

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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I. PREAMBLE/INTRODUCTION

1. The purpose of the Adaptation Fund is to assist developing country Parties particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation. The importance of the Fund was emphasized by the conclusions of the Intergovernmental Panel on Climate Change IPCC Fourth Assessment Report, which highlights the *unequivocal* signs of climate change impacts; more recent scientific reports have added still greater urgency to these conclusions.

2. The Adaptation Fund established in 2001 and operationalized in Bali in 2007 provides a new mechanism to address a global challenge with several highly innovative elements, including: (1) a governing Board with a significant majority of developing nations – unprecedented in the history of development financing; (2) the option to access resources directly from the Fund as an alternative to utilizing the services of a network of implementing entities; (3) a source of resources independent of donor contributions: two percent of the proceeds of Certified Emission Reductions (CERs) from the CDM; (Nevertheless, donor support and other forms of contributions to the AF may be needed given the high estimated cost of adaptation needs); and (4) an innovative, streamlined project cycle for project submissions and approval.

3. It is also worth noting the tremendous importance of this Fund as a key adaptation financing instrument recognized by the international community under the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol.

4. For these reasons, the Adaptation Fund Chair is pleased to circulate the draft document “Draft Provisional Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund,” for the Board’s consideration and approval.

II. BACKGROUND: DECISIONS LEADING TO THE ESTABLISHMENT, GOVERNANCE AND OPERATIONS OF THE ADAPTATION FUND

5. 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).¹

6. The Fund was established in accordance with Article 12.8 of the Kyoto Protocol, which 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.”²

¹ See Decision 10/CP.7 “Funding under the Kyoto Protocol.”

² See FCCC/KP/ Kyoto Protocol.

7. During the Conferences of the Parties serving as the first and second meetings of the Parties to the Kyoto Protocol (COP/MOP), held in Montreal, Canada in November 2005³ and Nairobi, Kenya in December 2006,⁴ the COP/MOP decided on specific approaches, principles and modalities to be applied for the operationalization of the Fund.

8. At the COP/MOP in Bali, Indonesia from December 3 to 14, 2007, Parties 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 (the Secretariat), and the World Bank to serve as the trustee (the Trustee) of the Fund, both on an interim basis.

9. In particular, Decision 1/CMP.3, paragraph 3 (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 Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.

10. This document, in response to this guidance, provides provisional operational policies and guidelines for eligible developing country Parties to access resources from the Fund. As guidance from the Parties is still incomplete with respect to eligibility criteria and project cycle, the draft provisional guidelines are expected to evolve further based on subsequent decisions of the Board, reflecting future guidance from the Parties.

III. OPERATIONAL PRINCIPLES

11. The Fund shall finance concrete adaptation projects and programmes that are country driven and are based on the needs, views and priorities of eligible Parties on a full cost basis.

12. Consistent with decision 5 CMP.2 Parties will have access to funds either directly or through implementing entities or executing entities.

13. Consistent with decision 28/CMP.1, the operations of the Fund should be guided by the following:

- (a) *A country driven approach*
- (b) *Sound financial management and transparency*
- (c) *Separation from other funding sources*
- (d) *A learning by doing approach*

14. The following *Operational Principles* of the Fund shall be consistent with Decision 5/CMP.2 of the Conference of the Parties serving as the meeting of the Parties to the Kyoto

³ See Decision 28/CMP.1 “*Initial guidance to an entity entrusted with the operation of the financial mechanism 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.*”

Protocol, and shall maintain sufficient flexibility to respond to evolving guidance from the Parties:

- (a) *Access to the Fund shall be in a balanced equitable manner for eligible countries;*
- (b) *The Fund will be governed in an open and transparent manner;*
- (c) *The funding shall be on full adaptation cost basis for concrete projects and programmes to address the adverse effects of climate change;*
- (d) *The Fund shall be under the supervision and management of the Adaptation Fund Board and shall operate under the authority and guidance of and be accountable to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, which shall decide on its overall policies;*
- (e) *There shall be accountability to the Board in the management, operation and use of resources provided to the Fund.*
- (f) *The Board will ensure that there is no duplication with other sources of funding for adaptation in the use of the resources from the Fund; and*
- (g) *Efficiency and effectiveness shall be ensured in management, operation, and governance of the Fund.*

15. Additional operational principles consistent with decisions of CMP shall be more flexible to allow direct access while complying with agreed procurement guidelines to ensure transparency and efficiency.

