



ADAPTATION FUND

Adaptation Fund Board

OPERATIONAL POLICIES AND GUIDELINES FOR PARTIES TO ACCESS RESOURCES FROM THE ADAPTATION FUND

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INTRODUCTION

1. The Kyoto Protocol (KP), in its Article 12.8, states that “The Conference of the Parties serving as the meeting of the Parties to this Protocol shall ensure that a share of the proceeds from certified project activities is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.”¹ This is the legal basis for the establishment of the Adaptation Fund.
2. At the seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), held in Marrakech, Morocco, from October 29 to November 10, 2001 (COP7), the Parties agreed to the establishment of the Adaptation Fund (the Fund).²
3. In Montreal, Canada in November 2005³ and in Nairobi, Kenya in December 2006,⁴ the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), decided on specific approaches, principles and modalities to be applied for the operationalization of the Fund.
4. In Bali, Indonesia, in December 2007, the CMP decided that the operating entity of the Fund would be the Adaptation Fund Board (the Board), serviced by a Secretariat and a Trustee.⁵ Parties invited the Global Environment Facility to provide secretariat services to the Adaptation Fund Board (the Secretariat), and the World Bank to serve as the trustee (the Trustee) of the Fund, both on an interim basis.
5. In particular, Decision 1/CMP.3, paragraph 5(b), lists among the functions of the Board is the development and decision on specific operational policies and guidelines, including programming guidance and administrative and financial management guidelines, in accordance with decision 5/CMP.2, and to report to the CMP.
6. In Poznan, Poland, in December 2008, through Decision 1/CMP.4, the Parties adopted:
 - (a) the *Rules of Procedures of the Adaptation Fund Board*;
 - (b) the *Memorandum of Understanding between the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and Council of the Global Environmental Facility regarding secretariat services to the Adaptation Fund Board*, on an interim basis;
 - (c) the *Terms and Conditions of Services to be Provided by the International Bank for Reconstruction and Development (the World Bank) as Trustee for the Adaptation Fund*, on an interim basis; and
 - (d) the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* (see Annex 1).

¹ See FCCC/KP/Kyoto Protocol.

² See Decision 10/CP.7, “Funding under the Kyoto Protocol”.

³ See Decision 28/CMP.1, “Initial guidance to an entity entrusted with the operation of the financial system of the Convention, for the operation of the Adaptation Fund” in Annex I to this document.

⁴ See Decision 5/CMP.2, “Adaptation Fund”, in Annex I to this document.

⁵ See Decision 1/CMP.3, “Adaptation Fund”, in Annex I to this document.

7. In Decision 1/CMP.4, paragraph 11, the CMP decided that the Adaptation Fund Board be conferred such legal capacity as necessary for the execution of its functions with regard to direct access by eligible developing country Parties.
8. This document (hereafter “the operational policies and guidelines”), in response to the above CMP decisions, outlines operational policies and guidelines for eligible developing country Parties to access resources from the Fund. The operational policies and guidelines are expected to evolve further based on the experience acquired through the operationalization of the Fund, subsequent decisions of the Board and future guidance from the CMP.

DEFINITIONS OF ADAPTATION PROJECTS AND PROGRAMMES

9. The Adaptation Fund established under decision 10/CP.7 shall finance concrete adaptation projects and programmes.
10. A concrete adaptation project is defined as a set of activities aimed at addressing the adverse impacts of and risks posed by climate change. Adaptation projects can be implemented at the community, national, and transboundary level. Projects concern discrete activities with a collective objective(s) and concrete outcomes and outputs that are more narrowly defined in scope, space, and time.
11. An adaptation programme is a process, a plan, or an approach for addressing climate change impacts that is broader than the scope of an individual project.

OPERATIONAL AND FINANCING PRIORITIES

12. The overall goal of all adaptation projects and programmes financed under the Fund will be to support concrete adaptation activities that reduce the adverse effects of climate change facing communities, countries, and sectors.
13. Provision of funding under the Fund will be based on, and in accordance with, the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* adopted by the CMP, attached as Annex 1.
14. Funding will be provided on full adaptation cost basis of projects and programmes to address the adverse effects of climate change.⁶ Full cost of adaptation means the costs associated with implementing concrete adaptation activities that address the adverse effects of climate change. The Fund will finance projects and programmes whose principal and explicit aim is to adapt and increase climate resilience. The project proponent is to provide justification of the extent to which the project contributes to adaptation and climate resilience. The Board may provide further guidance on financing priorities, including through the integration of information based on further research on the full costs of adaptation and on the lessons learned.
15. In developing projects and programmes to be funded under the Fund, eligible developing country Parties may wish to consider the guidance provided in Decision 5/CP.7. Parties

⁶ Decision 5/CMP.2, paragraph 1 (d).

may also consult information included in reports from the Intergovernmental Panel on Climate Change (IPCC) and information generated under the Nairobi Work Programme (NWP) on Impacts, Vulnerability and Adaptation to Climate Change.⁷

16. Decisions on the allocation of resources of the Fund shall take into account the criteria outlined in the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund*, adopted by the CMP, specifically:
 - (a) Level of vulnerability;
 - (b) Level of urgency and risks arising from delay;
 - (c) Ensuring access to the fund in a balanced and equitable manner;
 - (d) Lessons learned in project and programme design and implementation to be captured;
 - (e) Securing regional co-benefits to the extent possible, where applicable;
 - (f) Maximizing multi-sectoral or cross-sectoral benefits;
 - (g) Adaptive capacity to the adverse effects of climate change.
17. Resource allocation decisions will be guided by paragraphs 9 and 10 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund*.
18. The Board will review its procedures for allocating resources of the Fund among eligible Parties at least every three years, and/or as instructed by the CMP.

PROJECT/ PROGRAMME PROPOSAL REQUIREMENTS

19. To access Fund resources, a project/programme will have to be in compliance with the eligibility criteria contained in paragraph 15 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* and using the relevant templates (templates attached as Annex 2).

COUNTRY ENDORSEMENT

20. Every proposal for funding must be endorsed by the requesting government.
21. Each Party shall designate and communicate to the Secretariat the authority that will endorse on behalf of the national government the projects and programmes proposed by the implementing entities.

⁷ IPCC Assessment Report 4, see <http://www.ipcc.ch/ipccreports/assessments-reports.htm> and NWP see http://unfccc.int/adaptation/sbsta_agenda_item_adaptation/items/3633.php.

FINANCING WINDOWS

22. Parties may undertake adaptation activities under the following categories:
- (a) Small-size projects and programmes (proposals requesting up to \$1 million); and
 - (b) Regular projects and programmes (proposals requesting over \$1million).

