

The Adaptation Fund

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

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INTRODUCTION

1. The Kyoto Protocol, 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 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 to develop and decide 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: (i) the Rules of Procedures of the Adaptation Fund Board; (ii) the Memorandum of Understanding between the CMP and Council of the Global Environmental Facility regarding secretariat services to the Adaptation Fund Board, on an interim basis; (iii) 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 (iv) the strategic priorities, policies and guidelines of the Adaptation Fund.
7. In Decision 1/CMP.4, paragraph 11, the CMP decides “that the Adaptation Fund Board be conferred such legal capacity as necessary for the discharge of its functions with regard to direct access by eligible Parties and implementing and executing entities, in accordance with decision 1/CMP.3, paragraphs 29 and 30, in particular legal capacity to enter into contractual

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*”.

⁴ See Decision 5/CMP.2, “*Adaptation Fund*”.

⁵ See Decision 1/CMP.3, “*Adaptation Fund*”.

agreements and to receive project, activity and programme proposals directly and to process them in accordance with paragraph 7 (a) and (b) above, as appropriate, consistent with decisions 5/CMP.2 and 1/CMP.3". Subparagraphs (a) and (b) of paragraph 7 take note of: "(a) The development of specific operational policies and guidelines as referred to in decision 1/CMP.3, paragraph 5 (b); (b) The development of the criteria to ensure that the executing entities have the capacity to implement the administrative and financial management guidelines of the Adaptation Fund as referred to in decision 1/CMP.3, paragraph 5 (c)".⁶

8. This document, in response to these decisions of the CMP, proposes operational policies and guidelines for eligible developing country Parties [and implementing and executing entities] to access resources from the Fund, [either directly or through the executing or implementing agencies]. As guidance from the Parties is still incomplete with respect to eligibility criteria, the draft provisional guidelines are expected to evolve further based on subsequent decisions of the Board, reflecting future guidance from the Parties.

OPERATIONAL PRINCIPLES

9. The Operational Principles of the Adaptation Fund are guided by the *Strategic Priorities, Policies and Guidelines* adopted by the CMP.⁷

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 5/CP.7, paragraph 8, and, where necessary, further*

⁶ See Decision 1/CMP.4, "Report of the Adaptation Fund Board".

⁷ See ___/CMP.4 Annex IV, Sections II and III.

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 the 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 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 adverse effects of climate change.*

ACTIVITIES TO BE FINANCED

10. Paragraph 7 of the *Strategic Priorities and Guidelines of the Adaptation Fund* provides overall guidance in developing projects and programmes to be funded under the Adaptation Fund, including the following activities listed in paragraphs 8(a to d) of Decision 5/CP.7:

- (a) Starting to implement adaptation activities promptly where sufficient information is available to warrant such activities, *inter alia*, in the areas of water resources management, land management, agriculture, health, infrastructure, development, fragile ecosystems, including mountainous ecosystems, and integrated coastal zone management.
- (b) Improving the monitoring of diseases and vectors affected by climate change, and related forecasting and early-warning systems, and in this context improving disease control and prevention.
- (c) Supporting capacity building, including institutional capacity, for preventive measures, planning, preparedness and management of disasters relating to climate change, including contingency planning, in particular, for droughts and floods in areas prone to extreme weather events.
- (d) Strengthening existing and, where needed, establishing national and regional centers and information networks for rapid response to extreme weather events, utilizing information technology as much as possible.

11. [Projects and programmes proposed for funding under the Adaptation Fund shall take into account the particular needs of the most vulnerable [people and communities] [developing countries.]

FINANCING PRIORITIES

12. [In deciding which proposals to finance, the Board may take into account, based upon paragraph 16 of the *Strategic Priorities and Guidelines of the Adaptation Fund*, the need for equitable allocation of resources amongst eligible Parties and consider the level of resources available in the Adaptation Fund, as well as specific levels and nature of vulnerability, urgency, and adaptive capacity of eligible developing countries, especially:

- (a) Small island countries;
- (b) Countries with low-lying coastal areas;
- (c) Countries with arid and semi-arid areas, forested areas and areas liable to forest decay;
- (d) Countries with areas prone to natural disasters, including floods;
- (e) Countries with areas liable to drought and desertification;

- (f) Countries with areas of high urban atmospheric pollution;
- (g) Countries with areas with fragile ecosystems, including mountainous ecosystems; and
- (h) Landlocked and transit countries.]

[Alt. 12. In deciding which proposals to finance, the Board shall take into account the elements listed in paragraphs 10, 15 and 16 of the *Strategic Priorities and Guidelines of the Adaptation Fund*, together with the level of resources available in the Adaptation Fund.]

13. Further the Board will act in accordance with priorities already set and to be set by the Conference of Parties serving as the meeting of the Parties to the Kyoto Protocol in its relevant decisions, and in accordance with relevant provisions in the Convention or Protocol [and best available science in the IPCC].

14. [The Board [will] [may] establish a [special programme] for LDCs and SIDS [and African countries affected by drought, desertification and floods] [after taking into account experiences from the operation of the Adaptation Fund.]]

[Alt. 14. The Board will prioritize project and programme proposals submitted by LDCs, SIDS and African countries affected by drought, desertification, floods and sea level rise and during the first year starting from the Adaptation Fund's initial disbursement will approve proposals submitted by such countries only.]

[Alt. 14bis. Priority will be given in the first funding period (the period for the disbursement of funds derived from the first round of monetization of CERs) in a balanced and equitable way to LDC's, SIDS, and particularly vulnerable countries. This priority should not prevent other Parties from submitting and having projects approved in the same funding period.]

[Alt. 14ter. The Board, during the first funding period (the period for the disbursement of funds derived from the first round of monetization of CERs), will give priority in a balanced and equitable manner to all LDCs, SIDS and African countries affected by drought, desertification and floods. After the first round of monetization of CERs, all developing country Parties shall have access to Adaptation Fund resources.]

PROGRAMMES

15. The Board will accept proposals for programmes in addition to projects. Programmes are a sequence or clustering of activities and/or projects that are geared toward accomplishing medium term goals that are of a higher order than project goals. Individual projects under a programme would be agreed to by the relevant Party and/or the implementing [or executing] entity. The Board may provide funding for a programme in tranches depending on the availability of resources.

16. Programmes allow the Board to commit to a long term relationship directly with a Party or with an implementing [or executing] entity in a way that allows funding to move more

quickly (in large tranches) but with provision for some risk management and overall strategic guidance function to be retained by the Board.

[FINANCING WINDOWS

17. [Parties may undertake adaptation activities under the following categories:

- (a) [Small – size projects[/programmes]⁸ (proposals requesting up to \$1million); and
- (b) Regular projects[/programmes] – to finance medium-size to large-scale adaptation investment[s] [(proposals requesting [up to \$5 million] [between \$1 million and \$5 million]);
- (c) [Programmes – to finance [programmatic approaches] [(proposals requesting over \$5 million through a programmatic approach)].

18. [At the Board’s discretion, project preparation grants up to [\$____] may be provided for regular projects and programmes.]]

ELIGIBILITY CRITERIA

Country Eligibility

19. The Fund shall finance concrete adaptation projects and programmes in developing country Parties that are Parties to the Kyoto Protocol [and] that are particularly vulnerable to the adverse effects of climate change.⁹

20. To date, the CMP has not adopted an explicit definition of developing countries. Pending more specific guidance from the CMP, paragraph 10 of the *Strategic Priorities and Guidelines of the Adaptation Fund* will provide the country eligibility criteria.

21. A cap in resource allocation per [eligible host country] [eligible project/programme] will be agreed by the Board based on a periodic assessment of the overall status of resources in the Adaptation Fund. [The Board will not allocate a separate pool of resources for regional activities, but welcomes Parties to propose regional activities to be financed with resources available in their allocation caps added together.] [The Board will also allocate resources to regional [and community-level] activities that shall not count towards the resource allocation cap.]

Implementing and Executing Entities

22. Parties can submit projects for concrete adaptations projects/programmes directly to the Board for funding. Implementing and executing entities may also approach the Board directly, provided that they have been chosen by an eligible Party to seek financial resources to implement agreed project activities within the eligible Party.

⁸ Proposals for small-size projects[/programmes] will be briefer and allow for a more expedited approval process.

⁹ Decisions 10/CP.7, 28/CMP.1, 5/CMP.2, and 1/CMP.3.

23. [All project proposals must identify an implementing and/or executing entity. Any Party may submit qualifications to be assessed and recognized as an implementing entity; moreover, any Party may choose to function as an executing entity, which may, for example, be the ministry of finance of an eligible Party.]

[Alt. 23. Eligible developing country Parties shall request financial support directly, through, for example, their ministries of finance, or at their discretion, through an implementing or executing entity.]

