AFB/EFC.38/13
October 20–21, 2026

ADAPTATION FUND BOARD
Ethics and Finance Committee
Thirty-eighth meeting
Bonn, Germany

REPORT
OF THE THIRTY-EIGHTH MEETING
OF THE ETHICS AND FINANCE COMMITTEE OF THE ADAPTATION FUND BOARD

Introduction

1. The thirty-eighth meeting of the Ethics and Finance Committee (EFC) of the Adaptation Fund Board (the Board) was held in Bonn, Germany, on 20 and 21 October 2026, back to back with the forty-seventh meeting of the Board.

2. The list of the members of the EFC who attended the thirty-eighth meeting is annexed to the present report.

Agenda item 1: Opening of the meeting

3. The Chair of the EFC, Nina Alsen (Germany, Western Europe and Others), opened the meeting at 9.35 a.m. on 20 October 2026.

4. In accordance with paragraph 29 of the rules of procedure, the Chair called upon EFC members to declare any conflict of interest they might have with any item on the agenda of the current meeting. She 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: Adoption of the agenda

5. The EFC adopted the following agenda for its thirty-eighth meeting on the basis of the provisional agenda (AFB/EFC.38/1/Rev.2):

1. Opening of the meeting.
2. Adoption of the agenda.
3. Annual performance report for fiscal year 2026.
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 fiscal year 2026.
6. Thematic results briefs.

Official Use Only

7. Lessons from portfolio monitoring missions.

8. Update on the implementation of the Evaluation Policy and Management Action Tracker, including the action plan for the management response to the thematic evaluation of the Readiness Programme.

9. Report of the Chair of the Technical Evaluation Reference Group of the Adaptation Fund:

(a) Work programme update of the Technical Evaluation Reference Group of the Adaptation Fund;

(b) Evaluation of the processes and systems supporting governance for enhanced performance of the Adaptation Fund.

10. Options for an independent evaluation of the Technical Evaluation Reference Group of the Adaptation Fund.

11. Other matters.

12. Adoption of the recommendations and report.

13. Closure of the meeting.

Agenda item 3: Annual performance report for fiscal year 2026

6. Representatives of the secretariat provided an overview of the annual performance report for fiscal year 2026 (AFB/EFC.38/2).

7. Following the presentation, EFC members posed a number of questions relating to, among other things, the volume of proposals in the Fund's pipeline relative to available resources; access to funding through national implementing entities (NIEs), including in relation to country funding ceilings; the geographical distribution of projects, particularly in Africa; historical proposal approval rates and trends in processing times; and measures to assist countries that had not yet accessed Fund resources. A member also suggested that the summary version of the annual performance report intended for the general public should include graphics and links to more detailed information.

8. Responding to the questions, a representative of the secretariat confirmed that the value of proposals in the pipeline, approximately US$ 1.9 billion, exceeded the resources currently available for programming. With regard to direct access, she explained that the report contained information on project approvals by type of implementing entity, while a breakdown of proposals in the pipeline by implementing entity could be obtained from the programming team. Turning to the geographical distribution of projects, she noted that the report included information by region and a list of beneficiary countries, and that more detailed country-level data were available. Regarding proposal approval rates, she explained that most proposals reaching the full proposal stage were approved, although the precise proportion of submitted proposals that were eventually approved was not immediately available. Information on processing times was collected at the various stages of the proposal review process, and further figures could be provided. In response to a further question concerning countries that had not yet accessed the Fund, she drew attention to the Readiness Programme, which provided support through workshops, country exchanges and grants.

9. Responding to a question from the Chair concerning innovation in adaptation finance, another representative of the secretariat explained that Fund grants could serve as catalytic financing to test innovative approaches that could subsequently be scaled up. In response to a request from the Chair, the secretariat agreed to circulate the presentation slides to members. It was

Official Use Only

also confirmed that the summary version of the annual performance report would contain additional visual material.

10. Having considered document AFB/EFC.38/2, the Ethics and Finance Committee recommended that the Adaptation Fund Board (the Board):

(a) Approve the Adaptation Fund's annual performance report for fiscal year 2026, as contained in annex I to document AFB/EFC.38/2;

(b) Request the secretariat to complete a summary version of the annual performance report for the general public in a reader-friendly and graphically designed format, following the Board's approval.