ELIGIBILITY CRITERIA

Country Eligibility

23. The Fund shall finance concrete adaptation projects and programmes in developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change.
24. Paragraph 10 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* provides the country eligibility criteria.
25. A cap in resource allocation per eligible host country, project and programme will be agreed by the Board based on a periodic assessment of the overall status of resources in the Adaptation Fund and with a view to ensuring equitable distribution.

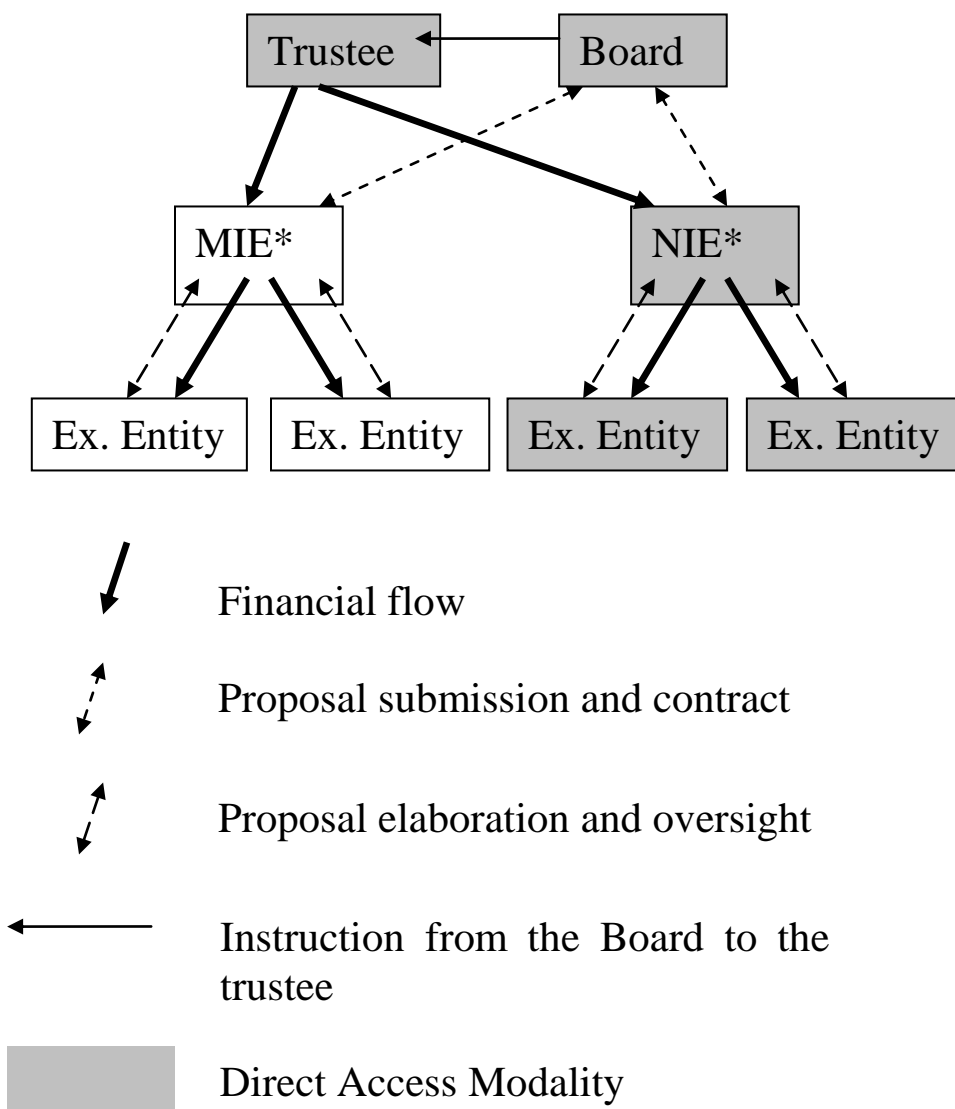
Implementing and Executing Entities

26. Eligible Parties who seek financial resources from the Adaptation Fund shall submit proposals directly through their nominated National Implementing Entity (NIE).⁸ They may, if they so wish, use the services of Multilateral Implementing Entities (MIE). The implementing entities shall obtain an endorsement from the government.⁹ The modalities for accessing resources of the Adaptation Fund are outlined in Figure 1.

⁸ They may include *inter alia*, ministries, inter-ministerial commissions, government cooperation agencies.

⁹ As laid out in paragraph 21: "Each Party shall designate and communicate the authority that will endorse on behalf of the national government the projects and programmes proposed by the implementing entities."

Figure 1: Modalities for Accessing Resources of the Adaptation Fund



* A Party nominates a National Implementing Entity or it may also nominate a Multilateral entity.

27. National Implementing Entities (NIE) are those national legal entities nominated by Parties that are recognized by the Board as meeting the fiduciary standards established by the Board. The NIEs will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring, and reporting responsibilities.

28. A group of Parties may also nominate regional and sub-regional entities as implementing entities, in which case provisions of paragraph 27 will apply.

29. Multilateral Implementing Entities (MIE) are those Multilateral Institutions and Regional Banks that meet the fiduciary standards provided by the Board. The MIEs, chosen by eligible Parties to submit proposals to the Board, will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring, and reporting responsibilities.
30. In the case of regional (i.e., multi-country) projects and programmes, the proposal submitted to the Board should be endorsed by the designated authority of each participating Party.
31. Executing Entities are organizations that execute adaptation projects and programmes supported by the Fund under the oversight of the Implementing Entities.

ACCREDITATION OF IMPLEMENTING ENTITIES

Fiduciary Standards

32. Among the principles established for the Adaptation Fund (Decision 5/CMP.2) is “sound financial management, including the use of international fiduciary standards.” At its 7th meeting the Board adopted fiduciary standards governing the use, disbursement and reporting on funds issued by the Adaptation Fund covering the following broad areas (refer to Annex 2 for details):
 - (a) Financial Integrity and Management:
 - (i) Accurately and regularly record transactions and balances in a manner that adheres to broadly accepted good practices, and are audited periodically by an independent firm or organization;
 - (ii) Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;
 - (iii) Produce forward-looking financial plans and budgets;
 - (iv) Legal status to contract with the Adaptation Fund and third parties
 - (b) Institutional Capacity:
 - (i) Procurement procedures which provide for transparent practices, including in competition;
 - (ii) Capacity to undertake monitoring and evaluation;
 - (iii) Ability to identify, develop and appraise project;
 - (iv) Competency to manage or oversee the execution of the project/programme including ability to manage sub-recipients and to support project /programme delivery and implementation.
 - (c) Transparency and Self-investigative Powers: Competence to deal with financial mismanagement and other forms of malpractice.