24. [Implementing entities are those legal entities recognized *ex-ante* by the Board and assessed as meeting minimum international fiduciary and other standards established by the Board. These entities could be either invited by the Board or nominated by Parties to submit their qualifications, including demonstration of capacity to meet minimum fiduciary standards, for assessment and accreditation.]

[Alt. 24. Implementing entities are those legal entities recognized *ex-ante* by the Board and assessed as meeting minimum international fiduciary and other standards established by the Board. These entities should be chosen by a Party to submit a proposal after they have fulfilled all the required qualifications, including demonstration of capacity to meet minimum fiduciary standards, and they have been assessed and accredited by the Board.]

25. [Multilateral institutions and regional development banks that are identified by the Board as having a track record of successfully implementing projects in developing countries will be deemed to meet the standards required to be accredited as an Adaptation Fund implementing entity.]

26. Executing entities[, including Parties functioning as executing entities], are entities that are not *ex-ante* recognized by the Board, and therefore, [either] will be subject to performance management [and supervisory systems and] standards [and criteria] established by the Board[, or choose to work through implementing entities and will be subject to the due diligence procedures of the implementing entities].

Performance Management and Supervisory System for Executing Entities

27. [To facilitate direct access the Board, through its Project and Programmes Committee, shall undertake a performance management oversight and supervise the performance of executing entities and Parties that will be implementing projects/programmes with funds disbursed directly from the Fund upon the instruction by the Board. The Performance management will be in accordance with the Board-approved Management Standards. The Committee, using experts and as may be deemed fit may: (i) undertake site visits to monitor implementation performance and verify results; (ii) provide inputs for decisions regarding continuation of grant; (iii) undertake a review at grant closure; and (iv) perform ad-hoc assignments, including investigations related to suspected misuse of funds. (For example, at the Global Fund to Fight AIDS, Malaria and Tuberculosis, Local Fund Agents located in countries or in the region, selected through a competitive bidding process, provide to the Fund the above-mentioned set of services to monitor grant recipients.)]

[27 Alt. To facilitate direct access in the absence of implementing entities, it is proposed that the Board instruct the Secretariat to ensure that a performance management and supervisory system reviews and supervises the performance of executing entities. The system will, in accordance with the Board-approved Management Standards: (i) conduct an upstream review to assess the potential grant recipient's capacity to implement the grant; (ii) undertake site visits to monitor implementation performance and verify results; (iii) provide inputs for decisions regarding continuation of grant; (iv) undertake a review at grant closure; and (v) perform ad-hoc assignments, including investigations related to suspected misuse of funds. (For example, at the Global Fund to Fight AIDS, Malaria and Tuberculosis, Local Fund Agents located in countries or in the region, selected through a competitive bidding process, provide to the Fund the above-mentioned set of services to monitor grant recipients.) [If an entity is assessed in the upstream review not to have the capacity to implement an Adaptation Fund grant, the Board may instruct the Secretariat to make arrangements to provide technical support to this entity in those areas where the entity is found wanting, with a view to improving the entity's performance in these areas to increase its chances of gaining accreditation when it next applies.]]

Financial Management Standards for Implementing Entities

28. The Board will require all implementing entities[, other than those referred to in paragraph 25,] to meet the minimum management standards, including the use of international fiduciary standards, identified in Annex 1 of this document (hereinafter: "Board-approved Management Standards").

29. The Board will review the Board-approved Management Standards on a periodic basis and no less than every [5] [2] years and modify them as necessary to conform to changes in international best practice. The necessity and the timing of the first review should be considered together with the roles and responsibilities of the Adaptation Fund in the post 2012 period.

Accreditation Process for Implementing Entities

30. The Adaptation Fund Board will invite potential implementing entities[, other than those referred to in paragraph 25,] to apply for accreditation as such by submitting their qualifications and credentials to serve as implementing entities. [Either the Board may invite on its own initiative, or eligible Parties may nominate to the Board, an entity to be assessed and accredited as an implementing entity. Accreditation of such entities by the Board does not exempt them from seeking permission and clearance by an eligible country Party upon submission of a project proposal to be funded from the Fund consistent with 1/CMP3.

31. [All Adaptation Fund implementing entities[, other than those referred to in paragraph 25], will be required to renew their accreditation through the accreditation process described below every [3] [5] years.]

[Alt. 31. The accreditation of all Adaptation Fund implementing entities will remain valid until the end of the first commitment period. How and whether the accreditation will be renewed should be considered together with the roles and responsibilities of the Adaptation Fund in the post 2012 period.]

32. The Board may from time to time instruct the [Secretariat] [Ethics Committee] to make arrangements to provide the Board with a determination on whether an entity has or has not met the Board-approved Management Standards.

33. The determination will be made based on a review of the potential entities against the Board-approved Management Standards to determine their eligibility for accreditation by the Board.

34. [The determination shall include a wide-ranging due diligence exercise into the ability of an entity to meet the Board-approved Management Standards. The determination will assess the capability of entities to undertake procurement, project preparation, monitoring and evaluation, as well as financial management and include proper testing of financial systems and a control audit.]

35. If the determination is that the entity under consideration meets the Board-approved Management Standards and is therefore eligible for accreditation, the Board may decide to accredit the entity as an implementing entity of the Adaptation Fund.

36. If the determination is that an entity under consideration does not meet the Board-approved Management Standards and is therefore ineligible for accreditation, the Board [may either] [shall] refuse to accredit the entity as an implementing entity of the Adaptation Fund[, or,][.] [in the case where a national entity fails to meet only non-financial management standards, the Board may instruct the [Secretariat] [Committee] to make arrangements for the entity to develop capacity in those areas where the entity is found wanting, such as project preparation, appraisal, monitoring and evaluation, and procurement [with a view to improving the entity's performance in these areas to increase its chances of gaining accreditation when it next applies].]

PROJECT CYCLE MANAGEMENT FEES

37. [Upon approval of a project document in the case of a small-size project, or a project/programme concept document in the case of a regular project/programme, a fee of up to [10%] of the funding of the project/programme may be provided to the implementing or executing entity to manage the project/programme through the entire project/programme cycle]. [This 10% fee shall not apply in the case of direct access by a Party.]

[PROGRAMMING FRAMEWORK

Definitions of Adaptation Projects and Programmes and Full Costs of Adaptation

38. Climate change affects all core sectors of development and people's basic needs, such as access to food, water resources for drinking or irrigation purposes, public health, basic infrastructure, and the natural resources on which livelihoods depend. Consequently, a concrete adaptation project is defined as a project 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.

39. An adaptation programme is a process, a plan or an approach to be adopted when the issue of climate change impacts cannot be addressed within the scope and domain of an

individual project. The aim of adaptation programmes will therefore be to achieve higher level strategic objectives, usually by (national) governments, and will involve a range of institutional strengthening as well as concrete activities, whereas projects concern discrete activities with concrete outcomes that are more narrowly defined in scope, space and time.

40. The overall goal of all adaptation projects and programmes financed under the Fund will be to support concrete adaptation activities that reduce adverse impacts of and risks posed by climate change facing communities, countries, and sectors. The Fund will not finance business-as-usual projects that do not implement concrete actions to reduce the adverse impacts of climate change.

41. The Fund will finance the full costs of adaptation, defined as the costs of concrete activities to be implemented to address the adverse impacts of and risks posed by climate change, or the additional adaptation costs of business-as-usual projects.

42. Due to lack of CMP guidance, and experience on specific adaptation projects and programmes on the ground, the Board proposes to adopt a flexible approach, allowing Parties to submit projects and or programmes to be supported under the Fund to be reviewed on an ad hoc basis, taking into account general principles, modalities, sectors and activities that are applicable to both projects and programmes.]