16. The *Operational Modalities* of the Fund shall be consistent with decision 5/CMP.2 and shall include the following:

- (a) Funding for eligible Parties will be available for national, regional and community level activities;
- (b) Access to funding shall use facilitative procedures including short and efficient project development cycles that have been approved by the Board;
- (c) Projects to be supported should be country driven and should clearly be based on needs, views and priorities of eligible Parties, taking 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;
- (d) Funding shall be available for concrete adaptation projects and programmes in eligible countries;
- (e) The Fund will have the ability to receive contributions from other sources of funding.

- (f) Projects should include in their design a mechanism to systematically feed back the lessons “learned by doing” to improve future operations.

17. The Board will ensure:

- (a) Competency in adaptation and financial management;
- (b) Sound financial management, including the use of international fiduciary standards;
- (c) Clearly defined responsibilities for quality assurance, management and implementation;
- (d) Independent monitoring, evaluation and financial audits;

IV. ACCESS MODALITIES

18. Parties can choose to develop and implement projects with assistance from the Fund through two pathways: (a) direct access by eligible parties, working with executing entities which can include government agencies, that meet agreed criteria and standards set by the Board or (b) through Board-recognized implementing entities.

- (a) *Direct Access.* Parties shall submit requests directly to the Board for funding for concrete adaptation projects/programmes that will be developed. Parties can also nominate an in-country executing entity to develop proposals and implement projects/programmes that shall meet the funding requirements set by the Board.
- (b) *Access through an Implementing Entity.* Parties can work with entities recognized by the Board as implementing entities to develop proposals and implement projects with financial support from the Fund.

19. For the implementing entities, the Board will invite entities to submit their qualification for functioning as implementing entities of the Fund. Such entities should adhere to the fiduciary and other standards to be proposed by the Trustee and established by the Board. The Board shall, from time to time, review the performance and qualifications of implementing entities.⁶ The implementing entities will have to seek and get a written endorsement of the UNFCCC focal point for the proposed projects that must reflect country-drivenness and be based on needs of eligible country Parties.

A. Small-scale & Community-based and Regular Projects Financing Windows

⁶ See AFB/B.2/12 “Roles and Responsibilities of Implementing and Executing Entities”

20. In addition, Parties will meet their adaptation costs by choosing which one, among the following two options, is the most appropriate access modality with respect to size and type of projects/programmes, depending on the nature, size and needs of the Party, taking into account the need for equitable resource allocations amongst eligible Parties :

- (a) Small-scale & community-based adaptation projects/programmes; and
- (b) Regular projects/programmes – to finance medium-size to large-scale adaptation investments; or

21. Two kinds of programmes and relative modalities have been developed to meet these two kinds of needs in an expedited manner. (See sections, *programming framework* and *project cycle* below for more details).

V. SCOPE OF THE FUND

A. Objectives of the Adaptation Fund

22. As stated in Decision 10/CP.7, *Funding under the Kyoto Protocol*, the Adaptation Fund was established to finance concrete adaptation projects and programmes that are country-driven and are based on the needs, views and priorities of eligible Parties in developing countries that are Parties to the Kyoto Protocol, as well as activities identified in paragraph 8 of decision 5/CP.7 (see section below).

B. Strategic Priorities of the Adaptation Fund

23. Adaptation needs exist among all developing countries, although the CMP has recognized that some countries are particularly vulnerable, and has asked the AF Board to develop strategic priorities for the AF. As the guidance is still limited, this document will outline some basic principles based on the CMP guidance with respect to prioritization, without engaging in a detailed discussion of programme priorities or funding needs beyond the scope of the CMP.