Accreditation Process

33. Accreditation for the implementing entities would follow a transparent and systematic process through an Adaptation Fund Accreditation Panel supported by the Secretariat. The Accreditation Panel will consist of two Board Members and three experts. The different steps for accreditation are as follows:
- (a) The Board will invite each Party¹⁰ to nominate a national implementing entity; the Board will issue a call to potential multilateral implementing entities to express interest in serving as a MIE;
 - (b) Potential implementing entities will submit their accreditation applications to the Secretariat together with supporting documentation to verify how they meet the fiduciary standards;
 - (c) The Secretariat will review the documentation to ensure that all the necessary information is provided, and will follow-up with the potential implementing entities to ensure that the application package is complete. The Secretariat will forward the complete package to the Accreditation Panel within 15 (fifteen) working days following receipt of a candidate implementing entity's submission;
 - (d) The Panel will undertake a desk-review of the application and forward its recommendation to the Board; should the Panel require additional information prior to making its recommendation, a mission and/or a teleconference may be undertaken with regard to the country concerned.¹¹ The Board will provide further guidance on the required information in the future on the basis of lessons learned; and
 - (e) The Board will make a decision and in writing will notify the entity of the outcome, which could fall into one of the following categories:
 - (i) Applicant meets requirements and accreditation is recommended; or
 - (ii) Applicant needs to address certain requirements prior to full accreditation.
34. In case the nominated NIE does not meet the criteria, an eligible Party may resubmit its application after addressing the requirements of the Board. In the meantime, eligible Parties are encouraged to use the services of an MIE, if they so wish, to submit project proposals for funding by the Adaptation Fund.
35. Accreditation will be valid for a period of 5 years. The Board will develop guidelines for renewal of an implementing entity's accreditation based on simplified procedures that will be established at a later date.

¹⁰ The designated authority referred to in paragraph 21 above shall endorse the application for accreditation on behalf of the Party.

¹¹ The Panel will specify areas requiring further work to meet the requirements and may provide technical advice to address such areas. In exceptional circumstances, an external assessor may be used to help resolve especially difficult/contentious issues.

36. The Board reserves the right to evaluate the performance of implementing entities at any time during an implementing entity's accreditation period. A minimum notification of 6 months will be given to an implementing entity if they have been identified by the Board as being the object of such an evaluation.
37. The Board may also consider suspending or cancelling the accreditation of an implementing entity if the entity made false statements or provided intentionally incomplete information to the Board both at the time of accreditation to the Board or in submitting a project or programme proposal.
38. Before the Board makes its final decision on whether to suspend or cancel the accreditation of an implementing entity, the entity concerned will be given a fair chance to present its views to the Board.

PROJECT CYCLE

39. The project cycle of the Adaptation Fund for any project or programme size begins with a proposal submission to the Secretariat by the NIE/MIE chosen by the government of the recipient country/ies. The submission is followed by an initial screening, project review and approval.¹²

Review and Approval of Small-size Projects and Programmes

40. In order to expedite the process of approving projects and reduce unnecessary bureaucracy, it is proposed that small-size projects undergo a one-step approval process by the Board. The proposed project cycle steps are as follows:
 - (a) The project proponent submits a fully developed project document¹³ based on a template approved by the Board (Annex 3, Appendix A for the case of projects and Appendix B for the case of programmes¹⁴). Proposals can be submitted to the Board through the Secretariat three times per year or as may be decided at any time by the Board depending on the flow of requests and the available resources. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board to the extent possible.
 - (b) The Secretariat will screen all proposals for consistency and provide a technical review. It will then forward the proposals with the technical reviews to the Projects and Programmes Review Committee for review, based on the criteria approved by the Board (Annex 3). Screening by the Secretariat will be conducted as soon as possible, and within fifteen (15) working days.
 - (c) The Secretariat will send all project proposals received with technical reviews to the Project and Programmes Review Committee four weeks prior to the Adaptation Fund Board meeting. The Project and Programmes Review Committee will review the proposals and give its recommendation to the Board for a decision at the Meeting.

¹² The designated authority referred to in paragraph 21 above shall endorse the proposal submission.

¹³ A fully developed project is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation.

¹⁴ Appendix B, a template for programmes to be completed at a future date

The Committee may use services of independent adaptation experts to provide input into the review process if needed. The Board can approve or reject a proposal with a clear explanation to the implementing entities. Rejected proposals can be resubmitted after consideration of the reasons for rejection.

- (d) The proposals approved by the Board will be posted on the Adaptation Fund website. The Secretariat in writing will notify the proponent of the decision of the Board.

Review and Approval of Regular Projects and Programmes

41. Regular adaptation projects are those that request funding exceeding \$1 million. It is proposed that these proposals undergo either a one-step or a two-step¹⁵ approval process. To reduce the time needed to get a project funded, proponents are encouraged to submit a fully-developed project document¹⁶ for a one-step approval. The proposed project cycle steps for a one-step approval are as follows:

- (a) The project proponent submits a fully-developed project document based on a template approved by the Board (Annex 3, Appendix A for the case of projects and Appendix B for the case of programmes¹⁷). Proposals can be submitted to the Board through the Secretariat three times per year or in any other schedule to be decided by the Board. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board as much as possible.
- (b) The Secretariat will screen all proposals for consistency and provide a technical review. It will forward the proposals and the technical reviews to the Projects and Programmes Review Committee for review based on the criteria approved by the Board (Annex 3). Screening by the Secretariat will be conducted as soon as possible, and within fifteen (15) working days.
- (c) The Secretariat will send all project proposals with technical reviews to the Project and Programmes Review Committee four weeks before the Adaptation Fund Board meeting. The Project and Programme Review Committee will review the proposals and give its recommendation to the Board for a decision at the Meeting. The Committee may use services of independent adaptation experts to provide input into the review process if needed. The Board can approve or reject a proposal with a clear explanation to the implementing entities. Rejected proposals can be resubmitted after consideration of the reasons for rejection.
- (d) All proposals approved by the Board will be posted on the Adaptation Fund website. The Secretariat in writing will notify the proponent of the decision of the Board.

¹⁵ A brief project concept is approved in the first step followed by the review and approval of a fully-developed project/document in the second-step. A two-step process, while time consuming minimizes the risk that a proponent does not invest time and energy in fully developing a project or program document that fails to meet the criteria of the Fund. Funding will only be reserved for a project after the approval of a fully-developed project document in the second step.