(Recommendation EFC.38/1)

Agenda item 4: Financial status of the Trust Fund and CER monetization

11. A representative of the trustee presented the Adaptation Fund Trust Fund financial report prepared by the trustee as at 30 June 2026 (AFB/EFC.38/3). As at 30 June 2026, funds available for new Board decisions had amounted to US$ 553.4 million, net of the operational reserve, a decrease of US$ 161.8 million since 31 December 2025. An additional US$ equivalent 10.7 million in contributions receivable and US$ equivalent 26.2 million in pledges brought total potential funding availability to approximately US$ equivalent 590.3 million. In the first half of 2026, the Fund had received US$ 27 million in contributions and generated US$ 22 million in investment income, bringing total investment income earned since inception to US$ 226.5 million. During the same period, the trustee had generated US$ 1.1 million in proceeds from the sale of certified emission reductions (CERs).

12. Following the presentation, members raised questions concerning the decline in funds available for new Board decisions and the implications of increasing demand for the Fund's financial sustainability. They sought clarification of whether funding availability could be expected to increase towards the end of the year, the prospects for monetizing remaining CERs under the clean development mechanism, including the potential loss of proceeds if they could not be sold, and the potential proceeds under Article 6.4 of the Paris Agreement. Questions were also raised concerning the distribution of funding among different types of implementing entities, the difference between cumulative funding approvals and actual transfers to implementing entities, and the implications of the growing project pipeline for future funding decisions. A member asked about plans to secure additional pledges at the thirty-first session of the Conference of the Parties to the United Nations Framework Convention on Climate Change. Another emphasized the importance of obtaining estimates of potential future resources under Article 6.4 to inform the Board's discussions on the Fund's transition.

13. Responding to the questions, the representative of the trustee explained that funding availability generally declined during the first half of the year following Board funding decisions and increased towards year-end as new contributions were pledged or received, particularly around sessions of the Conference of the Parties. The trustee continued to work with the secretariat to facilitate the receipt of contributions and make resources available for Board decisions. Regarding CER monetization, he explained that demand had declined as purchases under the clean development mechanism had become voluntary and the mechanism approached closure. The trustee was exploring opportunities to monetize the remaining CERs and preparing the necessary arrangements for monetization under Article 6.4. However, the new mechanism was still being developed, and reliable projections of future demand and proceeds were not yet possible.

Official Use Only

14. Regarding the difference between cumulative funding approvals and transfers to implementing entities, the representative of the trustee explained that funds were transferred in tranches as projects progressed, generally over several years. He noted that the proportion of approved project funding already transferred was relatively high. In response to questions concerning future funding availability, he explained that the Fund had historically maintained a buffer of resources for new funding decisions, partly because proposals in the pipeline took time to become approved projects. That buffer could nevertheless decline as the pipeline continued to grow and proposals were approved. He also explained that revisions to the trustee's terms and conditions were necessary to enable the monetization of emission reductions under Article 6.4. In response to a question concerning differences in funding figures presented under successive agenda items, he clarified that the trustee's figures covered cumulative approvals since the Fund's inception, whereas those presented under the preceding item related to a more limited period.

15. Responding to a question concerning the distribution of funding among implementing entities, the Manager of the secretariat explained that multilateral implementing entities (MIEs), and to a lesser extent regional implementing entities (RIEs), could serve several countries, accounting for their relatively larger shares of the active portfolio and pipeline compared with NIEs. He attributed the increasing demand for Fund resources to several factors, including growing adaptation needs, improvements in countries' capacity to prepare funding proposals, increases in country funding and project size ceilings, confidence in the Fund's country-driven approach and reduced availability of adaptation finance from other sources. He noted that future resource availability remained uncertain, particularly in view of broader economic conditions affecting voluntary contributions and the absence of reliable estimates of potential proceeds under Article 6 mechanisms. The secretariat was monitoring developments in the mechanisms, including the market for emission reductions and their pricing, in assessing the Fund's future funding prospects.