Project and Programme Requirements

43. To access Fund resources, projects and programmes will have to be in compliance with the strategic priorities, policies and guidelines of the Adaptation Fund. Individual project/programme proposals will be reviewed for:

- (a) Country eligibility, as considered in paragraph 15 of the *Strategic Priorities and Guidelines of the Adaptation Fund*;
- (b) Programme/project priority, as considered in paragraphs 12-14;
- (c) Eligibility of [an executing Party or] an executing entity chosen by an eligible Party as assessed [by the performance management and supervisory system, as considered in paragraph 27] and accepted by the Board;
- (d) Implementing entity accreditation, as considered in paragraphs 30-36 (if implementing entity is chosen);
- (e) Conformity with paragraph 10 on the activities to be financed;
- (f) Appropriateness of project components and concrete adaptation measures to be financed [and assessment of full costs of adaptation];
- (g) Conformity and consistency with the objectives, strategic priorities, policies, guidelines, and procedures of the Fund, in particular those found in paragraph 15 of the *Strategic Priorities and Guidelines of the Adaptation Fund*;

- (h) Country ownership – the project/programme must be endorsed by the country UNFCCC focal point, which should, among other things, indicate compliance with subparagraph a of paragraph 15 of the *Strategic Priorities and Guidelines of the Adaptation Fund*;
- (i) [Positive benefit-cost ratio—when assessing cost effectiveness of projects, as required in sub paragraph d of paragraph 15 of the *Strategic Priorities and Guidelines of the Adaptation Fund*, consideration should be given to more than quantifiable values, such as social costs of carbon, cultural values and non-tangible benefits.]
- (j) Avoiding duplication--when reviewing projects for compliance with sub paragraph g of paragraph 15 of the *Strategic Priorities and Guidelines of the Adaptation Fund*, consideration should be given to efforts to avoid duplication and lack of consistency;
- (k) [Viability of the project, sustainability (ecological and financial), impact on structural change;]
- (l) [Alt 1: Compliance with [recipient national, as well as implementing/executing entity] environmental and social safeguards, taking into account stakeholder comments in a similar manner as done in the approval process for CDM projects;

Alt 2: Compliance with recipient Party’s, environmental and social policies and strategies;]
- (m) Inclusion of transparency policy with full disclosure of project documentation;
- (n) [Alt 1: Stakeholder involvement through the entire project cycle comprising identification, preparation, implementation and impact assessment;]

[Alt 2: Proof of Stakeholder consultations]
- (o) [Scientific grounding – the project/programme strategy is based on a scientific justification of climate risk and vulnerability;¹⁰]
- (p) Inclusion of a results-framework with a monitoring and evaluation component containing clear indicators for measuring project impact and sustainability, [and demonstrating potential for replication and scale-up].
- (q) For programmes: criteria for approving sub-activities and sub-projects under the programme.

¹⁰ The Board might want to consider creating a panel of experts to provide the Board with objective and scientific analyses of the projects.]

PROJECT CYCLE

44. Small-scale projects/programmes will be reviewed and approved on a rolling batch process by [the Secretariat under delegated authority from the Board] [a Board committee][the Board]. [The Board Committee will report on its approvals at each Board meeting]. Regular projects will be reviewed and approved by the Board at its meetings.

45. Project proponents can propose projects following any of these three modalities:

- (a) If the project proponent [except for a Party] is a legal entity and accredited *ex-ante* by the Board as an “implementing entity” of the Fund, it may submit proposals directly to the Fund Board through the Adaptation Fund Board Secretariat after clearance by the host country Party; or
- (b) If the project proponent [except for a Party] is a legal entity but not accredited *ex-ante* by the Board, it may submit proposals after clearance by the a host country party directly to the Fund Board through the Adaptation Fund Board Secretariat, but it will be subject to the performance management and supervisory [system] [requirement] established by the Board;

[Whether a project proponent is a legal entity or not, it may choose to work with an accredited implementing entity and be subject to the due-diligence procedures of the implementing entity and submit proposals to the Fund through the implementing entity.]

Review and Approval of Small-size Projects/Programmes -- Option A

46. In order to streamline the process of approving projects and reduce unnecessary bureaucracy, it is proposed that small-size projects/programmes undergo a single approval process by the [Secretariat, under delegated authority from] [Committee of] the Board. The proposed steps in the approval part of the project cycle are as follows:

Step 1. Project/Programme Proposal Development and Submission to the Board Secretariat

47. The project/programme proponent, taking any one of the pathways described in paragraph 45, may submit a proposal. The proposal documentation will be based on a template to be approved by the Board. Proposals need to be endorsed by the Party’s UNFCCC focal point. Proposals may be submitted to the Board [Secretariat] on a rolling basis. For those projects presented by an executing entity, the [Secretariat] [Committee] will first [submit the proposals to] [ensure that] the performance management and supervisory [system to determine whether the executing entity has the capacity to implement the grant] [requirements have been complied with].

Step 2. Proposal Review and Approval by the Board [Secretariat] [Committee]

48. All proposals, whether received directly from a Party or from an implementing or an executing entity, will be [screened for consistency by the Secretariat consistent with the roles and

responsibilities of the Secretariat, and then they will be] reviewed by the [Secretariat¹¹] [Projects and Programmes Committee] based on criteria for small-size proposals to be approved by the Board.

49. The [Secretariat, under delegation of authority from the Board, will approve those proposals that it deems to meet the criteria of the Fund and inform the Board at each Board meeting of project proposals received and approved] [Committee will agree on projects for approval and send them at the next Board meeting for approval [or request intersessional approval by the Board]].

[Review and Approval of Small-size Projects/Programmes -- Option B

Alt. 47. It is proposed that small-size projects/programmes undergo a single approval process. The proposed steps in the approval part of the project cycle are as follows:

Step 1. Project/Programme Proposal Development and Submission to the Board Secretariat

Alt. 48. The project/programme proponent, taking any one of the pathways described in paragraph 45, may submit a proposal. The proposal documentation will be based on a template to be approved by the Board. Proposals need to be endorsed by the Party's UNFCCC focal point. Proposals may be submitted to the Board Secretariat on a rolling basis. For those projects presented by an executing entity, the Secretariat will first submit the proposals to the performance management and supervisory system to determine whether the executing entity has the capacity to implement the grant.

Step 2. Proposal [Review] [screening for consistency] by the Board Secretariat

Alt. 49. All proposals, whether received directly from Parties, or from an implementing or an executing entity, will be [reviewed] [initially screened] by the Secretariat¹²] based on criteria for small-size proposals to be approved by the Board. The Secretariat, will then forward proposals to the [Board's Small Scale Project Review Committee][Board] [with technical comments] [for review] and ["approve/do not approve/revise"] [recommendations.recommendation to the Board for Approval].

Alt. 50. [The Board Secretariat will forward proposals as a batch on a rolling basis when the Secretariat has collected proposals whose total grant requests exceed [\$10][\$20] million. All proposals reviewed by the Secretariat will also be posted on the Adaptation Fund website.]

Step 4. Proposal Approval by [Board Committee][Board]

50. The [Board Committee][Board] will review the proposals and [approve] [request for the intersessional approval by the Board] those proposals that it deems to meet the criteria of the Fund [through a decision by mail]. [The Board Committee will report to the Adaptation Fund

¹¹ After review by the performance management and supervisory system if it is received through a project proponent acting as an executing entity.

¹² After review by the performance management and supervisory system if it is received through a project proponent acting as an executing entity.]

Board at its next meeting] [on what has been intersessionally approved]. [Should an objection to the [Secretariat's] [Committee's] recommendations be raised by at least [1 member of the Committee] [3 members of the Board], the referenced proposals will be brought to the attention of the full Board at its next meeting for review and approval or disapproval.]]

Review and Approval of Regular Projects/Programmes

Option 1

51. Regular adaptation projects/programmes are those that request grants exceeding \$1 million from the Fund [and up to \$5 million]. It is proposed that all projects go through a single approval process so as to reduce the time needed to get projects funded. Any preparatory elements for large scale projects, for example, may be part of the single request, and then have disbursements made according to the planned activities and timeframes. The Party or executing/implementing entity will submit the proposal documentation (based on a template to be approved by the Board) on a rolling basis to the Board through the Secretariat.

52. The Secretariat will screen and then send it to the Projects Committee for review of the proposal, based on criteria for review to be approved by the Board.

Option 2

51. Regular adaptation projects/programmes are those that request grants exceeding \$1 million from the Fund [and up to \$5 million]. It is proposed that these proposals undergo a double approval process (the first one for a project/programme concept and the second one when the concept has developed into a full-fledged project/programme proposal) as follows:

Step 1. Project/Programme Concept Development and Submission to the Board Secretariat

52. The project/programme proponent, taking any one of the pathways described in paragraph 45, may submit a concept. The project concept documentation will be based on a template to be approved by the Board. Concepts need to be endorsed by the Party's UNFCCC focal point. Concepts may be submitted to the Board Secretariat on a rolling basis. For those projects presented by an executing entity, the Secretariat will first submit the proposal to the performance management and supervisory system to determine whether the executing entity has the capacity to implement the grant.

53. A project preparation grant application may be submitted as part of the project concept documentation.

Step 2. Concept Review and Clearance

54. All concepts, whether received through an implementing entity or an executing entity, will be reviewed by the Secretariat. The Secretariat will review the concept¹³ based on criteria

¹³ After review by the performance management and supervisory system, if it is received through a project proponent acting as an executing entity.

for concept review of regular projects approved by the Board. The [Head of the Secretariat] [Board] [Board Committee] clears the concept under delegated authority from the Board.

