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**ADAPTATION FUND BOARD**

Ethics and Finance Committee  
Thirty-seventh meeting  
Bonn, Germany

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

**Introduction**

1. The thirty-seventh meeting of the Ethics and Finance Committee (EFC) of the Adaptation Fund Board (the Board) was held in person in Bonn, Germany, on 7 and 8 April 2026, back to back with the forty-sixth meeting of the Board.
2. The list of the members of the EFC who attended the thirty-seventh meeting is annexed to the present report.

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

3. The outgoing Chair of the Ethics and Finance Committee (EFC), Ali Daud Mohamed (Kenya, Africa), opened the meeting at 9.05 a.m. on 7 April 2026.
4. In accordance with paragraph 29 of the rules of procedure, the outgoing Chair called upon EFC members to 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.

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

5. The outgoing Chair of the Committee recalled that Nina Alsen (Germany, Western Europe and Others) and Diann C. Black-Layne (Antigua and Barbuda, Latin America and the Caribbean) had been elected as the Chair and Vice-Chair of the Committee, respectively, by the Board at an organizational session of its forty-sixth meeting held on 6 April 2026. He handed the chairmanship of the Committee over to the incoming Chair and Vice-Chair.

### **Agenda Item 3: Adoption of the agenda**

6. The EFC adopted the following agenda for its thirty-seventh meeting on the basis of the provisional agenda (AFB/EFC.37/1):

1. Opening of the meeting.
2. Transition of the Chair and Vice-Chair.
3. Adoption of the agenda.
4. Work plan and administrative budgets of the Board and secretariat, Technical Evaluation Reference Group of the Adaptation Fund and its secretariat, and trustee for fiscal year 2027.
5. Update on the implementation of the Evaluation Policy.
6. Portfolio monitoring mission update.
9. Report of the Chair of the Technical Evaluation Reference Group of the Adaptation Fund:
  - (a) Progress update on key evaluations;
  - (b) Lessons learned from ex post evaluations;
  - (c) Update on the results of the artificial intelligence pilot study conducted by the four funds.
8. Financial status of the trust fund and CER monetization.
9. Other matters.
10. Adoption of the recommendations and report.
11. Closure of the meeting.

### **Agenda Item 4: Work plans and administrative budgets of the Board and its secretariat, the Adaptation Fund Technical Evaluation Reference Group and its secretariat, and the trustee for fiscal year 2027**

7. Representatives of the Board secretariat, the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) secretariat and the trustee presented the information set out in document AFB/EFC.37/2/Rev.1.

8. Members thanked the representatives for their presentations and sought clarifications on a number of elements, including the evaluation vendors, the need for an ongoing evaluation structure, the trustee's investment management fee, the significant increase in the programming and innovation team's budget, the potential contribution of the Article 6.4 mechanism to the Fund's long-term strategy for resource mobilization and how capacity-building featured in the budgets. One member suggested that in the future the EFC could hear the activity reports before being asked to approve the budget.

9. On the questions relating to the AF-TERG, the representative of the AF-TERG secretariat recalled that the AF-TERG consisted of five independent experts that provided steer and oversight for evaluation work while the evaluation vendors indicated in the budget referred to the companies that performed the evaluation work. The vendors were selected through the World Bank's international, competitive procurement process (as the secretariat was administratively hosted by the World Bank). On the question of the structure of the evaluation function, he noted that the upcoming independent evaluation of the AF-TERG would provide guidance on any changes needed to the current structure.

10. Responding to questions and comments relating to the trustee, the representative of the trustee explained that the investment management fee was a fee of 4.5 basis points, or about 4/100ths of a percent, applied to the annual average balance of undisbursed funds in the trust fund, currently around US\$1.2 billion. In preparing the budget, the trustee used past transactions, outflows and inflows to forecast the average balances during the upcoming year. For calendar year 2025, the investment return was 4.93 percent, which generated about US\$55 million in investment income for the Adaptation Fund.