16. The Ethics and Finance Committee took note of the trustee's report, as set out in document AFB/EFC.38/3.

Agenda item 5: Reconciliation of the administrative budgets of the Board and secretariat, the evaluation function and the trustee for fiscal year 2026

17. Representatives of the secretariat, the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) and the trustee presented the report on the reconciliation of the administrative budgets for fiscal year 2026 (1 July 2025–30 June 2026) (AFB/EFC.38/4).

18. During the ensuing discussion, members welcomed the savings achieved by the secretariat and AF-TERG but emphasized the importance of containing administrative expenditure in view of the Fund's financial position. A member expressed concern about the trustee's expenditure in excess of its approved budget. Other members sought clarification of the treatment of World Bank hosting fees in the budget tables and whether unspent administrative resources could be made available for project and programme funding. Questions were also raised concerning measures to improve budget execution in the next budget cycle, particularly in areas within the control of the secretariat and AF-TERG. Members sought information on the number of staff vacancies in the secretariat and whether an acceptable vacancy-rate threshold had been established.

19. Regarding the trustee's expenditure in excess of its approved budget, the representative of the trustee explained that investment management costs had been higher than anticipated because the average Fund balance had exceeded the amount assumed when preparing the budget.

Official Use Only

Additional expenditure had also been incurred on external legal counsel engaged to conduct due diligence and prepare contractual arrangements for the monetization of emission reductions under Article 6.4 of the Paris Agreement.

20. Responding to the other questions, a representative of the secretariat explained that World Bank hosting fees were accounted for separately from the administrative expenditure shown in table 1 of the report, but were included in the consolidated operational costs presented in table 3. Unspent administrative resources were returned to the Adaptation Fund Trust Fund following the closure of the fiscal year and became available for new Board funding decisions, including project and programme approvals. Regarding staffing, a representative of the secretariat reported that only one position remained vacant, with other positions either filled or in the process of being filled.

21. Regarding negotiations on World Bank hosting fees, a representative of the secretariat explained that the GEF secretariat led the discussions on behalf of the relevant units but coordinating with them, including the GEF Independent Evaluation Office and the Adaptation Fund Board secretariat, with the secretariat providing input when requested to do so

22. 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 2026, as set out in document AFB/EFC.38/4.

Agenda item 6: Thematic results briefs

23. Representatives of the secretariat presented the information note on thematic results briefs (AFB/EFC.38/6), comprising seven briefs covering the thematic areas of the global goal on adaptation and two additional briefs on transboundary projects and projects in small island developing States and least developed countries.

24. During the ensuing discussion, members welcomed the briefs and the analysis of the Fund's portfolio from different thematic perspectives. One member asked whether the analysis adequately captured adaptation measures addressing health risks associated with extreme heat, noting the potential for mobilizing additional resources. Other members sought clarification of the classification of projects under the seven thematic areas, the definition of transboundary projects and whether the percentages presented referred to project numbers or funding amounts. A member suggested that future briefs should examine employment opportunities, education and capacity development in greater detail, including their contribution to locally led adaptation. Another member emphasized the importance of drawing lessons from projects that had encountered difficulties or had not achieved their expected results, rather than concentrating primarily on successful outcomes.

25. Responding to the questions, a representative of the secretariat explained that the analysis had been based on existing project documentation, monitoring reports and evaluations, without requesting additional information from implementing entities. Results in areas such as health and employment might therefore have been underestimated where relevant outcomes had not been explicitly identified. The secretariat intended to consider further thematic and regional analyses, including employment, education and capacity development. She noted that AF-TERG would undertake an evaluation of health and climate change. Another representative of the secretariat cited a project in Malaysia, involving urban greening, stormwater management and the monitoring of health-related illnesses as an example of work relevant to health and extreme heat.

26. Regarding the methodology, the secretariat explained that each project had been assigned one primary thematic area to avoid double counting, although additional contributions could be

Official Use Only

recorded under secondary areas. The analysis of transboundary projects had been limited to those classified as regional or multi-country, including projects involving shared resources, infrastructure or regional cooperation. However, the analysis did not necessarily capture single-country projects with transboundary effects. The secretariat also clarified that the percentages highlighted in the presentation primarily concerned funding, whereas the briefs provided information on both project numbers and funding amounts. Regarding the suggestion to examine less successful experiences, the representative of the secretariat explained that the briefs had been intended primarily to showcase the Fund's activities and achievements, rather than to assess shortcomings. She explained the role of project monitoring missions and project performance reviews that seek to incorporate lessons learned, including lessons from projects that had encountered difficulties, in future analyses.