55. [The Secretariat will forward all concepts received to the [Board][Board Committee], with one of the following three recommendations for each concept: (i) clear the concept for entry into the Adaptation Fund project pipeline for further development; or (ii) reject the concept; or (iii) return the concept to the proponent, with comments for re-submission. The Secretariat shall forward all concepts to the [Board] [Board Committee] on a regular basis whenever the aggregate value of the grants requested exceed [\$20 million] [\$10 million].]

55alt. [The Head of the Board Secretariat, under delegated authority from the Board to clear concepts, may undertake any of the following three actions: (i) clear the proposal for entry into the Adaptation Fund project pipeline for further development; or (ii) reject the proposal; or (iii) return the concept to the proponent, with comments for re-submission. The Secretariat shall report to the Board at its meetings on all concepts received with regard to the three decisions listed above].

56. All proposals reviewed by the Board Secretariat will be posted on the Adaptation Fund website.

57. Once the concept is cleared, the executing/implementing entity will undertake further project/programme preparation, with a view to present a fully developed proposal within [10 months][20 months].

Step 4. Full Project/Programme Proposal Review by the Board Secretariat

58. Once the concept has been developed into a fully costed proposal, the executing/implementing entity will submit the proposal documentation (based on a template to be approved by the Board) on a rolling basis to the Secretariat. The Secretariat will review the proposal,¹⁴ based on criteria for review of regular proposals to be approved by the Board, and will forward it to the Board with technical comments and “approve/do not approve/revise” recommendations. Project/programme proposals shall be collected in a batch and forwarded to the Board as a work program 4 weeks prior to each meeting of the Board.

Step 5. Proposal Review and Approval by the Board

59. At its meeting, the Board shall review the work program, including the recommendations of the Board Secretariat, and may approve: (i) the entire work program; or (ii) specific proposals in a work program.

Disbursement

60. [Once] [Since] the Board has been conferred legal capacity to enter into contracts, then the Board will enter into agreements with Parties or the implementing and executing entities directly, and the Trustee will transfer funds to the entities in response to written directions from

[¹⁴ After review by the performance management and supervisory system, if it is received through a project proponent acting as an executing entity.]

the [Secretariat, acting at the instruction of and under the authority delegated by the Board.¹⁵] [Board],

61. [Once] [Since] the Board has been conferred legal capacity to enter into contracts, the [Board will request the Secretariat] [Secretariat will, at the direction of and under the authority delegated by the Board, negotiate and draft] [to prepare] a Memorandum of Understanding and a Financial Procedures Agreement with each Party, implementing and/or executing entity and provide these agreements to the Board for approval.

62. Once the Board has [been conferred legal capacity to enter into contracts, and once the Board has] approved a Memorandum of Understanding and a Financial Procedures Agreement, [it] [the Chair] will [instruct the Secretariat, under the authority delegated by the Board, to] sign these agreements on behalf of the Board.

63. [During the time before the Board has been conferred with legal capacity to contract, the Secretariat] [The Board] will, [at the direction of and under the authority delegated by the Board, negotiate and] [request the Secretariat to] draft a Memorandum of Understanding [at the direction of the Board, negotiate and draft a] [and a] Financial Procedures Agreement with any one of the Parties or the implementing entities [referred to in paragraph 25] that will be involved and provide these agreements to the Board for approval. The Trustee will, upon direction from the Board, disburse the funds.

64. [The Secretariat] [The Projects and Programmes committee] will provide ongoing supervision and oversight of the implementation of the MOU. The Trustee will report to the Board through the Secretariat on the disbursement of the funds under the MOU and the Financial Procedures Agreement. The [Secretariat] [Committee] will make arrangements for monitoring, supervision and oversight of the implementation of the Financial Procedures Agreement and the MOU and report to the Board.

65. The AF 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. [The Adaptation Fund Board will confirm to the Trustee in writing in advance: 1) the names and signatures of the designated persons authorized by the Board to issue disbursement instructions to the Trustee. Payment requests received from implementing or executing entities would first be reviewed and verified by the AF Board [an entity designated by the AF Board]. If, after review and verification, the recommendation is to disburse, then the AF Board designated authorities would issue a disbursement request to the Trustee, accompanied by a copy of the relevant agreement between the AF Board and the entity. The Trustee will disburse on the basis of a letter of instruction signed by the designated AF Board representative.] [The Trustee will disburse on the basis of a letter of instruction signed by the designated AF Board's Chair or the

¹⁵ Paragraph 22 of the *Terms and Conditions of Services to be Provided by the International Bank for Reconstruction and Development as Trustee for the Adaptation Fund* (see Appendix to Annex III of 1/CMP.4) provides that "The Trustee shall... make transfers of funds from the Trust Fund... only at, and in accordance with, the written direction provided to the Trustee by the Adaptation Fund Board or any Authorized Designee." Thus the Trustee's functions are limited to financial transactions at the express direction of the Adaptation Fund Board which has contractual capacity and programmatic responsibility.]

Vice Chair of the Chair of the Committee if such approval powers are delegated to these Board Members/Alternates with those responsibilities.]

66. The Adaptation Fund Board may disburse funds for programmes in tranches and may require a progress review of a programme prior to each tranche disbursement.

Monitoring and Evaluation

67. All projects under implementation will submit annual project status reports, to the Secretariat at the completion of each fiscal year. The status reports will be based on a documentation template to be approved by the Board.

68. All projects that complete implementation will be subject to terminal evaluation by an independent evaluator [to be contracted by the beneficiary Parties]. Terminal evaluation reports will be submitted to the [Secretariat] [Board] by the end of the fiscal year during which the project completed implementation.

69. The Secretariat will prepare an Annual Monitoring Report, based on project status reports and project terminal evaluation reports, for review and approval by the Board.

Where to send the Request for Funding

70. All request shall be sent to:

The c/o 1818 MSN Washington, USA	Adaptation Global H	Fund Environment DC,	Board Facility Street,	Secretariat Secretariat NW G6-602 20433
Tel:	+1	202	473	0508
Fax:	+1	202	522	3240/5
Email:	secretariat@adaptation-fund.org			
Contact:	Marcia Levaggi (mlevaggi@thegef.org, Tel: +1 202 473-6390)			

71. Acknowledgment of the receipt shall be sent to the proposing Party or entity with copies of the acknowledgement letter to all members of the Board and Alternate within a week of the receipt of the request for support.

72. All project proposals submitted will be posted on the website of the Adaptation Fund Board.

ANNEX I: PROPOSED MINIMUM MANAGEMENT STANDARDS

A. Audit, Financial Management and Control Framework

(1) External Financial Audit

73. The external financial audit function ensures an independent (as defined by the International Federation of Accountants (IFAC)) review of financial statements and internal controls.

- (a) The entity has appointed an independent external audit firm or organization.
- (b) The work of the external audit firm or organization is consistent with recognized international auditing standards such as International Standards on Auditing (ISA).
- (c) Financial statements are prepared in accordance with recognized accounting standards such as International Financial Reporting Standards (IFRS), International Public Sector Accounting Standards or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies.
- (d) The internal controls over financial reporting cover the use of Adaptation Fund resources, and management asserts to the entity governing body that these internal controls are adequate.
- (e) An annual audit opinion on the financial statements, and/or, as appropriate, on all Adaptation Fund resources received from the Trustee and administered by the entity, is issued by the external auditor and made public.
- (f) An independent audit committee, or comparable body, is appointed and oversees the work of the external audit firm or organization as it relates to the audit of the financial statements. The audit committee or comparable body has written terms of reference that address its membership requirements, duties, authority, accountability and regularity of meetings.
- (g) The external auditor makes regular reports of observations with respect to accounting systems, internal financial controls, and administration and management of the organization. Auditor and management progress reports are reviewed by the audit committee or comparable body annually.

(2) Financial Management and Control Frameworks

74. An internal control framework, as defined by internationally recognized frameworks such as COSO, Cadbury and CoCo, is a risk-based process designed to provide reasonable assurance and feedback to management regarding the achievement of objectives in the following categories:

- *Effectiveness and efficiency of operations*
- *Reliability of financial reporting and financial management frameworks*
- *Compliance with applicable policies and procedures*

- (a) A control framework has been adopted that is documented and includes clearly defined roles for management, internal auditors, the board of directors or comparable body, and other personnel.
- (b) The control framework covers the control environment (“tone at the top”), risk assessment, internal control activities, monitoring, and procedures for information sharing.
- (c) The control framework has defined roles and responsibilities pertaining to accountability of fiscal agents and fiduciary trustees.
- (d) At the institutional level, risk-assessment processes are in place to identify, assess, analyze and provide a basis for proactive risk responses in each of the financial management areas. Risks are assessed at multiple levels, and plans of action are in place for addressing risks that are deemed significant or frequent.
- (e) The control framework guides the financial management framework.
- (f) Procedures are in place for identifying internal controls and assessing controls details annually in core financial management areas, including:
 - Budgeting
 - Accounting
 - Internal control
 - Funds flow (including disbursements, cash management, unused fund closeout)
 - Financial reporting
 - Auditing arrangements
- (g) Duties are segregated where incompatible. Related duties are subject to a regular review by management; response is required when discrepancies and exceptions are noted; and segregation of duties is maintained between: settlement processing; procurement processing; risk management/reconciliations; and accounting.