¹⁶ A fully developed project is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation.

¹⁷ To be completed

Disbursement

42. The Secretariat will draft contracts, memoranda of understanding and/or other necessary agreements with implementing entities and provide these agreements for signature by the Chair or any other Member designated to sign these documents. The Board may, at its discretion, review any of the proposed agreements. A template approved by the Board will be used to prepare such agreements.
43. The Trustee will disburse funds on the written instruction of the Board, signed by the Chair, or any other Board Member designated by the Chair, and report to the Board on the disbursement of funds.
44. The Board will ensure a separation of functions between the review and verification of disbursement requests, and the issuance of instructions to the Trustee to disburse.
45. The Board may instruct the Trustee to disburse funds for programmes in tranches based on time specific milestones, and may require a progress review from the Implementing Entity prior to each tranche disbursement.

Monitoring, Evaluation and Review

46. The Board is responsible for the strategic oversight of projects and programmes implemented with resources from the Fund. The Ethics and Finance Committee, with support of the Secretariat, will monitor the Adaptation Fund portfolio of projects and programmes.
47. The Adaptation Fund Board will develop a results framework to support the *Strategic Priorities, Policies, and Guidelines of the Adaptation Fund*. The framework will take into consideration existing good practices and lay out an approach that: (i) incorporates measuring results with widely recognized tools; (ii) assesses risk on an ongoing basis; and (iii) incorporates learning into strategies, projects, and programmes.
48. The Board will oversee results at the fund-level. Implementing entities shall ensure that capacity exists to measure and monitor results of the Executing Entities at the country-level. The Board requires that projects and programmes under implementation submit annual status reports to the Ethics and Finance Committee. The Committee, with the support of the Secretariat, shall provide an annual report to the Board on the overall status of the portfolio and progress towards results.
49. All regular projects and programmes that complete implementation will be subject to terminal evaluation by an independent evaluator selected by the Implementing Entity. The Board reserves the right to submit small projects and programmes to terminal evaluation when deemed appropriate. Terminal evaluation reports will be submitted to the Board within a reasonable time after project termination, as stipulated in the project agreement. .
50. The Adaptation Fund Board will consider the process for developing a results framework to support projects and programmes and outline its main components with the aim of ensuring that the framework is in place before projects are approved.

51. The Adaptation Fund Board reserves the right to carry out independent reviews or evaluations of the projects and programmes as and when deemed necessary. The costs for such activities will be covered by the Adaptation Fund.
52. This project cycle will be kept under review by the Board.

Procurement

53. Procurements by the Implementing Entities or any of their attached organizations shall be performed in accordance with internationally accepted procurement principles, good procurement practices and the procurement regulations as applicable to a given Party. Implementing Entities shall observe the highest ethical standards during the procurement and execution of the concrete adaptation projects.
54. The project proposal submitted to the Board shall contain adequate and effective means to punish and prevent malpractices. The Implementing Entities should promptly inform the Board of any instances of such malpractices.

Project Suspensions and Cancellations

55. At any stage of the project cycle, either at its discretion or following an independent review-evaluation, the Ethics and Finance Committee may recommend to the Board to suspend or cancel a project for several reasons, notably:
 - (a) financial irregularities in the implementation of the project; and/or
 - (b) material breach and poor implementation performance leading to a conclusion that the project can no longer meet its objectives.
56. Before the Board makes its final decision whether to suspend or cancel a project or a programme, the concerned implementing entity will be given a fair chance to present its views to the Board.
57. In accordance with their respective obligations, Implementing Entities suspending or cancelling projects and programmes must notify and send detailed justification to the Board for information.
58. The Secretariat will report to the Board on an annual basis on all approved projects and programmes that were suspended or cancelled during the preceding year.

Reservations

59. The Board reserves the right to reclaim all or parts of the financial resources allocated for the implementation of a project or programme, or to cancel projects or programmes later found not to be satisfactorily accounted for. The implementing entity shall be given a fair chance to consult and present its point of view before the Board.

Dispute Settlement

60. In case of a dispute as to the interpretation, application, or implementation of the project/programme, the implementing entity shall first approach the Secretariat with a written request seeking clarification. In case the issue is not resolved to the satisfaction of the implementing entity, the case may be put before the Board at its next meeting, to which a representative of the implementing entity could also be invited.
61. Subject to development on the legal status of the Board, the Board will draw more comprehensive dispute settlement provisions.

Management Fees

62. Every project proposal submitted to the Board shall state the management fee requested by the Implementing Entity, if any. The reasonability of the fee will be reviewed on a case by case basis.

Where to send a Request for Funding

63. All requests shall be sent to:

The Adaptation Fund Board Secretariat
Tel: +1 202 473 0508
Fax: +1 202 522 3240/5
Email: secretariat@adaptation-fund.org

64. Acknowledgment of the receipt shall be sent to the proposing Implementing Entities within a week of the receipt of the request for support. All project proposals submitted will be posted on the website of the Adaptation Fund Board. The Secretariat will provide facilities that will enable interested stakeholders to publicly submit comments about proposals.

Review of the Operational Policies and Guidelines

65. The Board shall keep these operational policies and guidelines under review and will amend them as deemed necessary.

ANNEX 1: STRATEGIC PRIORITIES, POLICIES, AND GUIDELINES OF THE ADAPTATION FUND ADOPTED BY THE CMP

I. Background

1. The Conference of the Parties decided by its decision 10/CP.7 to establish an adaptation fund (the Adaptation Fund) to finance concrete adaptation projects and programmes in developing country Parties that are Parties to the Kyoto Protocol, as well as activities identified in decision 5/CP.7, paragraph 8. The decision was further endorsed by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) through its decision 28/CMP.1.
2. In decision 5/CMP.2, Parties agreed on guiding principles and modalities. Parties further agreed in decision 1/CMP.3 that the Adaptation Fund Board shall be established as the operating entity of the Adaptation Fund.
3. This document sets out the strategic priorities, policies and guidelines for the Adaptation Fund, developed by the Adaptation Fund Board as requested by Parties in decision 1/CMP.3, paragraph 5 (a).
4. The strategic priorities, policies and guidelines set out in this document form the basis upon which the operational policies and guidelines shall be developed to enable eligible Parties to access resources from the Adaptation Fund.