11. The Manager of the Board secretariat addressed the question of the increase in the programming and innovation budget, explaining that it was primarily driven by an increase in volume and cost. The increase in volume stemmed from the rapid increase in demand for the Fund's resources, reflected in a 70 percent increase in project and programme proposal submissions since the last meeting. Many people were needed to review those proposals in a timely manner. While review work was coordinated by the secretariat and led by full-time staff, the reviews themselves were performed by part-time experts employed under short-term consultant contracts. The short-term consultant modality was to be phased out by the World Bank at the end of 2026 in favour of an independent contractor modality, which would lead to an increase in costs. A smaller factor in the increase of the programming and innovation team's budget was a correction for travel costs slightly underbudgeted in the current fiscal year, as well as an increase attributable to the many events taking place, especially on the innovation side. With respect to the Article 6 mechanism, he noted that there was currently much uncertainty surrounding both the volume of Article 6 units that the Fund would receive and their value. The first units had been issued very recently, and the secretariat was consulting specialists in an attempt to understand the emerging market and identify ways that the Fund could support the development of projects aimed at also supporting the Adaptation Fund. This was particularly relevant under Article 6.2, where the contributions to the Fund were voluntary and depended on the project developer, the host country and the contracting parties of the Article 6.2 arrangement.

12. A representative of the Board secretariat provided clarification on where funding for capacity-building could be found in the budget, explaining that such work was included in the readiness programme, under the country and partnership unit team. He suggested that the capacity-building aspect could be reported on as part of the next budget report should the EFC so wish.

13. The EFC, having considered the workplans and budgets for the Board and Secretariat, AF-TERG and its Secretariat, and the Trustee in document AFB/EFC.37/2/Rev.1 recommended that the Board:

(a) Take note of the budget proposals contained in document AFB/EFC.37/2/Rev.1 and approve, from the resources available in the Adaptation Fund Trust Fund:

(Board and secretariat)

(i) The proposed budget of US\$ 15,885,706 to cover the costs of the operations of the Board and secretariat for fiscal year 2027, from 1 July 2026 to 30 June 2027;

(ii) The estimated World Bank hosting fees of US\$ 1,747,000 for the secretariat and Board for fiscal year 2027;

(Technical Evaluation Reference Group of the Adaptation Fund and its secretariat)

(iii) The proposed budget of US\$ 2,063,115 to cover the costs of the operations of the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) and its secretariat for fiscal year 2027, from 1 July 2026 to 30 June 2027;

(iv) The estimated World Bank hosting fees of US\$ 227,000 for the AF-TERG and its secretariat for fiscal year 2027;

(Trustee)

(v) The increase of US\$ 302,800 in the estimated actual trustee budget for fiscal year 2026;

(vi) The proposed budget of US\$ 1,174,900 for the trustee services to be provided to the Adaptation Fund in fiscal year 2027;

(b) Authorize the trustee to transfer the amounts in subparagraphs (a) (i), (ii), (iii) and (iv) to the respective secretariats and the amounts in subparagraphs (a) (iv) and (vi) to the trustee.

**(Recommendation EFC.37/1)**

#### **Agenda Item 5: Update on the implementation of the evaluation policy**

14. Representatives of the Board secretariat and the AF-TERG secretariat provided an oral update on the implementation of the Fund's evaluation policy.

15. The representative of the secretariat informed the EFC that, in accordance with paragraph (b) of decision B.45/52, the secretariat had reviewed and, where appropriate, updated proposal

