

Adaptation Fund Board
Ethics and Finance Committee
Thirty-Eighth Meeting
Bonn, Germany

OPTIONS PAPER FOR THE EXTERNAL REVIEW OF THE TECHNICAL EVALUATION REFERENCE GROUP OF THE ADAPTATION FUND (AF TERG)

Strategic Issues

- a) The Board has requested an independent review of AF TERG, its structure, functions, and operating model, including consideration of how the evaluation function can best support evidence informed decision making within the Adaptation Fund.
- b) The review should assess not only the quality, credibility, and utility of AF TERG outputs, but also the extent to which its scope of activities, governance arrangements, resourcing, and operating modalities remain fit for purpose in the context of the Fund and its forward trajectory.
- c) The paper presents two modalities for undertaking the review: an independent panel of experts and an independent external firm, together with their respective advantages, limitations, and indicative costs.
- d) The review, during its implementation, is not expected to cause any interruptions to the on-going work, functioning, or existing structure of the AF-TERG.

Purpose

1. This paper responds to the Adaption Fund Board's (the Board) request for an options paper outlining the proposed scope of work, indicative review questions, possible modalities, and estimated costs for an independent review of AF TERG, its structure, and its functions. It also addresses the Board's request that the options avoid a situation where only evaluators evaluate evaluators.

Recommended Decision

2. The EFC, having considered document AFB/EFC.38/12, takes note of the options paper prepared jointly by the Secretariat and AF TERG for undertaking the independent review of AF TERG, its structure, and its functions, and recommends that the Board:

- a) Approve Option [1] [2] as the preferred modality for undertaking the review.
- b) Request the Manager of the Secretariat and the Chair of AF TERG to jointly operationalize the selected option, including procurement arrangements and governance arrangements to preserve independence and transparency, based on the details provided in this Options paper, and ensuring that the selected expert team has appropriate expertise in

climate-related evaluation, governance, institutional effectiveness, operations so that the review does not rely only on evaluators evaluating evaluators. Understanding of operations and evaluation in the overall climate finance landscape would be desirable.

- c) Establish a review oversight committee consisting of the following [4] members of the Board, to provide guidance to the review as outlined in document AFB/EFC.38/12.
- d) Request the Manager of the Secretariat and the Chair of AF TERG, in consultation with the oversight committee mentioned above, to submit the final review report to the EFC for consideration at its fortieth meeting, including findings and recommendations relevant to the future structure and functions of the AF TERG, its positioning within the Fund, and priorities in its work programme.

Background

3. Periodic independent reviews of evaluation functions are consistent with good governance practice. They can reinforce accountability, strengthen credibility, support institutional learning, and improve the utility of evaluation evidence for institutional decision making. This paper sets out options for undertaking the first independent external review of AF TERG since its establishment in 2019. The paper outlines the proposed purpose, scope of work, indicative questions, modalities, estimated costs, and criteria for comparing the available options. The paper has been prepared in response to the Board request that the AFB Secretariat and AF TERG jointly present options to the EFC at its thirty eighth meeting, so that the EFC may recommend a preferred approach for Board consideration at its forty seventh meeting.

4. AF TERG was established by the AFB to provide an independent evaluative advisory function for the Fund. Its mandate includes the generation of evaluations, support to evaluation use, and strengthening of evaluation capacity, and is reflected in the Fund's Evaluation Policy (2023). The AF TERG Terms of Reference provide that the Board, through the EFC, oversees the performance of AF TERG in a manner that does not infringe on the independence of AF TERG in relation to the content and conclusions of evaluations. The Terms of Reference also provide that the Board may commission independent evaluations of AF TERG to capture lessons learned and amend arrangements as needed.

5. The first multi-year work programme of AF TERG included provision for a review of AF TERG. The review was subsequently carried forward into the second work programme. The review is therefore timely and relevant, particularly in light of the Fund's evolving institutional context, the implementation of the Evaluation Policy, and future planning for the next (third) AF TERG work programme. The review should assess not only the technical quality and credibility of AF TERG products, but also the structure, functions, governance arrangements, operating model, and utility of AF TERG in supporting the Adaptation Fund.

Purpose, Objectives and Scope

6. The purpose of the review is to provide the Board with an independent assessment of AF TERG as the Fund's evaluation function and to identify practical opportunities to strengthen its future contribution to accountability and evidence informed decision making. The review has three objectives:

- 1. To assess the relevance, effectiveness, credibility, and utility of AF TERG functions and outputs in supporting the Fund's mission and strategic priorities.