II. Strategic priorities

5. In accordance with decision 1/CMP.3, paragraphs 1 and 2, the Adaptation Fund shall:
 - (a) Assist developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation;
 - (b) Finance concrete adaptation projects and programmes that are country driven and are based on the needs, views and priorities of eligible Parties.
6. In accordance with decision 5/CMP.2, paragraph 2 (c), projects and programmes funded under the Adaptation Fund should also take into account, inter alia, national sustainable development strategies, poverty reduction strategies, national communications and national adaptation programmes of action and other relevant instruments, where they exist.
7. In developing projects and programmes to be funded under the Adaptation Fund, eligible Parties should consider the guidance provided in decision 5/CP.7, paragraph 8, and, where necessary, further information included in reports from the Intergovernmental Panel on Climate Change and information generated under the Nairobi work programme on impacts, vulnerability and adaptation to climate change.
8. In developing projects and programmes, special attention shall be given by eligible Parties to the particular needs of the most vulnerable communities.

III. Strategic policies and guidelines

9. The operational principles and modalities that shall guide the provision of assistance by the Adaptation Fund to eligible Parties shall be consistent with decision 5/CMP.2, paragraphs 1 and 2.
10. Eligible Parties to receive funding from the Adaptation Fund are understood as developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change including low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems.
11. Eligible Parties can submit project proposals directly to the Adaptation Fund Board and implementing or executing entities chosen by governments that are able to implement the projects funded under the Adaptation Fund can approach the Adaptation Fund Board directly.
12. Funding for projects and programmes will be on a full adaptation cost basis to address the adverse effects of climate change.
13. Funding for projects and programmes will be available for projects and programmes at national, regional and community levels.
14. Short and efficient project development and approval cycles and expedited processing of eligible activities shall be developed.
15. In assessing project and programme proposals, the Adaptation Fund Board shall give particular attention to:
 - (a) Consistency with national sustainable development strategies, including, where appropriate, national development plans, poverty reduction strategies, national communications and national adaptation programmes of action and other relevant instruments, where they exist;
 - (b) Economic, social and environmental benefits from the projects;
 - (c) Meeting national technical standards, where applicable;
 - (d) Cost-effectiveness of projects and programmes;
 - (e) Arrangements for management, including for financial and risk management;
 - (f) Arrangements for monitoring and evaluation and impact assessment;
 - (g) Avoiding duplication with other funding sources for adaptation for the same project activity;
 - (h) Moving towards a programmatic approach, where appropriate.

16. The decision on the allocation of resources of the Adaptation Fund among eligible Parties shall take into account:
 - (a) Level of vulnerability;
 - (b) Level of urgency and risks arising from delay;
 - (c) Ensuring access to the fund in a balanced and equitable manner;
 - (d) Lessons learned in project and programme design and implementation to be captured;
 - (e) Securing regional co-benefits to the extent possible, where applicable;
 - (f) Maximizing multi-sectoral or cross-sectoral benefits;
 - (g) Adaptive capacity to the adverse effects of climate change.
17. The Adaptation Fund Board may wish to review elements of this strategic priority based on lessons learned.

ANNEX 2: FIDUCIARY RISK MANAGEMENT STANDARDS TO BE MET BY IMPLEMENTING ENTITIES

Competencies and Specific Capabilities

Required competency	Specific capability required	Illustrative means of verification
I Financial Management and Integrity	Accurately and regularly record transactions and balances in a manner that adheres to broadly accepted good practices, and are audited periodically by an independent firm or organization	<ul style="list-style-type: none"> • Production of reliable financial statements prepared in accordance with internationally recognized accounting standards. • Annual external audited accounts that are consistent with recognized international auditing standards. • Production of detailed departmental accounts • Use of accounting packages that are recognised and familiar to accounting procedure in developing countries • Demonstrate capability for functionally independent internal auditing in accordance with internationally recognized standards.¹⁸
	Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;	<ul style="list-style-type: none"> • A control framework that is documented with clearly defined roles for management, internal auditors, the governing body, and other personnel. • Financial projections demonstrating financial solvency • Demonstration of proven payment / disbursement systems
	Produce forward-looking financial plans and budgets	<ul style="list-style-type: none"> • Evidence of preparation of corporate , project or departmental / ministry budgets • Demonstration of ability to spend against budgets
	Legal status to contract with the Adaptation Fund and third parties	<ul style="list-style-type: none"> • Demonstration of necessary legal personality in case it is not government department/institution. • Demonstrated legal capacity/authority and the ability to directly receive funds

¹⁸ Such as International Standards on Auditing (ISA).

Required competency	Specific capability required	Illustrative means of verification
II Requisite Institutional Capacity		
	Procurement procedures which provide for transparent practices, including competition	<ul style="list-style-type: none"> • Evidence of procurement policies and procedures at national levels consistent with recognized international practice (including dispute resolution procedures)
	Capacity to undertake monitoring and evaluation	<ul style="list-style-type: none"> ▪ Demonstration of existing capacities for monitoring and independent evaluation consistent with the requirements of the Adaptation Fund. ▪ Evidence that a process or system, such as project-at-risk system, is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond accordingly to redress the problems.
	Ability to identify, develop and appraise project	<ul style="list-style-type: none"> • Availability of/ Access to resources and track records of conducting appraisal activities • Evidence of institutional system for balanced review of projects, particularly for quality-at-entry during design phase. • Risk assessment procedures are in place.
	Competency to manage or oversee the execution of the project/programme including ability to manage sub-recipients and to support project /programme delivery and implementation	<ul style="list-style-type: none"> • Understanding of and capacity to oversee the technical, financial, economic, social, environmental and legal aspects of the project and their implications • Demonstrated competence to execute or oversee execution of projects / programmes of the same nature as intended project or programme

Required competency	Specific capability required	Illustrative means of verification
III Transparency, self - investigative powers, and anti- corruption measures	Competence to deal with financial mis-management and other forms of malpractice	<ul style="list-style-type: none"> • Demonstration of capacity and procedures to deal with financial mismanagement and other forms of malpractice. • Evidence of an objective investigation function for allegations of fraud and corruption.

ANNEX 2: TEMPLATES APPROVED BY THE ADAPTATION FUND BOARD

Approval and Operations Procedures

1. **Adaptation Fund Project Approval Process**: There are two approval processes under the Adaptation Fund project cycle: (i) a one-step approval process; and (ii) a two-step approval process. Eligible developing country Parties to the Kyoto Protocol may submit project proposals directly to the Adaptation Fund Board Secretariat (AFBS) via its National Implementing Entities (NIEs) or via Multilateral Implementing Entities (MIEs). NIEs/MIEs have to be accredited by the Adaptation Fund Board (AFB) to be eligible as an implementing entity for the purpose of submitting projects to the Adaptation Fund. They should also meet the fiduciary standards and other qualifications provided by the Board. All small-size projects will follow the one-step approval process, while regular projects may follow either the one-step approval or the two-step approval process, depending on the stage of project preparation, and at the discretion of the project proponent. The following section outlines the steps of the approval processes.

