programme of the Adaptation Fund contained in document AFB/EFC.36/7;

(b) Request the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) to finalize the thematic evaluation of the readiness programme of the Adaptation Fund;

(c) Take note of the draft management response to the findings and recommendations of the thematic evaluation of the readiness programme of the Adaptation Fund contained in document AFB/EFC.36/7;

(d) Request the secretariat to finalize its management response to that evaluation;

(e) Request the AF-TERG and the secretariat to present intersessionally, prior to the forty-sixth meeting of the Board, the thematic evaluation of the readiness programme and the management response to the evaluation.

(Recommendation EFC.36/2)

C. Report on the implementation of the Evaluation Policy, including the initial management action tracker

40. A member of the AF-TERG presented the group's initial progress report on the implementation of the Evaluation Policy for the period October 2024–September 2025,

following which the AF-TERG Secretariat Coordinator presented the initial management action tracker (AFB/EFC.36/8).

41. Subsequently, responding to a question, the AF-TERG Secretariat Coordinator informed the EFC that the plan was to make the management action tracker publicly available in a dedicated space on the Fund website. Also responding to comments regarding the excessive length of some evaluation documents, he informed the EFC that the AF-TERG planned to limit its evaluation reports to 30 or 40 pages and perhaps also produce a two-page brief for each evaluation. In addition, it had agreed with the secretariat to aim for a maximum of five recommendations and to ensure that the recommendation were actionable, hence the need to discuss them with the secretariat before finalizing them. While the management action tracker had been developed in Excel, it would eventually be a dashboard available on the website. The use of artificial intelligence might also be considered. The goal was to have useful recommendations that could be applied and whose implementation could be tracked, while avoiding undue burden on the secretariat.
42. The AF-TERG Secretariat Coordinator also addressed a question regarding the four-year limit beyond which a mid-term review could be required, acknowledging that the limit could create practical difficulties, such as in the case of a six-month extension on a three-and-a-half year project. The intent was to develop, in consultation with the secretariat, a set of principles that allowed the Fund to determine, on a case-by-case basis, the conditions under which a mid-term review made sense, such as when a project was struggling in implementation.
43. A representative of the secretariat providing the secretariat's perspective on the low number of mid-term reviews submitted, explaining that the low rate was attributable to delayed submissions, about half of which were related to projects themselves being delayed. In some instances, a mid-term review did not make sense, perhaps because the project was not showing results or it was too early, and the secretariat preferred to avoid imposing conditions on projects that needed adaptability and a focus on implementation. The other half of the delays were attributable to project extensions that had shifted the mid-term point, resulting in non-compliance until the system was updated accordingly.
44. Addressing a question regarding the adequacy of evidence underlying recommendations, the member of the AF-TERG assured the EFC that if the group did not have sufficient evidence, it was transparent about it. In addition, the AF-TERG strictly reviewed its methodology, emphasized the importance of data and was careful to use mixed methods in order to triangulate its findings.
45. The Ethics and Finance Committee, having considered document AFB/EFC.36/8), recommended that the Adaptation Fund Board:

(a) Take note of the evaluation policy implementation progress report and management tracker.

(b) Request the secretariat to review and, where appropriate, update the proposal submission templates and guidance documents to include references to the evaluation policy, mandatory project/programme evaluations and evaluation budget allocation;

(c) Request the secretariat, in consultation with the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG), to revise relevant documents to further clarify:

(i) The provisions for conducting final evaluations of projects and programmes of varying sizes and funding windows, in line with the interpretation that final evaluations are not necessary for readiness and small grants (learning and innovation);

(ii) Mid-term review requirements for projects that were initially less than four years in duration but have since been extended beyond the four-year mark;

(d) Request the AF-TERG, in consultation with the secretariat, to develop an evaluation policy guidance document for baseline data reports;

(e) Request the secretariat to clarify whether the allocation of 1 to 5 per cent of the total project budget for evaluations applied exclusively to mid-term reviews and final evaluations or included baseline data reports as well;

(f) Request the secretariat and the AF-TERG to update the Ethics and Finance Committee, at its thirty-seventh meeting, on the progress made on the requests in subparagraphs (b) through (e) above.

(Recommendation EFC.36/3)

Item 9. Other matters

46. There were no other matters.

Item 10. Adoption of the recommendations and report

47. The EFC adopted the present report at its thirty-sixth meeting

Item 11. Closure of the meeting

48. The Vice-Chair declared the meeting closed at 12.40 p.m. on 8 October 2025.

ANNEX

Ethics and Finance Committee Thirty-sixth meeting Bonn, Germany, 7 and 8 October 2025

EFC members present in the meeting

Washington Zhakata (Zimbabwe, Africa)

Ali Daud Mohamed (Chair) (Kenya, Africa)

Do Ik Kim (Republic of Korea, Asia-Pacific)

Aram Ter-Zakaryan (Armenia, Eastern Europe)

Rosa Morales Saravia (Peru, Latin America and the Caribbean)

Kenrick Williams (Belize, Latin America and the Caribbean States)

Frida Jangsten (Vice-Chair) (Sweden, Western Europe and other)

Diann C. Black-Layne (Antigua and Barbuda, Small Island Developing States)

Naresh Sharma (Nepal, Least Developed Countries)

Choikhand Janchivlamdan (Mongolia, Non-Annex I Parties)

Maria Luwalhati Dorotan Tiuseco (Philippines, Non-Annex I Parties)

EFC members not present at the meeting

Akram Mirzakhani (Islamic Republic of Iran, Asia-Pacific States)