submission templates and guidance documents to reflect the new evaluation policy, including the evaluation budget allocation as approved by the EFC. Subparagraph (c) of the decision outlined two areas where further clarification was needed, namely the minimum evaluation requirements for projects and programmes of varying sizes and funding windows and whether midterm reviews were due for projects that were initially less than four years. On the former, the secretariat and AF-TERG had reached consensus and would present a proposal at the thirty-eighth meeting. On the latter, the secretariat and the AF-TERG were still considering the question but expected to propose a solution at the thirty-eighth meeting. Turning to subparagraph (d) of decision B.45/52, she informed the EFC that guidance on baseline data will be included in the new SRF guidance document that the Board secretariat is developing and the AF-TERG was preparing full guidance on baseline data reports in consultation with the secretariat. Finally, on subparagraph (e) of the decision, which related to the allocation of 1–5 percent of the total budget for evaluation and arose from decision B.41/30, subparagraph (b), clarification was needed in that whether baseline data reports were to be included in that allocation. The secretariat's understanding was that they were, but implementing entities were reporting that the allocation was insufficient to meet the requirements. A revised decision might be required, in which case the secretariat might provide other updates to the Board. The secretariat would present a full update, including proposed detailed revisions to prior policies, at the thirty-eighth meeting, in October.

16. The representative of the AF-TERG secretariat provided additional information on the baseline data reports, pointing out that they were one of the three mandatory evaluations to be conducted by the implementing entities, together with midterm reviews and final evaluations. Yet there was very little clarity on what that actually meant, hence the Board's request for clarification. The AF-TERG and the secretariat had agreed that a more practical approach was needed, meaning that if an entity had already provided the baseline data in other documents, such as the project proposal, submission of a separate document was not really needed. The entity could, however, opt to provide a baseline data report separately. The AF-TERG had prepared an initial draft of the baseline data report guidance and would ensure that it was also fully aligned with the strategic results framework guidance to avoid any confusion and ensure that no additional burden was placed on the implementing entities.

17. The EFC took note of the information provided.

### **Agenda Item 6: Portfolio monitoring mission update**

18. Representatives of the secretariat presented the lessons learned from monitoring missions for projects in Bhutan, on adaptation to climate-induced water stresses through integrated landscape management in Bhutan, and in Seychelles and Mauritius, on restoring marine ecosystem services by rehabilitating coral reefs, as well as how project impacts were communicated to stakeholders and the general public.<sup>1</sup> The EFC also viewed two videos on the project outcomes.

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<sup>1</sup> The presentation can be found here.

19. A representative of the secretariat informed the EFC members that the next monitoring mission would be to Lesotho, in the first week of May 2026, to assess the second stage of an Adaptation Fund project on food security. She added that a survey of implementing entities had indicated that 29 Adaptation Fund projects had been scaled up, some by the Fund itself but many by the Green Climate Fund, the International Fund for Agricultural Development and other entities, as well as national governments. The secretariat planned to include the survey results in the next annual performance report to underscore the catalytic role played by Adaptation Fund projects.

20. Members welcomed the update, noting that it was very important for the Board to see the impact of its work. In that regard, they urged the secretariat to share the videos with the other members of the Board and to enable Board members to participate in monitoring missions. They also noted that value of information from monitoring missions in demonstrating to financiers and stakeholders the value of supporting projects and programmes that produced results over time, as well as the importance of providing a stipend for community members who worked on projects, particularly women, who paid a higher cost for devoting time to projects.

21. Members' suggestions included conducting ex post evaluations on the same projects as monitoring missions in order to capture results over an even longer term, building the secretariat's knowledge management inventory through the addition of communication products produced by other entities and highlighting direct and indirect beneficiaries in project videos. Members also sought additional information on a number of elements, including project sustainability and seed funding for upscaling.

22. Responding to the questions and comments, the representative of the secretariat agreed that sustainability remained a challenge and noted that experts they met on the coral restoration projects considered that a project timeline of in the order of 20 years was required to accommodate the experimentation and adaptive management needed to produce results. She assured members that local entities were proactively encouraged to share their communication products with the secretariat. On the question of Board member participation in monitoring missions, she explained that the secretariat aimed to keep monitoring delegations to a manageable size, but she encouraged members to indicate any interest in particular areas or regions, and that the secretariat will keep the members particularly informed if such missions are held in their countries.