2. **Single Approval Process**: This process may be used for small-size projects or regular projects with proposals that are already fully-prepared. Approval process includes the following steps:

- (a) Eligible Parties submit a fully-prepared project document to the AFBS seven weeks before the next AFB meeting.
- (b) The AFBS will screen all proposals and prepare a [Technical Review](#) for each project/programme. The AFBS will submit a collection of proposals consisting of technical reviews of all projects to the Project and Program Review Committee (PPRC) four (4) weeks prior to the next AFB meeting.
- (c) The PPRC will review and prepare recommendations for the Board using a [Recommendation Template](#). The PPRC will convene back-to-back to the Adaptation Fund Board (AFB) meeting to finalize its recommendation and submit its recommendation the next day to the AFB.
- (d) AFB approves/rejects the recommendations during the meeting.
- (e) All approved projects will be posted on the AF website following the conclusion of its meeting.

3. **Two-Step Approval Process**: The two-step approval process may be used for regular projects if it is so decided by the proponent Party: (i) project concept approval; and (ii) final project document approval. Each of these steps is subject to the same approval process as the single approval process, i.e., the project is subjected to the single approval process twice. The rationale for choosing such a process is for a country to receive feedback or guidance from the AFB upstream before a project has been fully prepared. The following two documentations are required to be submitted at each step following the same procedures as the single approval process:

- (a) 1st step: Regular Project Concept.
- (b) 2nd step: Regular Project Final Project Document.

4. **Documentation required in the submission:**

- (a) *Regular Project Concept*: used for the first step of the two-step approval process (only for regular projects that have not been fully developed);
- (b) *Small-sized Project Document Template*: for use when submitting small-sized projects;
- (c) *Regular Project Document Template*: for use when submitting regular projects (for regular projects that have been fully developed);
- (d) *Full Project Document* prepared by NIEs/MIEs for both small-sized and regular projects;
- (e) Endorsement Template endorsed by the country's designated authority for the Adaptation Fund.¹⁹

5. **Categories of projects under the Adaptation Fund:**

- (a) Small-Sized projects (SPs): defined as project proposals requesting up to \$1.0 million.
- (b) Regular-Sized projects (RPs): project proposals requesting more than \$1.0 million
- (c) Programme: a series of projects which could include small-size projects or regular projects aimed at achieving an outcome that is otherwise not achievable by a single project. Projects under a programme would have synergies in their objectives and implementations.

6. **Definitions of Terms:**

- (a) Projects: A concrete adaptation project is defined as a set of activities aimed at addressing the adverse impacts of and risks posed by climate change.
- (b) Programme: An adaptation program is a process, a plan or an approach for addressing climate change impacts which are broader than the scope of an individual project. The Board will provide further guidance on the adaptation programmes, its aims and objectives in the future on the basis of lessons learned.

7. **Financing and Disbursement:**

¹⁹ The designated authority referred to in paragraph 21 of the operational guidelines.

- (a) Financing: funding for projects and programs will be on a full adaptation cost basis to address the adverse effects of climate change.²⁰
- (b) Disbursement: The Trustee will disburse funds on the written instruction of the Board, signed by the Chair and the Vice-Chair, or any other Board Member designated by the Chair and the Vice-Chair, and report to the Board on the disbursement of funds.

²⁰ Para. 14 of the *“Provisional Operational Policies and Guidelines for Parties to Access Resources from the Adaption Fund,”* and para. 12 of the *“Strategic Priorities, Policies, and Guidelines of the Adaptation Fund.”*

Adaptation Fund Project Review Criteria

1. The following review criteria for Adaptation Fund projects are applicable to both the small-size projects and regular projects under the single-approval process. For regular projects using the two-step approval process, only the first four criteria will be applied when reviewing the 1st step for regular project concept. In addition, the information provided in the 1st step approval process with respect to the review criteria for the regular project concept could be less detailed than the information in the request for approval template submitted at the 2nd step approval process. Furthermore, a final project document is required for regular projects for the 2nd step approval, in addition to the approval template.

Review Criteria	
1. Country Eligibility	<ul style="list-style-type: none"> • Is the country party to the Kyoto Protocol? • Is the country a developing country particularly vulnerable to the adverse effects of climate change?²¹
2. Project Eligibility	<ul style="list-style-type: none"> • Has the government endorsed the project? ²² • Does the project support concrete adaptation actions to assist the country in addressing the adverse effects of climate change? • Does the project provide economic, social and environmental benefits, with particular reference to the most vulnerable communities? • Is the project cost-effective? • Is the project consistent with national sustainable development strategies, national development plans, poverty reduction strategies, national communications or adaptation programs of action, or other relevant instruments? • Does the project meet the relevant national technical standards, where applicable? • Is there duplication of project with other funding sources? • Does the project have a learning and knowledge management component to capture and feedback lessons? • Has the project provided justification for the funding requested on the basis of the full cost of adaptation?
3. Resource Availability	<ul style="list-style-type: none"> • Is the requested project funding within the cap of the country?
4. Eligibility of NIE/MIE	<ul style="list-style-type: none"> • Is the project submitted through an eligible NIE/MIE that has been accredited by the Board?
5. Implementation Arrangement	<ul style="list-style-type: none"> • Is there adequate arrangement for project management?

²¹ Further reference to the eligibility of country can be found in the document: “*Strategic Priorities, Policies, and Guidelines of the Adaptation Fund*”

²² Each Party shall designate and communicate to the Secretariat the authority that will endorse on behalf of the national government the projects and programmes proposed by the implementing entities.

	<ul style="list-style-type: none">• Are there measures for financial and project risk management?• Are arrangements for monitoring and evaluation clearly defined, including a budgeted M&E plan?• Is a project results framework included?
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Attached with this note are the following:

Appendix A: Request for Project Funding from Adaptation Fund

Appendix B: Government Endorsement Letter Template (submitted through NIEs/MIEs)

Appendix C: Adaptation Fund Secretariat Technical Review for Adaptation Fund Projects

Appendix D: PPRC Recommendation for Project Approval



ADAPTATION FUND

**REQUEST FOR PROJECT FUNDING FROM THE
ADAPTATION FUND**

The annexed form should be completed and transmitted to the Adaptation Fund Board Secretariat by email or fax.

Please type in the responses using the template provided. The instructions attached to the form provide guidance to filling out the template.