24. The overall guidance is based on:

- (i) Decision 28/CMP.1 which in its chapeau provides an initial definition of countries that are particularly vulnerable to the adverse effects of climate change as: low lying and other small island countries; countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, droughts or desertification; and developing countries with fragile mountain ecosystems.
- (ii) *Decision 10/CP.7*, which states that an adaptation fund shall be established to finance concrete adaptation projects and programmes in developing country Parties that are Parties to the Kyoto Protocol

- (iii) *Decision 5/CMP.2*, which states that [AF resources] will be used to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation;
- (iv) *Decision 1/CMP.3* which states that developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change are eligible for AF assistance (“Eligible Parties”); and on

25. In addition, summarizing CMP guidance as well as several discussions held by the Board, it is suggested that the following general principles also be utilized to guide prioritization of project selection when resources are not sufficient to finance all projects submitted:

- (i) Level of vulnerability (based on sound scientific evaluation and the Board guidance);
- (ii) level of urgency and risks of delay;
- (iii) equitable and fair access;
- (iv) regional and sectoral distribution.

26. Some strategic priorities and interpretation are described in some detail in the document (AFB/B.3/9) *Strategic Priorities, Policies and Guidelines*.

27. Further clarification on prioritization rules and approaches will be developed by the Board.

VI. ACTIVITIES TO BE FINANCED

28. Decision 5/CP.7 lists the activities to be undertaken through this Fund in paragraphs 8 (a-d). These include:

- (a) Adaptation activities where sufficient information is available to warrant such activities, *inter alia*, in the areas of:
 - (i) water resources management,
 - (ii) land management,
 - (iii) agriculture,
 - (iv) health,
 - (v) infrastructure development,
 - (vi) fragile ecosystems, including mountainous ecosystems, and
 - (vii) 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 centres and information networks for rapid response to extreme weather events, utilizing information technology as much as possible;

29. The decision also mentions the implementation of insurance-related actions to meet the specific needs and concerns of developing country Parties arising from the adverse effects of climate change.

30. In summary, consistent with COP and CMP guidance and significant input from the Board, the Fund will provide resources to the eligible host countries to finance concrete adaptation projects in the following sectors:

- (a) risk management (alert systems, prevention, insurance);
- (b) agriculture;
- (c) dry land management;
- (d) water resources (including water infrastructures);
- (e) health;
- (f) coastal zones (including integrated coastal zone management);
- (g) infrastructure development (roads, habitat, urban planning);
- (h) fragile ecosystems (including mountain forest ecosystems);
- (i) biodiversity;
- (j) forests; and
- (k) wetland management.

VII. ELIGIBILITY CRITERIA

31. To date CMP guidance on specific eligibility criteria for the AF has yet to be fully developed. In the meantime, the Board will engage in a preliminary discussion on eligibility criteria, with a view to making a recommendation to the CMP. This is consistent with the functions assigned to the AF Board agreed in Bali.⁷

A. Countries

32. *Country eligibility:* with respect to criteria to select which countries are eligible to access resources under the AF, Decisions 10/CP.7, 28/CMP.1, 5/CMP.2, and 1/CMP.3 have been mentioned previously. They state that 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.* Therefore, developing country Parties that are Parties to the Kyoto Protocol are eligible for funding under the Adaptation Fund.

⁷ See Decision 1/CMP.3, “*Adaptation Fund*,” paragraph 5 (a) to (d).

33. To date, the CMP has not adopted an explicit definition of developing countries. Pending more specific guidance from the CMP, eligible countries may be defined as one or all these categories below (as suggested by Board members):

- (a) Non Annex I Countries or Countries that are eligible CDM host countries (this is because the Adaptation Fund is being replenished from the 2% levy from the CDM proceeds),
- (b) LDCs, SIDS or other low income or low middle income country
- (c) Countries particularly vulnerable to climate change impacts as defined by the IPCC Fourth Assessment Report or other relevant study.

34. **To be agreed by the Board:** Once country eligibility has been approved, a minimum/maximum allocation in USD per eligible host country should be agreed by the Board.