2. To examine the structural and operational arrangements of AF TERG, including its governance, resourcing, working modalities, reporting arrangements, scope of activities, the internal coherence and the functional relationship between AF TERG and other functions of the Fund.
3. To provide actionable recommendations to inform the structure and activities of evaluation function of the AF and review of the Evaluation Policy.

7. The review would cover the period from the establishment of AF TERG in 2019 through the time of the review in 2026. It would consider the structure of the AF TERG members and the AF TERG Secretariat as part of the overall independent evaluation function. It will examine the relevance and effectiveness of AF TERG scope of activities and functions, the credibility and utility of its outputs, and the appropriateness of its operating model and governance arrangements. The review will examine these factors, including by benchmarking the AF TERG against the evaluation function in similar institutions and international norms for resourcing and budget allocation. It will also consider the evolving context of the Fund, including the implications of broader changes in the climate finance landscape and the administrative implications of World Bank hosting arrangements for the work of AF TERG.

8. The review should provide a balanced assessment that considers independence, efficiency, credibility, and utility together. It should not focus only on evaluation standards but should also examine the extent to which AF TERG is fit-for-purpose in the context of the Fund.

9. The review, during its implementation, is not expected to cause any interruptions to the on-going work, functioning, or existing structure of the AF-TERG. The review is also not expected to interrupt other on-going evaluation requirements across the Fund and its stakeholders.

Criteria used for Selecting the Option

- a) **Independence and credibility:** The option should provide a review that is impartial, transparent, and credible to the Board and stakeholders.
- b) **Competencies required for the work:** The option should bring together adequate expertise in evaluation, institutional effectiveness and efficiency, climate finance, and multilateral fund operations.
- c) **Balance between evaluation and operational perspectives:** The option should avoid a narrow evaluator-only perspective, and include sufficient operational and institutional expertise to enable a well-rounded assessment.
- d) **Customization to the Adaptation Fund context:** The option should be capable of tailoring the approach to the Fund's size, mandate, governance model, institutional arrangements, and future direction.
- e) **Cost, efficiency, and implementation feasibility:** The option should be feasible to implement within the expected timeline and budget, while maintaining the required quality and level of expertise.

Options for Review Modality

Option 1: Independent panel of experts

10. This option would establish an ad-hoc panel of independent experts in evaluation, climate finance, governance, institutional effectiveness, organizational design, and operations. The panel could be supported by a consultant or small team, but the approach would depend heavily on the availability, coordination, and collective working methods of individual experts. The experts would

be expected to apply recognized evaluation standards while also assessing whether AF TERG's structure and functions are practical, proportionate, and useful for the Adaptation Fund.

Advantages	Limitations
Could provide a broad mix of perspectives including operational, institutional, governance, and climate finance expertise if the right experts are identified. Could allow the Board to shape the composition of the review team directly. May be lower cost if panel is set as pro bono work.	May be difficult to identify and secure all required competencies in one coherent panel. May take more time to find and hire the right experts. Quality assurance, methodology, coordination, and report production may be less consistent than under a firm (Option 2). The AFB Secretariat and AF TERG may need to provide significant support to manage the panel, which could create risks of perceived lack of independence. The panel model may be less efficient if members have different availability, methods, or expectations.

11. Overall assessment: The quality, consistency, and independence of the review would depend heavily on panel composition and availability, coordination arrangements, and the level of support required from the AFB Secretariat and AF TERG.

Option 2: Independent external firm

12. This option would select an independent external firm through a competitive process. The terms of reference would require the firm to propose a multidisciplinary team with evaluation, governance, organizational effectiveness and efficiency, operations, climate finance, and institutional learning expertise, and any other skill set identified by the Board. The firm would be expected to apply recognized evaluation standards while also assessing whether AF TERG's structure and functions are practical, proportionate, and useful for the Adaptation Fund.

Advantages	Limitations
Could enable combining of evaluation expertise with operational, institutional, governance, and climate finance expertise. Could provides methodological independence, professional quality assurance, and clear accountability for delivery. Would addresses the Board concern that the review should not be conducted only by evaluators.	Requires a clear procurement process and careful management to preserve independence. Likely to have a higher cost than a peer review (if peer review is done pro bono), although the higher cost is balanced by stronger quality assurance, and multidisciplinary coverage.

13. Overall assessment: This option offers the strongest balance of independence, technical quality, operational relevance, customization, implementation discipline, and responsiveness to the Board's request. It can be designed so that evaluators are part of the review team, but not the only perspective shaping the assessment. To ensure that the procurement of the firm is independent requires careful consideration.