23. On the matter of stipends, she noted that local entities involved in project also sought other sources of revenue to support project sustainability. Furthermore, projects could have many unintended positive benefits that were not fully captured in the results report that the monitoring missions were helping to capture.

24. The Manager of the secretariat also addressed the matter of project sustainability and scale-up through coordination with other multilateral climate funds. He noted that the Green Climate Fund was the most natural partner for the Adaptation Fund given its greater resources. More than 10 projects had been scaled up by Green Climate Fund to date. The secretariat had been working on further facilitating project scale-up for several years and would soon issue a revised scaling-up framework. It was also working with the Green Climate Fund and talking with

governments interested in combined financing from the two funds. The secretariat was willing to seek synergies with other funds provided countries wanted it. Overall, project scale-up efforts needed to be country-led.

25. The EFC took note of the information provided.

## **Agenda Item 7: Report of the Chair of the Technical Evaluation Reference Group of the Adaptation Fund**

### *A. Progress update on key evaluations*

26. The Chair of the AF-TERG began by presenting the update report on the AF-TERG work programme (AFB/EFC.37/3), including options for the next thematic evaluation.

27. Following her presentation, members express general support for the work of the AF-TERG. While there was appreciation that the topic for the next thematic evaluation was linked to themes of the global goal on adaptation, some questioned the selection of climate change and health as the theme, pointing out that the Fund only had one health-related project. Others suggested that health could be viewed as a cross-cutting aspect. Members also recalled that thematic evaluations should be linked to the Fund's strategic plan and resource mobilization strategy. In that regard, health was an important topic that could open opportunities in the work of the Fund, particularly around resource mobilization and could perhaps even be included as a new component of future project proposals. One member said that health was a major priority in the adaptation plans and nationally determined contributions of many countries as well as being an important aspect of quality of life, the overall goal of adaptation. Another member, noting that there was little information on disease morbidity, cautioned that assessing health in the context of adaptation could be problematic.

Addressing concerns regarding the scope of thematic evaluations, a representative of the AF-TERG offered the example of the scalability thematic evaluation presented to the Board several years earlier. In that case, where there were also very few projects in the specific thematic window, the evaluation had started with a mapping exercise. The goal for a thematic evaluation on health would be to get a sense of where health was already being addressed in the portfolio and where there were opportunities to address it further, and to give countries the information they needed to consider if they wished to incorporate health consideration into their existing projects in areas such as food security, early warning systems and water. The aim was to produce something that would be operationalized and to enable the Board to see what was going on in the projects in terms of health and consider how it might include health in the Fund's strategy.

28. The representative of the AF-TERG secretariat also offered the example of the artificial intelligence (AI) pilot study on synthesis of evaluative evidence in the forestry sector (see item 7 (c)). In that instance, there had only been two projects classified as forestry projects in the Fund's portfolio but analysis of the overall portfolio showed that over 30 percent of projects had a forestry component.

29. The Chair of the AF-TERG and other representatives of the AF-TERG then provided an update on the midterm review of the second medium-term strategy, the comprehensive evaluation of the Adaptation Fund and the evaluation of processes and systems supporting governance, as outlined in document AFB/EFC.37/3.

30. One member noted that the comprehensive review was taking place at difficult time for global politics and expressed the hope that the midterm review of the second medium-term strategy would be informed by the current global context and the emerging new world order.

31. The EFC took note of the information provided on the status of ongoing evaluations.

32. The Chair of the AF-TERG then presented an update on the proposed independent evaluation of the AF-TERG, as also outlined in the document. During her presentation, she made oral corrections to the text on page 39 of the document, where the date “December 2027” should read “December 2026”.

33. Following the presentation, there was a brief discussion on whether a Board working group was in fact needed for the independent evaluation of the AF-TERG, and if so, whether it should be constituted at the level of the EFC or the Board itself. As the options put forward had not yet been assessed by the Board secretariat or the AF-TERG, the EFC agreed that the secretariat and the AF-TERG would discuss the matter in the margins of the meeting with a view to presenting the EFC with clearly structured options.