(3) Financial Disclosure

75. The financial disclosure policy delineates the process surrounding mandatory financial disclosures of possible or apparent conflicts of interest by identified parties.

- (a) A documented financial disclosure policy covering identified parties defines conflicts of interest arising from personal financial interests that require disclosure, including actual, perceived and potential conflicts.
- (b) The policy specifies prohibited personal financial interests.

- (c) The policy describes the principles under which conflicts of interests are reviewed and resolved by the entity. It describes sanction measures for parties that do not self disclose where a conflict of interest is identified.
- (d) Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative function within the entity.
- (e) The policy establishes processes for the administration and review of financial disclosure interests of the defined parties, as well as resolution of identified conflicts of interests, under an independent monitoring/administration function.

(4) Code of Ethics

76. A code of ethics for entity staff promotes responsible governance and ethical behavior.
- (a) A documented code of ethics defines ethical standards to be upheld, including protecting entity and trust fund assets. The code lists parties required to adhere to the standards including employees, consultants, and independent experts. It describes disciplinary and enforcement actions for violations, and provides for appropriate flexibility in application and implementation in local environments.
 - (b) An ethics or related function provides administrative support for the code, including distributing the code, monitoring compliance, and authority to refer alleged violations to the entity's investigation function.
 - (c) Multiple avenues for confidentially reporting compliance and/or other business conduct concerns such as a hotline and contact information for functional/department options (e.g. human resources and internal audit) are readily available (e.g. on the entity's intranet and external websites).

(5) Internal Audit

77. Internal auditing is an independent, objective activity designed to add value and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

- (a) Internal audit activity is carried out in accordance with internationally recognized standards such as those prescribed by the Institute of Internal Auditors (IIA).
- (b) Auditors and entities that provide internal auditing services adhere to ethical principles of integrity, objectivity, confidentiality and competency.
- (c) The internal audit entity is functionally independent and objective in the execution of its respective duties. There is an officer designated to head the internal audit function. The chief audit officer reports to a level of the organization that allows the internal audit activity to fulfill its responsibilities objectively.

- (d) The internal audit function has a documented terms of reference/charter that outlines its purpose, authorized functions, and accountability.
- (e) The internal audit function has a documented description of the annual audit planning process, including a risk-based methodology for preparing an audit plan. The audit plan outlines the priorities of the function and is consistent with the entity's goals.
- (f) The chief audit officer shares information and coordinates activities with relevant internal and external parties (including external financial statement auditors) to ensure proper coverage and minimize duplication of efforts.
- (g) The internal audit function disseminates its findings to the corresponding senior and business management units, who are responsible for acting on and/or responding to recommendations.
- (h) The internal audit function has a process in place to monitor the response to its recommendations.
- (i) A process is in place to monitor and assess the overall effectiveness of the internal audit functions including periodic internal and external quality assessments.

B. Project/Activity Processes and Oversight

(1) Project Appraisal Standards

78. Project appraisal functions include the establishment of standards and appropriate safeguards that are used to determine whether projects and activities will meet their stated goals before funds are disbursed.

- (a) A project and/or activity appraisal process is in place with the purpose of examining whether proposed projects and/or activities meet appropriate technical, economic, financial, fiduciary, environmental, social, institutional and/or other relevant criteria, including Adaptation Fund -mandated criteria, and whether they are reasonably likely to meet stated objectives and outcomes.
- (b) The appraisal process provides institutional checks and balances at the stage of project design:
 - Policies and risk-assessment procedures are in place specifying the criteria and circumstances under which environmental, social, institutional and/or fiduciary assessments must be conducted to incorporate environmental, social or other relevant considerations into a proposed project or activity.
 - Guidelines or policies are in place that provide for evaluation by technical advisors, who assess whether or not a proposed project or activity is eligible for Adaptation Fund financing, based on the Adaptation Fund -mandated

criteria; is likely to achieve Adaptation Fund goals; and is aligned with scientifically sound principles.

- (c) Project and/or activity development objectives and outcomes are clearly stated and key performance indicators with baseline and targets are incorporated into the project/activity design.
- (d) Appropriate fiduciary oversight procedures are in place to guide the appraisal process and ensure its quality and monitoring of follow-up actions during implementation.

(2) Procurement Processes and Guidelines

79. Entity procurement processes covering both internal/administrative procurement and procurement by recipients of funds include written standards based on widely recognized processes and an internal control framework to protect against fraudulent and corrupt practices (using widely recognized definitions such as those agreed by the International Financial Institutions Anti-Corruption Task Force¹⁶) and waste.

- (a) Specific entity directives promote economy and efficiency in procurement through written standards and procedures that specify procurement requirements, accountability, and authority to take procurement actions.
- (b) Specific procurement guidelines are in place with respect to different types of procurement managed by the entity, such as consultants, contractors and service providers.
- (c) Specific procedures, guidelines and methodologies of assessing the procurement procedures of beneficiary institutions are in place.
- (d) Procurement performance in implemented projects is monitored at periodic intervals, and there are processes in place requiring a response when issues are identified.
- (e) Procurement records are easily accessible to procurement staff, and procurement policies and awards are publicly disclosed.

(3) Monitoring and Project-at-Risk Systems

80. From a fiduciary perspective, the monitoring function detects, assesses, and provides management information about risks related to projects and/or activities, particularly those deemed to be at risk.

¹⁶ Definitions of fraudulent and corrupt practices were agreed in September 2006. The Task Force members are: The African Development Bank Group, the Asian Development Bank, The European Bank for Reconstruction and Development, the European Investment Bank Group, the International Monetary Fund, the Inter-American Development Bank Group, and the World Bank Group.

- (a) Monitoring functions, policies and procedures consistent with the requirements of the Adaptation Fund monitoring and evaluation policy have been established.
- (b) The roles and responsibilities of the monitoring function are clearly articulated at both the project/activity and entity/portfolio levels. The monitoring function at the entity/portfolio level is separated from the project and/or activity origination and supervision functions.
- (c) Monitoring reports at the project/activity level are provided to project/activity manager as well as to an appropriately higher level of managerial oversight within the organization so that mid-course corrections can be made, if necessary. Monitoring reports at the entity/portfolio level are provided to both project/activity managers and to an appropriately higher level of managerial oversight within the organization so that broader portfolio trends are identified, and corresponding policy changes can be considered.
- (d) A process or system, such as a 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.
- (e) Adequate fiduciary oversight procedures are in place to guide the project risk assessment process and to ensure its quality and monitoring of follow-up actions during implementation. This process or system is subject to independent managerial oversight.

(4) Evaluation Function

81. The evaluation function assesses the extent to which projects, programs, strategies, policies, sectors, focal areas, or other activities achieve their objectives. The goals of evaluation are to provide an objective basis for assessing results, to provide accountability in the achievement of entity objectives, and to learn from experience.

- (a) Independent evaluations are undertaken by an established body or function as part of a systematic program of assessing results, consistent with the requirements of the Adaptation Fund monitoring and evaluation policy.
- (b) The evaluation function follows impartial, widely recognized, documented and professional standards and methods.
- (c) The evaluations body or function is structured to have the maximum independence possible from the organization's operations, consistent with the structure of the entity, ideally reporting directly to the board of directors or comparable body. If its structural independence is limited, the evaluations body or function has transparent reporting to senior management.
- (d) An evaluation disclosure policy is in place. Evaluation reports are disseminated as widely as possible, and at a minimum to all parties directly or indirectly involved

with the project. To enhance transparency, to the extent possible, reports are available to the public.

C. Investigations

(1) Investigation Function

82. The investigation function provides for independent, objective investigation of allegations of fraudulent and corrupt practices (using widely recognized definitions such as those agreed by the International Financial Institutions Anti-Corruption Task Force) in entity operations, and of allegations of possible entity staff misconduct.

- (a) The investigations function has publicly available terms of reference that outline the purpose, authority, and accountability of the function.
- (b) To ensure functional independence, the investigations function is headed by an officer who reports to a level of the organization that allows the investigation function to fulfill its responsibilities objectively.
- (c) The investigations function has published guidelines for processing cases, including standardized procedures for handling complaints received by the function and managing cases before, during and after the investigation process.
- (d) The investigations function has a defined process for periodically reporting case trends. To enhance accountability and transparency, to the extent possible, case trend reports and other information are made available to senior management and relevant business functions.