27. The Ethics and Finance Committee took note of the thematic results briefs, as set out in document AFB/EFC.38/6.

Agenda item 7: Lessons from portfolio monitoring missions

28. Representatives of the secretariat presented the findings of a review of reports from 15 portfolio monitoring missions conducted between June 2018 and August 2025, covering 17 projects in 21 countries. The review identified cross-cutting lessons concerning adaptive management, community ownership, sustainable livelihoods, institutional coordination, innovation, social inclusion, knowledge management and sustainability. It found that flexibility in project design and implementation was essential for responding to changing conditions and emerging risks, while successful livelihood diversification required an integrated approach to climate resilience, skills development, market access and long-term viability. Effective adaptation also depended on coordination among institutions, locally appropriate innovation and deliberate efforts to promote social inclusion. The representatives also presented lessons from recent monitoring missions to Lesotho, Fiji and Solomon Islands, highlighting the importance of community participation, institutional capacity, early warning systems and sustainable infrastructure in the implementation of adaptation projects. The EFC viewed two short videos illustrating project activities and results.

29. During the ensuing discussion, members welcomed the presentations and the positive results achieved by Fund-supported projects in strengthening the resilience of local communities. A member asked whether implementation delays were attributable to the governance structures or financial management arrangements of implementing entities and how such challenges had been addressed. Members also emphasized the importance of sustaining project results beyond the period of Fund support, including by integrating successful approaches into national adaptation plans, strengthening partnerships with government institutions, the private sector, academic institutions and civil society organizations, and mobilizing additional financing. A member questioned how a project in Lesotho with a budget of $10 million could have benefited approximately 1.4 million people. Another member suggested greater involvement of Board members and independent local institutions in monitoring missions to ensure a balanced assessment of project performance.

30. Responding to the questions, representatives of the secretariat explained that implementation delays affected projects across different regions and types of implementing entities and were often caused by circumstances beyond their control, including political developments, changes in national financial procedures and adverse weather conditions. The Fund's policies allowed for adjustments to project implementation in response to such circumstances. Repeated extensions of project implementation periods could, however, exhaust the resources available to implementing entities for project administration, potentially causing further delays.

Official Use Only

31. The reported figure of approximately 1.4 million beneficiaries of a project in Lesotho included people benefiting indirectly from improvements to the national early warning system. The figures had been supported by the project's performance reports and independent final evaluation. Cash transfers had also supported community activities and the creation of assets that could provide lasting livelihood benefits.

32. Regarding sustainability, an exercise was under way among multilateral climate funds to examine parallel financing and the replication and scaling up of projects. The findings would be shared with Board members once the exercise was completed. The secretariat also clarified that project performance ratings reflected both the achievement of expected results and operational performance, including implementation progress and adherence to timelines, and were based on successive project performance reports. Final project evaluations were required to be independent, while portfolio monitoring missions were intended to identify implementation challenges and opportunities for corrective action, as well as achievements.

33. The Ethics and Finance Committee took note of the information provided in the presentation.

Agenda item 8: Update on the implementation of the Evaluation Policy and Management Action Tracker, including the action plan for the management response to the thematic evaluation of the Readiness Programme

34. Representatives of AF-TERG and the secretariat presented the second progress report on the implementation of the Evaluation Policy (AFB/EFC.38/8), covering implementation since the Policy entered into force in October 2023, with a focus on developments from September 2025 to July 2026, together with an update on the management action tracker.

35. In the ensuing discussion, EFC members welcomed the progress reported and sought clarification regarding the adequacy of project and programme evaluation budgets, particularly given that allocations tended to be concentrated near the minimum requirement of 1 per cent. They asked whether the amounts allocated were sufficient to ensure high-quality evaluations and whether those resources were being fully utilized. Members also asked how implementing entities could be encouraged to submit management responses and implement evaluation recommendations, including after project completion, and whether outstanding recommendations were automatically closed after four years, irrespective of whether the corresponding actions had been completed.