Comparative Assessment

Criteria	Option 1 Independent panel of experts	Option 2 Independent external firm
Independence and credibility	Medium to high, depending on panel members	High, with contractual, methodological, and conflict of interest safeguards
Competencies required	Variable and dependent on expert availability and recruitment	Stronger ability to assemble all required competencies through the terms of reference
Balance of evaluation and operations	High (if right composition is found)	High (required in ToR)
Customization to AF context	High and can be designed for the Fund's context	High and can be designed for the Fund's context
Cost and efficiency	Medium cost, higher coordination burden	Higher cost, but stronger implementation discipline and quality assurance
Overall viability	Low to moderate	High
Estimated cost	USD 60,000 to USD 120,000	USD 80,000 to USD 120,000

14. Both options could support an independent review of AF TERG. However, they differ in their ability to meet the Board's specific expectations, particularly the need to avoid a process in which only evaluators evaluate evaluators and the need to assess structure, function, usefulness, and operational fit.

- Option 1 could in principle bring together relevant expertise, but it carries higher delivery, coordination, and quality assurance risks. It may also require significant support from the AFB Secretariat and AF TERG, which could affect perceptions of independence.
- Option 2 appears to be the most viable option because it can be designed to include both evaluation and operational expertise, can be tailored to the Adaptation Fund context, and can provide a professionally managed and independent process. It can also place clear requirements in the terms of reference quality assurance, stakeholder consultation, deliverables, and a methodology that explicitly assesses independence, credibility, utility, structure, and operational effectiveness. It is therefore best aligned with the Board's request for a modality that avoids reliance only on evaluators while still maintaining strong evaluation credibility.

Indicative Review Questions

15. The below section provides a set of indicative questions that could be examined through this review, to be further refined during the inception phase. The criteria used, are consistent with the Fund's Evaluation Policy:

Strategic relevance

- To what extent is AF TERG fit for purpose (mandate, functions, scope, structure) to support the current and evolving mandate of the Adaptation Fund?
- How well do AF TERG's evaluations and evidence products complement, draw on and add value to the wider body of evaluative evidence in the Fund, including evaluations managed by Implementing Entities and the Secretariat's monitoring, reporting and evidence products?
- How relevant are AF TERG functions, work programmes and activities to the Fund's strategic priorities and stakeholder needs?

Independence and credibility

- To what extent do current governance, reporting, and operating arrangements support the independence of AF TERG?
- Are AF TERG products perceived as credible, balanced, rigorous, and useful by key stakeholders?

Utility and uptake

- To what extent are AF TERG findings, recommendations, and products useful in informing Board deliberations, Secretariat processes, Implementing Entity practice, and institutional learning?
- To what extent is the work conducted by the AF TERG in line with the needs and absorptive capacity of the AFB Secretariat?
- What factors support or limit the uptake of AF TERG work?

Coherence, Structure and functions

- Are the current structure, size, functions, operating modalities, and resourcing of AF TERG appropriate for the Fund's current and future needs, and aligned with international best practices?
- How might the internal coherence and functional relationship between the AF TERG and other parts of the Fund best serve the Fund's evolving needs?

Future direction

- What changes could strengthen the effectiveness, efficiency and utility of AF TERG?
- What implications should the review have for the Evaluation Policy review and the next AF TERG work programme and budget?

Other Parameters

16. A small Board committee could be established to retain clear Board ownership and oversight of the review process, while the Manager of the Secretariat and AF-TERG Chair facilitate the review

by supporting contractual and administrative obligations and providing access to information, and factual inputs while maintaining the Fund's procurement principles (including independence, transparency, and safeguards against conflict of interest).

17. The Board committee would approve the specific methods proposed for the review, including the review matrix, consultation approach, and list of interviewees, while preserving the independence of the review team in reaching its findings and recommendations.

18. The draft final report would be shared with the Manager of the Secretariat, the Chair of AF TERG, and the Board committee for comments and factual review before being submitted to the Board for consideration. The review team would retain responsibility for the final findings, conclusions, and recommendations.

Suggested timeline:

19. The external review is proposed to follow the following timeline:

- a) Form the Board Committee (October 2026);
- b) Finalize terms of reference (November 2026);
- c) Establish administrative arrangements for procurement (November 2026);
- d) Complete procurement (January / February 2027);
- e) Provide a progress update to the Board (March/ April 2027);
- f) Draft report developed (July 2027).