(2) Hotline & Whistleblower Protection

83. Entity policies provide avenues for reporting suspected ethics violations and protections for individuals reporting such violations.

- (a) A hotline or comparable mechanism is in place to ensure the capacity to take in reports of suspected unethical, corrupt, fraudulent or similar activity as defined by entity policy.
- (b) An intake function coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. The intake function maintains an appropriate level of autonomy from the investigations function.
- (c) A whistleblower protection policy specifies who is protected and defines protected disclosures, including violations of law, rule or regulation, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety. The policy defines the standard of protection from retaliation, including placing the burden on the entity to provide

evidence that alleged acts of retaliation would have taken place absent the protected disclosure.

- (d) Policies are in place to ensure due process, confidentiality and/or anonymity, as requested, of whistleblowers, informants and witnesses, such as by using appropriate hotline technology and preserving anonymity in reporting processes).
- (e) Procedures are in place for the periodic review of hotline, whistleblower and other reported information to determine whether it is handled effectively and whether processes for protecting whistleblowers and witnesses are consistent with best international practice.

ANNEX II: COMMENTS TO THE DRAFT OPERATIONAL POLICIES AND GUIDELINES BY MEMBERS OF THE AFB BEFORE THE 5TH MEETING

Mr. Luis Santos

I am sending attached a draft proposal for the new paragraph 23 to be included in the sub-item Financing Windows of the Draft Provisional Operational Policies and Guidelines for Parties to access resources from the Adaptation Fund.

Proposal for the new paragraph 23 of the Draft Provisional Operational Policies and Guidelines for Parties to access resources from the Adaptation Fund.

New paragraph 23

Considering the level of resources available in the Adaptation Fund and specific levels and nature of vulnerability, urgency, and adaptive capacity of eligible developing countries, especially on: those 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, priority will be given in the first funding period in a balanced and equitable way to LDC's, SIDS, and particularly vulnerable countries. This priority should not prevent other Parties from submitting and having projects approved at the same funding period. Further the Board will take actions in accordance with the priorities already set and to be set by the COP in its relevant decisions in addition to relevant provisions in the Convention or Protocol with respect to this paragraph.

Mr. Farrukh Khan

Some minor comments and clarifications i need and would like to put before the Board Members and the Secretariat.

In Paragraph 9 we are talking about "level" of vulnerability and urgency and again in chapeau of paragraph 24 we are saying "levels" and nature of vulnerability etc etc..First, i am not sure i have heard of a legal standard on level/levels and nature of vulnerability but that may be ignorance alone?

Two, I am wondering if there is any classification, definition or a legal interpretation of what is this "level" we are talking about? May i suggest that the secretariat urgently seek the opinion of either the GEF legal counsel or UNFCCC legal department on how would we determine these levels?

Is there any practice vis-a-vis these terms in vogue by GEF itself or UNFCCC in this regard?

Paragraph 25, i think we should accept this language.

Paragraph 26. I am not sure this is an issue of operational policy and guidelines. Let me be clear, i am not against if we have to do it but in my view this is not an issue to be dealt in this paper but rather a decision by the board.

Paragraph 30. I am wondering if we are binding ourselves too much by making this determination on capping in a living document. Such decision, as in paragraph 26, can be left to the board to determine at a later stage keeping in view the flow of resources.

On the chapter concerning Accreditation process for implementing entities, i am not sure this chapter adequately distinguishes between international implementing entities and national entities. It appears that even World Bank will have to go through the scrutiny. I am not sure, i would like to spend resources on ensuring the eligiblity of the bank.

On paragraph 39. I think once that determination is made, it shall be binding as opposed to it "will" be..but i am not too fixated on wording here. The word "shall" would help us legally. In addition, when we say, it will be binding..it begs the question on whom? it is not clear whether it will be binding on the parties or the board or both. Can anyone also touch on this issue.?

Paragraph 49 (I). I think we need to tighten the language here vis-a-vis the environmental and social safeguards? for instance..what is a safeguard? is it legally definable? Should it be internationally recognized environmental and social safeguards? can we put an * here and sort of define them further...may be we should also seek some clarification on this. I am also wondering safeguards can differ nationally as well..i think this need some bit of clarification..

Rest of it appears to be fine with me.

Ms. Emily-Ojoo Massawa

One more more comment on para 43. With the secretariat in place I believe the establishment of a performance management mechanism would not be neccessary. We need to pay attention to as much as possible reduce bureaucracies and putting in placee strctures/institutions that that increase transaction costs, therefore limiting the amount of resources that eventually get to vulnerable countries to help them meet their needs.

Mr. Damdin Davgadorj

Thank you very much for the DRAFT PROVISIONAL OPERATIONAL POLICIES ANDGUIDELINES FOR PARTIES TO ACCESS RESOURCES FROM THE ADAPTATION FUND.

Generally I agree with the merged document. I have the following comments on the draft document:

1. Financing Priorities. Para 24. I support it.

2. Para 26. I prefer to use word "may" instead of "will". And delete the wording in the brackets. It reads as; "The Board may establish a special programme for LDCs and SIDS".
3. Country eligibility. Para 30. I prefer to have "per eligible host country".
4. Section: Performance Management and Supervisory Mechanism for Executing Entities and Parties (leave "and Parties"). Also, leave this wording in para 43.
5. Project Cycle. Para 50. Delete the bullet (c) highlighted.
6. I think that the Sections: "Review and Approval of Small-size projects/programmes" and "Review and Approval of Regular projects/programmes" should be discussed at the next Board Meeting.

Ms. Dinara Gershinkova

Comments were provided in the document with track changes, and most of them included deleting text in brackets, but the Secretariat is not able to delete bracketed text between the meetings, so these comments need to wait until the discussions at the 5th Board Meeting.

Mr. Anton Hilber and Mr. Hans Olav Ibrekk

Thank you very much for what we (Swiss Member and Norway Alternate) consider a very good draft paper and an excellent basis for discussions and decision-making at the next AFB meeting.

We have a number of initial comments and observations, integrated into the text. None of them indicate full agreement by Norway and Swiss, as we lacked the time to coordinate properly. Of course, we also reserve the right to still change our minds on any proposal, or to make additional proposals. No comment on something does not indicate agreement etc. (the usual). Also, please accept the usual apologies for lateness, attributable to the Swiss side.

Extracts from the major comments done by track changes; comments are marked with yellow, and text proposed to be deleted by red:

Comment on para 8. It is unlikely that CMP will give further guidance.

11. 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 other relevant instruments, where they exist.

Should this para 11 say: .. as further specified in para 20. Para 11 and 20 should be harmonized

15. 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 liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems.

This is text of CMP3 Decision –AFB needs to be more specific, hence the following text shall be added to this para

The Board, for first projects, will give priority in a balanced and equitable manner to all LDCs, SIDS and African countries affected by drought, desertification and floods. After having supported first projects and programmes, funded from the first round of monetisation of certified emission reductions (CERs), all non-Annex I Parties shall have access to Adaptation Fund resources. Funding allocation will be decided on the basis of criteria reflecting ranges of vulnerability, urgency and capacity. These criteria will be developed by a group of experts, which may be appointed by the Adaptation Fund Board ok, not sure yet, but still looking for a solution to our eligibility problem, concerning also the paras under country eligibility chapter.

18. Funding for projects and programmes will be available for projects and programmes at the national, regional sub-national , and community levels.

The term regional shall be used for multi-country projects or programmes

23. Projects and programmes proposed for funding under the Adaptation Fund shall take into account the particular needs of the most vulnerable people and communities .

Strategic priorities mention only vulnerable communities, not people

Para 24, (h) Landlocked and transit countries what is a transit country? Can we get rid of this one?

27. Parties may undertake adaptation activities under the following categories of projects/programmes: should clarify that the amounts refer to max. AF resources, without cofinancing

29. To date, the CMP has not adopted an explicit definition of developing countries . Pending more specific guidance from the CMP,

Neither vulnerable nor developing countries is well defined. The proposal alternatively inserted under para 12 by Switzerland is more helpful

34. The Board will require all implementing entities to meet the minimum management standards, including the use of international fiduciary standards, as identified in Annex 1 of this document (hereinafter: Board-approved management standards). The Board will adopt an accreditation manual guiding* executing agencies wishing to approach the Adaptation Fund Board directly in their efforts to perform this task. (putting own idea on hold here, as we need to reflect further)

* The AF Board shall express its willingness to facilitate this process by providing guidance to the expert group (para 39/40) mandated to implement with the review of potential agencies to access the AF Board directly

38. The Board will instruct the Secretariat to form an independent group of experts (no Board Members or Alternates) or hire a consultant to review these submissions and to provide the Board with a determination on whether an entity has or has not met the Board-approved management standards.