36. Responding, the representatives explained that the AF-TERG assessed the quality of final evaluations through periodic synthesis exercises, the third of which was under way. Further analysis was needed to establish whether there was a relationship between evaluation budget allocations and evaluation quality, taking into account project size, complexity and context. The secretariat also assessed mid-term reviews against quality criteria and could request revisions before accepting them.

37. Regarding compliance, the representatives explained that, unlike annual project performance reports, mid-term reviews and final evaluations were not linked to the disbursement of funds. This limited the incentives available to ensure timely submission, particularly after project completion, when funds had already been disbursed and project personnel might no longer be available. Improvements to the online submission system had enabled the secretariat to track evaluation reports and the submission of management responses more systematically. Responsibility for implementing recommendations arising from mid-term reviews rested primarily with implementing entities. Follow-up was undertaken through the annual project reporting system, although individual actions were not systematically tracked. Monitoring the implementation of recommendations arising from final evaluations was more difficult because

the projects concerned had already been completed. Further measures to improve compliance could be considered during the review of the Evaluation Policy.

38. With respect to the management action tracker, the representatives clarified that recommendations remaining open after four years could be reassessed or closed if they were no longer relevant or had been superseded. None of the recommendations closed to date had been closed solely because four years had elapsed.

39. Having considered document AFB/EFC.38/8, the Ethics and Finance Committee recommended that the Board:

(a) Take note of the second evaluation policy implementation progress report;

(b) Request the secretariat to continue strengthening the monitoring and follow-up of the timely submission of mid-term reviews and final evaluations, including by identifying the underlying causes of any delays, and to continue working with implementing entities to address them;

(c) Request the secretariat to further strengthen the systematic tracking of the submission of management responses to project and programme mid-term reviews and final evaluations, as mandated by the Evaluation Policy, as well as follow-up action on evaluation recommendations arising from mid-term reviews, with a view to facilitating organizational learning and supporting adaptive management and improved performance;

(d) Request the secretariat to undertake further analysis of the application of the 1–5 per cent evaluation budget requirement introduced through decision B.41/30, as part of the review of the Evaluation Policy.

(Recommendation EFC.38/2)

Agenda item 9: Report of the Chair of the Technical Evaluation Reference Group of the Adaptation Fund:

(a) Work programme update of the Technical Evaluation Reference Group of the Adaptation Fund

40. The Chair of the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) presented the annual progress report on its second multi-year work programme (AFB/EFC.38/9), including an update on activities undertaken since the thirty-seventh meeting of the EFC in April 2026. A representative of the AF-TERG secretariat also introduced a video illustrating findings from an ex post evaluation of a project in Ghana.

41. In the ensuing discussion, members expressed appreciation for the work of the AF-TERG, particularly the ex post evaluations and their contribution to understanding the sustainability of project outcomes. One member suggested allocating additional resources to such evaluations in the next work plan. Another expressed the hope that future evaluations would give greater attention to direct access and disability-related issues. Members also emphasized the importance of disseminating evaluation findings beyond the Fund and the other multilateral climate funds, including to bodies involved in international discussions on adaptation.

42. Responding, the Chair of the AF-TERG explained that evaluation findings were disseminated through events organized by the Fund, international climate conferences, collaboration with other climate funds and participation in the United Nations Evaluation Group. She drew

particular attention to the Evidence for Climate Action Pavilion as a platform for sharing evaluation findings and informing wider discussions on climate action. She noted that further outreach would have resource implications and that the AF-TERG sought to ensure that its activities remained within its approved budget.

43. In response to a question regarding the proposed one-year work plan and budget for fiscal year 2028, the AF-TERG Chair explained that the independent review of the AF-TERG was expected to take place between October 2026 and July 2027, while the proposed work plan would cover July 2027 to June 2028. The one-year planning horizon would enable the AF-TERG to continue its activities while taking account of the independent review. Regarding the proposed deferral of the review of the Evaluation Policy, the Chair of the AF-TERG explained that its timing could not yet be determined, given the forthcoming independent review of the AF-TERG, preparation of the Fund's third Medium-Term Strategy and other developments. She suggested that the question could be revisited when the next draft annual work plan was presented.