Please note that a project must be fully prepared (i.e., fully appraised for feasibility) when the request is submitted. The final project document resulting from the appraisal process should be attached to this request for funding.

Complete documentation should be sent to

The Adaptation Fund Board Secretariat
Room G-6
1818 H Street NW
Washington, DC. 20433
U.S.A
Fax: (202) 522-3240/5
Email: secretariat@adaptation-fund.org



PROJECT PROPOSAL

■ PART I: PROJECT INFORMATION

PROJECT CATEGORY:
COUNTRY/IES:
TITLE OF PROJECT:
TYPE OF IMPLEMENTING ENTITY:
IMPLEMENTING ENTITY:
EXECUTING ENTITY/IES:
AMOUNT OF FINANCING REQUESTED: (in U.S Dollars Equivalent)

■ **PROJECT BACKGROUND AND CONTEXT:**
Provide brief information on the problem the proposed project is aiming to solve. Outline the economic and social development context in which the project would operate.

■ **PROJECT OBJECTIVES:**
List the main objectives of the project.

■ **PROJECT COMPONENTS AND FINANCING:**
Fill in the table presenting the relationships among project components, activities, expected concrete outputs, and the corresponding budgets. If necessary, please refer to the attached instructions for a detailed description of each term.

PROJECT COMPONENTS	ACTIVITIES	EXPECTED CONCRETE OUTPUTS	AMOUNT (US\$)
1.			
2.			
3.			
4.			
5.			
6. Project Execution cost			
7. Total Project Cost			
8. Project Cycle Management Fee charged by the Implementing Entity (if applicable)			
Amount of Financing Requested			

PROJECTED CALENDAR:

Indicate the dates of the following milestones for the proposed project

MILESTONES	EXPECTED DATES
Start of Project Implementation	
Mid-term Review (if planned)	
Project Closing	
Terminal Evaluation	

PART II: PROJECT JUSTIFICATION

- A. Describe the project components, particularly focusing on the concrete adaptation activities of the project, and how these activities contribute to climate resilience.

- B. Describe how the project provides economic, social and environmental benefits, with particular reference to the most vulnerable communities.

- C. Describe or provide an analysis of how the proposed project is cost-effective?

- D. Describe how the project is consistent with national sustainable development strategies, including, where appropriate, national development plans, poverty reduction strategies, national communications, or national adaptation programs of action, or other relevant instruments, where they exist.

- E. Describe how the project meets relevant national technical standards, where applicable.

- F. Describe if there is duplication of project with other funding sources, if any.

- G. If applicable, describe the learning and knowledge management component to capture and disseminate lessons learned.

- H. Describe the consultative process, including the list of stakeholders consulted, undertaken during project preparation.

- I. Provide justification for funding requested, focusing on the full cost of adaptation reasoning.

PART III: IMPLEMENTATION ARRANGEMENTS

- A. Describe the arrangements for project implementation.
- B. Describe the measures for financial and project risk management.
- C. Describe the monitoring and evaluation arrangements and provide a budgeted M&E plan.
- D. Include a project results framework for the project proposal.

■ PART IV: ENDORSEMENT BY GOVERNMENT AND CERTIFICATION BY THE IMPLEMENTING ENTITY

A. RECORD OF ENDORSEMENT ON BEHALF OF THE GOVERNMENT²³ *Provide the name and position of the government official and indicate date of endorsement. If this is a regional project, list the endorsing officials all the participating countries. The endorsement letter(s) should be attached as an annex to the project proposal. Please attach the endorsement letter(s) with this template; add as many participating governments if a regional project:*

<i>(Enter Name, Position, Ministry)</i>	<i>Date: (Month, day, year)</i>
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B. IMPLEMENTING ENTITY CERTIFICATION *Provide the name and signature of the Implementing Entity Coordinator and the date of signature. Provide also the project contact person’s name, telephone number and email address*

I certify that this proposal has been prepared in accordance with guidelines provided by the Adaptation Fund Board, and prevailing National Development and Adaptation Plans (.....list here.....) and subject to the approval by the Adaptation Fund Board, understands that the Implementing Entity will be fully (legally and financially) responsible for the implementation of this project.	
<i>Name & Signature</i> Implementing Entity Coordinator	
<i>Date: (Month, Day, Year)</i>	<i>Tel. and email:</i>
<i>Project Contact Person:</i>	
<i>Tel. And Email:</i>	

²³ Each Party shall designate and communicate to the Secretariat the authority that will endorse on behalf of the national government the projects and programmes proposed by the implementing entities.

INSTRUCTIONS FOR PREPARING A REQUEST FOR PROJECT FUNDING FROM THE ADAPTATION FUND

DATE OF RECEIPT. Please leave this space on the top right of the page blank. The Adaptation Fund Board Secretariat will fill in the date on which the proposal is received at the Secretariat.

ADAPTATION FUND PROJECT ID. Please leave this space on the top right of the page blank. The Adaptation Fund Board Secretariat will assign a number to your project internally.

PART I: PROJECT INFORMATION

PROJECT CATEGORY: Please specify which type of project you are proposing. The two options are:

- A) SMALL-SIZED PROJECT.** Proposals requesting grants up to \$1 million.
- B) REGULAR PROJECT.** Proposals requesting grants of more than \$1 million.

COUNTRY/IES: Please insert the name of the country requesting the grant. Please note that regional projects should mention all the participating countries.

TITLE OF PROJECT: Please enter the title of the proposed project.

TYPE OF REQUESTING ENTITY: Please specify which type of Implementing Entity the project will be managed by. The two options are:

- A) NATIONAL IMPLEMENTING ENTITY**
- B) MULTILATERAL IMPLEMENTING ENTITY**

NAME OF IMPLEMENTING ENTITY: Please specify the name of the Implementing Entity

EXECUTING ENTITY(IES). Please specify the name of the organisation(s) that will execute(s) the project funded by the Adaptation Fund under the oversight of the Implementing Entity.

AMOUNT OF FINANCING REQUESTED. Please fill the grant amount (in US Dollars equivalent) requested from the Adaptation Fund for this proposal.

PROJECT BACKGROUND AND CONTEXT. *Provide brief information on the problem the proposed project is aiming to solve. Outline the economic and social development context in which the project would operate.*

PROJECT OBJECTIVES. *List the main objectives of the project.*

PROJECT COMPONENTS AND FINANCING. Please fill out the table presenting the relationships among project components, activities, expected concrete outputs, and their corresponding budgets to accomplish them. The aforementioned terms are defined below to facilitate the process of completing the table:

PROJECT COMPONENTS. The division of the project into its major parts; an aggregation of set of activities

ACTIVITIES. Actions taken or work performed through which inputs, such as funds, technical assistance and other types of resources are mobilized to produce specific outputs.