42. If the independent group of experts or the consultant determines that an entity under consideration does not meet the Board-adopted management standards, the Board may either decide to refuse to accredit the entity as an implementing entity of the Adaptation Fund, or, in the case where a national entity fails to meet only non-financial management standards, the Board may decide the Secretariat will provide technical support to this entity in those areas where the entity is found wanting, such as project preparation, appraisal, monitoring and evaluation, and procurement. Really not sure whether we should go down this TA road as envisioned here., but do see the need for something of the kind

44. Climate change affects all core sectors of development and people's basic needs, such as access to food, water resources for drinking or irrigation purposes, public health, basic infrastructure, and the natural resources on which livelihoods depend. Consequently, a concrete *adaptation project* is defined as a project aimed at addressing the adverse impacts of climate change. Adaptation projects can be implemented at the community, national, regional careful with regional vs. sub-national, see para. 18 and [global] level.

Make specifically reference to climate risks as adaptation shall precede damage/impacts

47. The Fund will finance the *full costs of adaptation*, defined as the costs of concrete activities to be implemented to address the adverse impacts of climate change and related risks. 8

Integrate footnote 8 into the main text in appropriate manner

48. Due to lack of CMP guidance, and experience on specific adaptation programmes on the ground, the Board proposes to adopt a flexible approach, allowing Parties to submit programmes under the Fund to be reviewed on an *ad hoc* basis, taking into account general principles, modalities, sectors and activities that are applicable to both projects and programmes. this flexy para is in stark contrast with the tough approach in para. 46. Need to resolve.

49

(k) Cost-effectiveness and positive benefit-cost ratio;

To take into account more than quantified monetary values. Social cost of carbon incl. cultural values, non tangible benefits

(l) Compliance with environmental and social safeguards developed in cooperation with stakeholders or developed in some other way i.e. what safeguards exactly?;

Stakeholder comments shall be taken on board in a similar manner as done in the approval process of CDM projects by the CDM EB

51. 51. First small-scale projects/programmes 10 will be reviewed and approved on a rolling batch process by [a Board committee][the Board]. [The Board Committee will report on its approvals at each Board meeting]. Subsequent small-scale projects/programmes will be endorsed by the secretariat. Regular projects will be reviewed and approved by the Board at its meetings.

10 See addition to para 15 defining that first projects are projects implemented with the first round of monetisation

paras. 53 - 68 all make more or less sense in themselves, but they do add up to something too complicated overall. Don't have the proposals now, but we will strive to simplify

68. The Adaptation Fund Board will enter into agreements with the implementing and executing entities directly, and the Trustee will transfer funds to the entities in response to written directions from the Board.

Direct access should be mentioned in this para

Comments from Japan

Japan AFB member's comments on document AFB/B.Int.4-5/2
(Draft Provisional Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund)

We are pleased to have the opportunity to comment on one of the core documents which will shape the future operations of the AF. We have prepared detailed comments as follows, and we request our comments to be circulated among AFB members. We encourage the AFB to take this opportunity to try to remove some of the ambiguity that exists in the document. It is clear that there are many issues that have not yet been decided, however, we are more likely to have a fruitful discussion with concrete decisions in March if the document we consider at that point in time goes further than the one we currently have before us in trying to define and set out some ideas on the issues that are still outstanding. Otherwise, we are at risk of not reaching decision on these critical issues in March, and this could impact on the AFB's credibility, as well as on countries' abilities to access AF funding.

We would suggest that in order to expedite this process, the AF could adopt some of the processes and templates currently in use by the GEF (for example, project proposal templates), and that perhaps an ad-hoc working group of AFB members could work on these issues. We have listed towards the end of this set of comments some of the larger areas where much work still needs to be done.

I. Specific comments

Para 24

Para 24, which lists country types, has its origin in Convention article 4.8, but the Guidelines already have a similar description in para 15, which is a citation of /CMP4 document (Annex IV para 10). Japan proposes to delete sub-para (a) to (h) in para 24, and to establish financing priorities based on para 15 (country types) and para 21.

Also in Para 24, the chapeau paragraph has many items that are already referred to in other paragraphs (e.g. equitable allocation, level of vulnerability, urgency, and adaptive capacity are already referred to in para 21). Therefore, Japan proposes to modify para 24 as follows:

24. In deciding which proposals to finance, the Board shall take into account the elements listed in paragraphs 15, 20 and 21, together with the level of resources available at the Adaptation Fund.

Para 25

Because the AF is a financial instrument under the Kyoto Protocol, the reference in para 25 on COP is inappropriate, and should be modified as CMP (para 3 has a description that CMP stands for Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol). Also, Japan believes the brackets in the last line should be removed.

Para 25

- Original text

Further the Board will act in accordance with priorities set by the Conference of Parties in its relevant decisions, and in accordance with relevant provisions in the Convention or Protocol [and best available science in the IPCC].

- Proposed modification

Further the Board will act in accordance with priorities set by the CMP in its relevant decisions, and in accordance with relevant provisions in the Convention or Protocol and best available science in the IPCC.

Para 26

Para 26 does not fully capture the discussions had to date by the Board on this issue. The phrase “special programme” in para 26 sounds as if it would be permanent, which did not seem to be the general wish of those Board members who supported this prioritisation. The wording “African countries affected by drought, desertification and floods” is preferred over “particularly vulnerable African countries” for the reason that it is consistent with previously agreed language.

Also, the Board has yet to agree on how to prioritise the vulnerable Parties. Some ideas presented at the Board include to allocate some or all the amount during the “first funding period”, 1st commitment period, etc. Having given consideration to all such elements, Japan proposes para 26 to be modified as follows:

26. The Board will prioritise projects and program proposals submitted by LDCs, SIDS and African countries affected by drought, desertification and floods, especially during the first year starting from the Adaptation Fund’s initial disbursement by approving proposals submitted by such countries only.

Para 27

Subparagraph (c) should be deleted. If the programme window does not set any caps, applicants might be tempted to apply through this window even when their activities are not programmatic.

In addition, the foreseeable resources at AF are estimated as USD 960 to 600 mil. during 2008-2012, and if it is allocated equally among 150 countries, it will be only USD 6 to 4.5 million. Therefore, Japan's opinion is that for the time being, any country/proposal requesting more than USD 5 mil. in total should not be accepted in order to ensure balanced and equitable allocation. Japan proposes the following modification which captures all such comments.

27. Parties may undertake adaptation activities under the following categories of projects/programmes:

- (a) Small-size projects/programmes (proposals requesting up to \$1million); and
- (b) Regular projects/programmes- to finance medium-size to large-scale adaptation investments (proposals requesting between \$1 million and \$5 million);

The Board will not accept any proposal from a Party of which the total amount per Party exceeding \$5 million.

Para 29

Our understanding is that country eligibility is already outlined in para 15, which is being cited starting from the second line in this paragraph (“eligible Parties to receive funding from...”), but there is no need to repeat it. Japan proposes this paragraph to be modified as follows.

Para 29

● Original text

To date, the CMP has not adopted an explicit definition of developing countries. Pending more specific guidance from the CMP, 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 or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems.

● Proposed modification

To date, the CMP has not adopted an explicit definition of developing countries. Until more specific guidance from the CMP becomes available, paragraph 15 should be the criteria of whether or not to accept a project/programme proposal.

Para 30

We propose the last line to be deleted (allocation for regional activities). Given the regional allocation's low execution rate at the GEF trust fund, it needs to be treated carefully. In order to show that the Board does not oppose to initiatives of a group of Parties to combine their resources and to implement regional projects, Japan proposes to add a line as follows.

- Original text

A cap in resource allocation per [eligible host country][eligible project/programme] will be agreed by the Board based on a periodic assessment of the overall status of resources in the Adaptation Fund. The Board will also allocate resources to regional [and community-level] activities that shall not count towards the resource allocation cap.

- Proposed modification

A cap in resource allocation per [eligible host country][eligible project/programme] will be agreed by the Board based on a periodic assessment of the overall status of resources in the Adaptation Fund. The Board will not allocate a separate pool of resources for regional activities, but welcomes Parties to propose regional activities to be financed within their remaining resource allocation caps added together.

Para 36-42 “Accreditation Process of Implementing Entities”

In order to expedite the process as much as possible, and considering the proposed AF fiduciary standards mirror those of the GEF, Japan proposes the GEF agencies to be given automatic accreditation as implementing entities of the AF. For that purpose, one paragraph as follows should be added somewhere in this section.

The following GEF agencies that are already in partnerships with the GEF are exempted from the above accreditation process, and are given immediate accreditation to serve as implementing entities: UNDP, UNEP, World Bank, AFDB, ADB, EBRD, IaDB, IFAD, FAO, UNIDO

Para 35

Japan regards any activity to be done in the post 2012 regime gives certain pre-judgement, and proposes this paragraph to be modified as underlined.