44. Having reviewed document AFB/EFC.38/9, the Ethics and Finance Committee (EFC) recommended that the Adaptation Fund Board (the Board):

(a) Request the AF-TERG and the secretariat to continue working towards the finalization of the Comprehensive Evaluation of the Adaptation Fund and the Management Response to the evaluation and submit them together to the Board no later than sixty days prior to the forty-eighth meeting of the Board;

(b) Request the AF-TERG to develop a draft annual workplan and an associated budget for FY28, and present these to the EFC at its thirty-ninth meeting;

(c) Defer the review of the Evaluation Policy to take place after the Board's 49th meeting, so that it is sequenced to take place after the independent performance review of the AF-TERG;

(d) Welcome the continued engagement of the AF-TERG in the United Nations Evaluation Group and agree to its application to move from observer status to membership.

(Recommendation EFC.38/3)

(b) Evaluation of the processes and systems supporting governance for enhanced performance of the Adaptation Fund

45. The Chair of the AF-TERG presented the evaluation of the processes and systems supporting governance for enhanced performance of the Adaptation Fund (AFB/EFC.38/10). She explained that the evaluation covered the period from April 2017 to December 2025 and assessed the relevance, effectiveness and efficiency of a selected subset of the Fund's internal governance processes and systems, with a view to identifying lessons, good practices and opportunities for improvement. The evaluation did not cover the Fund's governance structures or the decision-making arrangements of its governing bodies.

46. Presenting six key messages from the evaluation, she explained that the Fund had established credible governance arrangements aligned with its mandate, which had supported its growth and responsiveness to country needs. However, the increasing scale and complexity of its operations were placing growing pressure on existing systems and resources. The evaluation identified opportunities to improve the coherence of policies and procedures, reduce the operational demands on the Board to allow more time for strategic deliberation, strengthen risk management and the use of evaluation evidence, enhance

Official Use Only

project-cycle efficiency and improve the integration of information systems and organizational learning. It made a single overarching recommendation for a structured approach to strengthening existing governance arrangements, while preserving the Fund's flexibility and avoiding additional governance layers. The Vice-Chair of the Committee emphasized the importance of ensuring that efforts to improve efficiency did not undermine the Fund's distinctive institutional culture or its responsiveness to the needs of smaller and developing countries.

47. A representative of the secretariat presented the management response, noting that it had been developed through an ongoing dialogue with the AF-TERG and the evaluators. He expressed broad agreement with the evaluation and its overarching recommendation, noting that work was already under way to strengthen operational effectiveness, policy coherence, information management and organizational learning. He observed, however, that certain findings relied heavily on interviews with internal stakeholders, with more limited participation by implementing entities and other external stakeholders, and should therefore be considered alongside evidence from the Fund's wider stakeholder base.

48. During the ensuing discussion, a member sought clarification regarding the recommendation to strengthen the coherence and integration of the Fund's governance arrangements. Responding, the Chair of the AF-TERG explained that successive Board decisions concerning new funding windows, policies and procedures had not always been reflected in updated operational guidance, making it difficult for implementing entities to identify and interpret the applicable requirements. She suggested bringing the relevant decisions and guidance together in a more coherent and accessible form. In response to the member's concern about whether the secretariat had sufficient capacity to undertake such work, she acknowledged the pressure on its resources and noted that the Board would need to consider the trade-offs between maintaining a lean secretariat and meeting growing operational demands. The member also suggested that the evaluation findings be taken into account in preparing the Fund's next strategy and associated planning processes. Responding, a representative of the secretariat explained that recent recruitment and ongoing efforts to fill vacancies were addressing several of the capacity gaps identified in the evaluation.

49. The Chair of the AF-TERG also sought the Committee's guidance on making the evaluation report publicly available, noting that its publication had been deferred pending consideration of any sensitivities relating to governance. The Vice-Chair indicated that the matter would be considered further in consultation with the Chair and the secretariat and that a response would be provided subsequently.