34. Subsequently, the EFC considered a revised recommendation proposed by the secretariat in the light of the earlier discussion held on the matter.

35. The Ethics and Finance Committee (EFC), having considered the Work Programme Update Report of the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) in document AFB/EFC.37/3, recommended that the Board:

(a) Take note of the work programme update report of the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) (AFB/EFC.37/3);

(b) Request the AF-TERG to initiate work on the thematic evaluation on climate change and health in the Adaptation Fund, as part of its work in fiscal year 2027;

(c) Request the secretariat and the AF-TERG to:

(i) Jointly prepare an options paper outlining the scope of work, indicative evaluation questions and possible modalities (and estimated costs) for undertaking the independent review of the AF-TERG and its structure and functions, ensuring that the options are designed to avoid a situation where (only) evaluators evaluate the evaluators.

(ii) Present the options paper to the EFC at its thirty-eighth meeting to enable it to recommend a preferred approach for the Board's consideration at its forty-seventh meeting;

(d) Request the Manager of the secretariat and the Chair of the AF-TERG to jointly operationalize the chosen option following its selection by the Board.

**(Recommendation EFC.37/2)**

**B. *Lessons learned from ex post evaluations***

36. A representative of the AF-TERG presented the information set out in the note on the lessons learned from ex post evaluations of Fund projects, 2021–2026 (AFB/EFC.37/4).

37. Members voiced appreciation for the findings of the ex post evaluation review and called for them to be widely shared, saying that they could help inform future product design and implementation by governments and implementing entities and benefit multilateral development banks and climate funds, as well as entities such as the Adaptation Committee of the United Nations Framework Convention on Climate Change and the Intergovernmental Panel on Climate Change. One member expressed the hope that the evaluation results would also be reflected in the sectoral manuals being developed under the new readiness strategy. Another noted that the review highlighted the Fund's comparative advantage, particularly in relation to project sustainability and selection of appropriate partners, and said that he looked forward to seeing how the evaluation results would feed into the Fund's operational aspects.

38. Responding to the comments, the representative of the AF-TERG secretariat recalled that an event on ex post evaluations had been held at the two most recent United Nations Climate Change Conferences and had been very well received. The work on ex post evaluations had also been shared within the United Nations Evaluation Group, where there was strong interest.

39. The EFC took note of the information provided.

**C. *Update on the results of the artificial intelligence pilot study conducted by the four funds***

40. A representative of the AF-TERG secretariat presented the synthesis report prepared by KPMG Norway International Development Advisory Services for the artificial intelligence (AI) pilot study on synthesis of evaluative evidence in the forestry sector, commissioned by the AF-TERG in conjunction with the Evaluation and Learning Initiative of the Climate Investment Funds (CIF E&L), the Independent Evaluation Unit of the Green Climate Fund (GCF IEU) and the Independent Evaluation Office of the Global Environment Facility (AFB/EFC.37/5).

41. Members expressed strong support for efforts to investigate the use of AI to analyse project evaluation reports. One member suggested integrating insights from the study into project planning and design for more efficient and effective project development and extending the study to other sectors to enhance the operational efficiency of climate finance.

42. Members asked for additional information on the use of consultants for the study, with one noting that ideally, such a study should lead to cost savings arising from the elimination of the need for expert consultants. One member also questioned the usefulness of the study for adaptation, noting that forest sector projects tended to be more focused on mitigation.

43. Responding to members comments, the representative of the AF-TERG secretariat explained that the study was conducted by a group of information technology specialists working in conjunction with a group of evaluators to refine the model and the prompts. A number of iterations were needed to teach the model to understand the input and generate the right information. The machine was able to identify close to 11,000 pieces of evidence in 191 documents. Regarding costs, a vendor had been hired to help build the model and perform the extraction, and the funds had incurred internal costs related mainly to supervision. Overall, the study had cost about half of what it would have without the use of AI. It was also notable that a condition of the vendor's contract was that they would turn over the final codes and prompts to the funds for subsequent use. The AF-TERG was now using some of those prompts in its work.