EXPECTED CONCRETE OUTPUTS. The product, capital goods and services which result from a development intervention relevant to the achievement of outcomes.

AMOUNT (\$). Indicate grant amounts in US dollars by project components.

PROJECT EXECUTION COST. The main items supported by the Adaptation Fund for project management including consultant services, travel and office facilities, etc.

TOTAL PROJECT COST. This is the sum of all project components requesting Adaptation Fund Board approval.

IMPLEMENTING ENTITY PROJECT CYCLE MANAGEMENT FEE. This is the fee that is requested by an Implementing Entity for project cycle management services.

AMOUNT OF FINANCING REQUESTED. This amount includes the total project cost plus the project cycle management fee.

PROJECTED CALENDAR. Please indicate the dates of the following milestones for the proposed project.

START OF PROJECT IMPLEMENTATION The date on which project becomes effective and disbursement can be requested. This is also the trigger date for the Adaptation Fund Trustee to allow the Implementing Entities to request for disbursement

MID-TERM REVIEW. The date on which the Implementing Entity completes its mid-term review of the project.

PROJECT CLOSING. Project closing is set as six months after Project Completion. This is the date on which Implementing Entity completes disbursement from the grant and may cancel any undisbursed balance in the grant account.

TERMINAL EVALUATION. The date on which the Implementing Entity completes the terminal evaluation report, normally two months after project completion but in any case, no later than twelve months after project completion.

PART II: PROJECT JUSTIFICATION

- A.** Describe the project components, including details of activities in each component, regarding how the components will meet project objectives. Describe how the activities will help with adaptation to climate change and improve climate resilience.
- B.** Describe how the outputs and outcomes of the project will provide economic, social and environmental benefits, particularly to the most vulnerable communities in the project area.
- C.** How is the project cost-effective. Compare to other possible interventions that could have been taken to achieve similar project objectives.
- D.** Describe how the project is located in the framework of national development strategies, plans, action plans, etc.
- E.** Describe how the project design meets national technical standards.
- F.** Describe if the project overlaps or duplicates similar activities from other funding sources.
- G.** Describe the activities included in the project to gather lessons learned from project design and implementation and for their dissemination.
- H.** Describe the consultative process undertaken during project design. List the stakeholders consulted and the methods of consultation.
- I.** Provided the full cost of adaptation reasoning for the funding requested for the project.

PART III: IMPLEMENTATION ARRANGEMENTS. Describe the various elements of project implementation as enumerated below:

- a. Adequacy of project management arrangements.
- b. Measures for financial and project risk management.
- c. Monitoring and evaluation arrangements including budgeted M&E plan.
- d. Results framework for the project.

PART IV: ENDORSEMENT BY THE DESIGNATED GOVERNMENT AUTHORITY FOR ADAPTATION FUND AND CERTIFICATION BY THE IMPLEMENTING ENTITY

- 9. RECORD OF ENDORSEMENT BY DESIGNATED GOVERNMENT AUTHORITY.** Provide the name, position, and government office of the designated government authority and indicate date of endorsement. If this is a regional project, list the designated government authorities of all

participating countries endorsing the project. The endorsement letter(s) should be attached as an annex to the project proposal.

- 10. IMPLEMENTING ENTITY CERTIFICATION.** Provide the name and signature of the Implementing Entity Coordinator and the date of signature. Provide also the project contact person's name, telephone number and email address.



ADAPTATION FUND

Letter of Endorsement by Government

[Government Letter Head]

[Date of Endorsement Letter]

To: The Adaptation Fund Board
c/o Adaptation Fund Board Secretariat
Email: Secretariat@Adaptation-Fund.org
Fax: 202 522 3240/5

Subject: Endorsement for [Title of Project]

In my capacity as designated authority for the Adaptation Fund in [country], I confirm that the above (select national or regional) project proposal is in accordance with the government's (select national or regional) priorities in implementing adaptation activities to reduce adverse impacts of, and risks, posed by climate change in the (select country or region).

Accordingly, I am pleased to endorse the above project proposal with support from the Adaptation Fund. If approved, the proposal will be coordinated and implemented by [national or local executing entity].

Sincerely,

[Name of Designated Government Official]
[Position/Title in Government]



ADAPTATION FUND BOARD SECRETARIAT TECHNICAL REVIEW OF PROJECT PROPOSAL

PROJECT CATEGORY: (select)

Country/Region:

Project Title:

AF Project ID:

NEI/MEI Project ID:

Regular Project Concept Approval Date (if applicable):

AFB Secretariat Screening Manager:

Requested Financing from Adaptation Fund (US Dollars):

Anticipated Submission of final RP document (if applicable):

NIE/MIE Contact Person:

Review Criteria	Questions	Comments
Country Eligibility	1. Is the country party to the Kyoto Protocol?	
	2. Is the country a developing country particularly vulnerable to the adverse effects of climate change?	
Project Eligibility	1. Has the designated government authority for the Adaptation Fund endorsed the project?	
	2. Does the project exhibit adaptive capacity to the adverse effects of climate change and build in climate resilience?	
	3. Does the project provide economic, social and environmental benefits, particularly to vulnerable communities?	
	4. Is the project cost effective?	
	5. Is the project consistent with national sustainable development strategies, national development plans, poverty reduction strategies, national communications and adaptation programs of action and other relevant instruments?	

	6. Does the project meet the relevant national technical standards, where applicable?	
	7. Is there duplication of project with other funding sources?	
	8. Does the project have a learning and knowledge management component to capture and feedback lessons?	
	9. Is the requested financing justified on the basis of full cost of adaptation reasoning?	
Resource Availability	1. Is the requested project funding within the cap of the country?	
Eligibility of NIE/MIE	2. Is the project submitted through an eligible NIE/MIE that has been accredited by the Board?	
Implementation Arrangement	1. Is there adequate arrangement for project management?	
	2. Are there measures for financial and project risk management?	
	3. Are arrangements for monitoring and evaluation clearly defined, including budgeted M&E plans?	
	4. Is a results framework included?	

Technical Summary	
Date:	



**Project and Program Review Committee
 Recommendation for Projects Submitted for the
 [DATE] AFB Meeting**

Project Title	AF Grant Amount (\$)	Implementing Entity project cycle management fee	Total AF Resources Used (\$)	Recommendation		Justification
				Yes	No	
1.						
2.						
Subtotal						
Total AF Resources Approved						