50. Having considered the G/PS evaluation contained in document AFB/EFC.38/10, the Ethics and Finance Committee (EFC) recommended that the Board:

(a) Take note of the recommendation of the Governance Process and Systems evaluation and the accompanying management response prepared by the AFB secretariat;

(b) Take note of the management response to the recommendation and prepare a consolidated action plan based on the management responses to the recommendations arising from the Mid-term review of the Medium-Term Strategy -II, the G/PS and the Comprehensive Evaluations for consideration of EFC at its thirty-ninth meeting;

(c) Request the secretariat to re-circulate the G/PS evaluation report for an intersessional no objection decision for public posting on the Adaptation Fund website.

(Recommendation EFC.38/4)

Agenda item 10: Options for an independent evaluation of the Technical Evaluation Reference Group of the Adaptation Fund

51. The Manager of the secretariat and the Chair of the AF-TERG jointly presented the options for an independent review of the AF-TERG, as set out in document AFB/EFC.38/12. The proposed review would assess the relevance, effectiveness, credibility and utility of the AF-TERG, including its governance arrangements, resources, working modalities and relationships with other parts of the Fund, and include recommendations concerning its future operation.

52. The presenters outlined two options: an independent panel of experts, with an indicative cost of US$ 60,000–120,000, and an independent external firm, with an indicative cost of US$ 80,000–120,000. The second option was preferred because it would provide a multidisciplinary team through a competitive selection process, with clearer accountability and quality assurance arrangements. It was proposed that a small group of Board members should oversee the review and that the final report be submitted for consideration at the EFC at its fortieth meeting.

53. Members generally favoured the engagement of an independent external firm, noting the advantages of established procurement procedures, professional accountability and a coordinated approach. Some members nevertheless questioned whether the proposed budget would be sufficient to secure the necessary expertise and ensure a rigorous review. Members also emphasized the importance of drawing on experience from comparable climate funds and ensuring that the review examined not only the performance of the AF-TERG but also the suitability of its structure and functions in the light of the Fund's evolving needs.

54. Regarding the timing of the review, some members questioned whether it would be preferable to defer the exercise, given the workload of the AF-TERG and the changes under way in the Fund's operating environment. They also noted that changes to the World Bank's contractual arrangements for consultants could be addressed separately. Other members considered that those developments strengthened the case for proceeding with a forward-looking review, which could inform decisions on the future structure of the evaluation function.

55. Members stressed the importance of ensuring the independence of the review, including by separating the AF-TERG from the selection and oversight of the reviewers, while allowing it to provide relevant information and comment on the factual accuracy of the draft report. Following informal consultations, the Committee agreed that the exercise should be described as an independent performance review, with broader questions concerning the future structure and institutional arrangements of the AF-TERG to be considered in conjunction with the comprehensive evaluation of the Adaptation Fund. Members also agreed on the establishment of a task force of Board members to oversee the review.

56. Having considered document AFB/EFC.38/12, the Ethics and Finance Committee took note of the options paper prepared jointly by the secretariat and AF TERG for undertaking the independent performance review of AF TERG and recommended that the Adaptation Fund Board (the Board):

(a) Approve Option 2 as the preferred modality for undertaking the performance review;

(b) Establish a review oversight task force consisting of the following [4] members of the Board, to provide oversight and guidance to the review as outlined in document AFB/EFC.38/12;

(c) Request the Manager of the secretariat with the inputs, as appropriate, from the Chair of AF TERG to operationalize the selected option;

(d) Request the Manager of the secretariat, in consultation with the oversight task force mentioned above, to submit the final review report, with a response from the Chair of the AF-TERG as an annex, to the EFC for consideration at its fortieth meeting;

(e) This performance review, together with the comprehensive evaluation of the Adaptation Fund, will inform future considerations of the model of the AF-TERG.

(Recommendation EFC.38/5)

Agenda Item 11: Other matters

57. No other matters were raised.

Agenda Item 12: Adoption of the recommendations and report

58. The Committee reviewed and adopted the recommendations to be submitted to the Board. It was agreed that the draft report of the present meeting would be circulated to members for review.

Agenda Item 13: Closure of the meeting

59. The Chair declared the meeting closed at 2.25 p.m. on 21 October 2026.