The Board will review these Board-approved management standards on a periodic basis for changes in international best practices. The necessity and the timing of the first review should be considered together with the roles and responsibilities of the Adaptation Fund in the post-2012 period.

Para 37

Japan regards any activity beyond the first commitment period gives certain pre-judgement, and proposes this paragraph to be modified as follows.

The accreditation of all Adaptation Fund implementing entities will remain valid until the end of the first commitment period. How and whether the accreditation will be renewed should be considered together with the roles and responsibilities of the Adaptation Fund in the post-2012 period.

Para 42

Japan proposes to add the underlined sentence.

- Original text

If the independent group of experts or the consultant determines that an entity under consideration does not meet the Board-adopted management standards, the Board may either decide to refuse to accredit the entity as an implementing entity of the Adaptation Fund, or, in the case where a national entity fails to meet only non-financial

management standards, the Board may decide the Secretariat will provide technical support to this entity in those areas where the entity is found wanting, such as project preparation, appraisal, M&E, procurement.

- Proposed modification

If the independent group of experts or the consultant determines that an entity under consideration does not meet the Board-adopted management standards, the Board may either decide to refuse to accredit the entity as an implementing entity of the Adaptation Fund, or, in the case where a national entity fails to meet only non-financial management standards, the Board may decide the Secretariat will provide technical support to this entity in those areas where the entity is found wanting, such as project preparation, appraisal, M&E, procurement with a view to improving the entity's performance in these areas to increase its chances of gaining accreditation when it next applies.

Para 43

“Performance Management and Supervisory Mechanism for Executing Entities [and Parties]”

We propose the square brackets being removed and the text “and Parties” being retained, both in the subheading and in the 3rd line of the paragraph. Also on para 43, the following text could be added to the second sentence after the words “The mechanism will”: “,in accordance with the Board-approved management standards,”. This addition would ensure greater consistency of treatment and application of standards between implementing entities, executing entities and Parties.

Para 47

The following text could be added to the end of the sentence in para 47: “or the incremental adaptation costs of business-as-usual projects”.

Footnote 8 makes some suggestions as to how the full costs of adaptation might be calculated. This issue requires discussion by the Board and would therefore be better reflected in the main text of the document, rather than in a footnote. Our view is that Parties should be able to choose either to calculate the full costs of adaptation or to apply some form of sliding scale as is used in the LDCF.

Para 49

The document is ambiguous in how the considerations set out in paragraph 49 would be applied to the review of projects and programmes. In order to avoid ambiguity, Japan proposes to add one line as the first sub-paragraph which reads “Consistency with the considerations set out under paragraph 20”. Japan’s comments on other sub-paragraphs are as follows:

Sub-para 49 (a)

We propose sub-para 49 (a) instead read “Country eligibility, as considered in paragraph 29;”

Sub-para 49 (b)

We propose sub-para 49 (b) instead read “Programme/project priority, as considered in paragraphs 21 and 26;”

Sub-para 49 (c)

We propose sub-para 49 (c) instead read “Executing entity or Party (which may include government agencies) eligibility and assessment under the performance management and supervisory mechanism, as considered in paragraph 43;”

Sub-para 49 (d)

We propose sub-para 49 (d) instead read “Implementing entity accreditation (if implementing entity is chosen);”

Para 51

The first year that the Board considers proposals will be a learning opportunity, during which the policies and guidelines will be tested and refined. Our view therefore is that for at least this first year, all project and programme approvals (with the exception of concept approvals) should be given by the Board rather than by a sub-set of Board members in the form of a committee. The Board may decide to become more flexible starting from the second year such as to adopt the approach which is in place at the GEF (* approve/reject project documents via mail).

Sub-para 52 (a)

We propose the square brackets around “including a Party” be removed and the text retained. Footnote 10 is unnecessary as this information is set out earlier in the document.

Sub-para 52 (b)

We propose the square brackets around “including a Party” be removed and the text retained.

● Original text

If the project proponent [including a Party] is a legal entity but not accredited ex-ante by the Board, it may take on the role of “executing entity” and submit proposals directly to the Fund through the AFB Secretariat, and ...

● Proposed modification

If the project proponent including a Party is a legal entity but not accredited ex-ante by the Board, it may submit proposals directly to the Fund through the AFB Secretariat, and

Para 55

The following could be added to the end of para 55: “The Board may decide, however, that the Secretariat will provide technical support to this entity in those areas where the entity is found wanting, with a view to improving the entity’s performance in these areas to increase its chances of gaining accreditation when it next applies.”

Para 57

We propose the text “total grant requests exceed [\$10][\$20] million” be amended as follows: “total grant requests meet or exceed \$20 million”. Even though we recognize the necessity to expedite the process especially during the 1st year, we would like to keep the frequency of the AFB meeting once a quarter as a maximum. Japan believes this would ensure to keep the AFB members’ burden and costs under control.

Para 58

The comments on para 51 also apply to the square brackets in para 58 (the Board rather than a committee should give approval for the time being).

Para 59

We propose the phrase “exceeding \$1 million” instead read “of between \$1 million and \$5 million”.

Para 61

The following could be added to the end of para 61: “The Board may decide, however, that the Secretariat will provide technical support to this entity in those areas where the entity is found wanting, with a view to improving the entity’s performance in these areas to increase its chances of gaining accreditation when it next applies.”

Para 62, 63 & 64

Regarding the process to review concept notes, Japan proposes to adopt the procedures implemented at the GEF:

- Secretariat reviews the concept notes first, and drafts a note similar to the STAP (Scientific & technical advisory panel) comments.
- The Board reviews the original concept note together with the Secretariat comments, and decides whether to accept, reject, or return the concept note with comments for re-submission.

This is more efficient of the two proposed processes and would be less demanding of the Board’s time. If this process is preferred by the Board, para 64 would be deleted and para 63 retained. Again, Japan proposes the Board (and not the Board committee) to review the proposals.

Para 66

It will be useful for the Board to have a discussion around timing of project/programme preparation. We would suggest a longer (=20 months) rather than shorter timeframe so as to not impose unnecessary restrictions on the process.

Para 69

Footnote 14 suggests the Trustee’s functions are limited “at the express direction” of the Board. It might be clearer to refer to Adaptation Fund documentation that sets out the role of the Trustee (CMP/4 Annex III).

Para 71

The time to submit terminal evaluation reports needs to be reconsidered. We understand terminal evaluation is not an audit, and therefore, it does not need to be done within one fiscal year. In many soft loan entities, terminal evaluation reports are stipulated to be submitted “within 6 month from project completion”. In that case, the definition of “project completion” needs to be agreed upon before project implementation (e.g. pass the construction inspection, planted mangroves exceeds the 70% survival rate after 3 growing seasons, etc.).

The content of terminal evaluation needs to be discussed. The projects/programmes to be implemented are envisaged to include a wide variety of activities, and it is not realistic to pre-determine the items to be evaluated. Therefore, Japan proposes to set the evaluation criteria as

broad as the OECD DAC evaluation criteria (Relevance, Effectiveness, Efficiency, Impact, and Sustainability).

The Board may also wish to consider requiring a review of any projects and programmes that are not completed.

Finally, the issue of “independent evaluator”: in many aid agencies, terminal evaluations are done jointly by donors and beneficiary agencies, and there are some cases where independent evaluators are contracted. In the case of Adaptation Fund, the Board needs to decide who will be the evaluator and the payer. Japan proposes the underlined phrase to be added in this paragraph.

71. All projects that complete implementation will be subject to terminal evaluation by an independent evaluator to be contracted by the beneficiary Parties.

II. General comments

Templates and detailed criteria for each window of funding (small projects, regular projects and programmes) are referenced in the document and need to be developed and approved by the Board. It would be useful for the Board to give some thought to when this might occur and, as suggested in our opening comments, whether the AF could adopt and/or modify some of the templates and criteria currently in use by the GEF. Would it be possible to do some of this work inter-sessionally, with a view to arriving at final approval at the March Board meeting?

In the same line of thought, the Performance Management and Supervisory System, the guidelines around review and approval of programmes and the terminal evaluation guidelines (as well as other monitoring and evaluation guidelines) are among the other issues also requiring development.

III. Typos and minor comments

Para 11: the underlined word is lacking in the last line of the paragraph.
...adaptation programmes of action and other relevant instruments...

Para 11 and sub-para 20 (a) are repetitive.

Para 13 and para 23 are repetitive.

Para 21: sub-para (g) has an end-quote (”), but the other quotation mark cannot be found (perhaps before para 10?).

Para 54 & 60: “taking any one of the pathways described in para 44” cannot be found. Perhaps the paragraph number is wrong. Should this instead refer to para 52?