44. Regarding the usefulness of the study in the context of adaptation, the representative of the AF-TERG secretariat allowed that while he had presented only the adaptation-related results of the study, there was also mitigation-related information in the relevant sections of the report. He assured the EFC that even though the Adaptation Fund had few projects classified as forestry projects, adaptation was a cross-cutting component of many of the projects included in the study.

45. The EFC took note of the information provided and the report set out in annex 1 to document AFB/EFC.37/5.

#### **Agenda Item 8: Financial status of the trust fund and CER monetization**

46. A representative of the trustee presented the Adaptation Fund Trust Fund financial report prepared by the trustee as at 31 December 2025 (AFB/EFC.37/6). In the second half of 2025, funds available for new decisions had increased by US\$ 151.4 million to total US\$ 715.2 million. The increase was attributable to CERs sales proceed of US\$ 1.5 million, donation income of US\$ 171.4 million and US\$ 27.8 million in investment income, less US\$ 49.3 million in net funding decisions taken by the Board during the second half of 2025. In addition, donations receivable stood at US\$ 20.1 million as at the end of 2025 and pledges yet to be converted into agreements represented US\$ 27 million. The trustee's latest report, along with its previous reports for the Fund, was available on the trustee's website.<sup>2</sup>

47. A second representative of the trustee provided an update on the certified emission reduction (CER) market and CER monetization. Since the beginning of fiscal year 2026, the trustee had generated revenues of \$951,000 through the sale of 196,000 tons of CERs at an average price of \$5 per ton. Going forward, the trustee expected demand to be drive by institutions and private sector buyers who were buying CERs to meet their net zero or climate neutrality targets. The Fund still had 10.5 million tons of CERs in its account in the Clean Development

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

Mechanism (CDM) registry as at the end of 2025, and the trustee would continue to seek ways to monetize those.

48. One member took the opportunity to thank the Fund's donors while at the same time noting that the Fund's resource mobilization target had not been met. Recalling that demand for funding far outstripped the available funds, he urged the other Board members and the secretariat to do their utmost to reach a wider donor group and achieve the target.

49. The EFC took note of the trustee's report (AFB/EFC.37/6).

**Agenda Item 9: Other matters**

50. There were no other matters.

**Agenda Item 10: Adoption of the recommendations and report**

51. [to be completed]

**Agenda Item 11: Closure of the meeting**

52. [to be completed]

## ANNEX

### Attendance at the thirty-seventh meeting of the Ethics and Finance Committee of the Adaptation Fund Board

1. The following members of the Ethics and Finance Committee attended the thirty-seventh meeting:

<i>Name</i>	<i>Country</i>	<i>Constituency</i>
Ali Daud Mohamed	Kenya	Africa
Do Ik Kim	Republic of Korea	Asia-Pacific
Antonio Navarra	Italy	Western Europe and Others
Diann C. Black-Layne	Antigua and Barbuda	Small Island Developing States
Naresh Sharma	Nepal	Least Developed Countries
John Adrian M. Narag	Philippines	Non-Annex I Parties
Maesela John Kekana	South Africa	Africa
Aram Ter-Zakaryan	Armenia	Eastern Europe
Masho Khakhnelidze	Georgia	Eastern Europe
Rosa Morales	Peru	Latin America and the Caribbean
Nina Alsen	Germany	Western Europe and Others
Choikhand Janchivlamdan	Mongolia	Non-Annex I Parties

2. The following members of the Ethics and Finance Committee did not attend the thirty-seventh meeting:

<i>Name</i>	<i>Country</i>	<i>Constituency</i>
Maryam Nosratinia	Iran (Islamic Republic of)	Asia-Pacific
Pedro J. Ruiz Hernandez	Cuba	Latin America and the Caribbean