B. Entities

35. *On eligibility of implementing and executing entities.* A very innovative approach to accessing resources is introduced in Decision 1/CMP.3, as eligible Parties are offered two options to submit projects. The first option allows Parties, working with executing entities which can include government agencies, to *submit projects directly to the AF Board*; the second option allows Parties to select *implementing entities to submit projects to the AF Board* on their behalf.

36. The first option is unprecedented in the history of multilateral funds, whereas the second option follows a more conventional *modus operandi*. Both options, however, must provide the *sound financial management, including use of international fiduciary standards*, as required in Decision 5/CMP.2 paragraph 2. (g).

37. In the case of option one (direct access), the Party must identify a government agency or other entity that will submit the project and will be made accountable for meeting international fiduciary standards. In the case of option two (project is submitted through an implementing entity) the selected implementing entity that submits the project on the Party's behalf is accountable for meeting international fiduciary standards.

38. For accessing the resources from the Fund, it is recommended by the Board that the following characteristics may be considered:

- (a) Dedicated staff with knowledge and expertise in climate change adaptation;
- (b) Operational procedures for project/programme design and implementation, including procedures for result-based management that adhere to the principles of transparency, competitiveness and accountability, as well as for result-based reporting, M&E and financial auditing; and

- (c) Capacity to operate and deliver a project/programme in close partnership and cooperation with national stakeholders (governmental and non-governmental organizations).

C. International Fiduciary Standards

39. Whether the project is submitted directly by a Party or through an executing or an implementing entity, international fiduciary standards must be met to allow a project to be financed under the AF.

40. The Secretariat proposes the fiduciary standards listed below, as they are internationally recognized and commonly used by multilateral agencies. Minimum fiduciary standards are maintained with the implementation of procedures that reflect several core principles that apply across the board, in the design and implementation of standards. These are:

- (a) Professional standards. Fiduciary management functions (for all categories) are undertaken in accordance with published guidelines and/or standards based, where available, on internationally recognized professional standards;
- (b) Independence. Fiduciary review functions are appropriately independent and objective in the execution of their respective duties;
- (c) Transparency. To ensure both accountability and remedial action, the results of reviews are disclosed to the fullest extent possible, taking into account confidentiality and other concerns as appropriate;
- (d) Monitoring and response. Procedures are in place that establish periodic monitoring and ensure that issues raised in reviews are dealt with effectively.
- (e) Value-for-money provisions. Procedures focus, as appropriate, on ensuring that the maximum benefit, for the resources expended, has been obtained from goods and services acquired or provided.

41. In addition, minimum fiduciary standards comprise overarching auditing, financial management and controls areas, including:

- (i) External financial audit;
- (ii) Financial management and control frameworks;
- (iii) Financial disclosure;
- (iv) Code of ethics; and
- (v) Internal audit.

42. With respect to the project cycle, standards include:

- (i) Project appraisal standards, including safeguards;
- (ii) Procurement processes;
- (iii) Project monitoring and project-at-risk systems; and

(iv) Evaluation.

43. There is also an investigation function, including hotline and whistleblower protection.

44. Recommended minimum International Fiduciary Standards are described and explained in some detail in Annex 1.

45. **To be discussed and agreed by the Board:** *Best practices/good standards* may need to be discussed and agreed on for small, local entities that would like to engage in small-scale projects. These standards would differ from international fiduciary standards to be applied by implementing entities or large national entities or institutions. It is expected that small-scale projects and community-based adaptation may be managed by different kind of entities that may not be able to comply with international fiduciary standards. It may be important to select a different set of standards for executing entities of small-scale projects, or at least a different set of standards to facilitate the access and the implementation of small-scale adaptation – which deserves the same attention as large investment-type of adaptation – and a strict requirement of adherence to international standards may risk automatically excluding a large number of stakeholders and communities.

D. Projects/Programmes

46. Each project/programme should comply with the following criteria:

- (a) Contributes to development objectives of the host country; and is fully in line with the country's development priorities, as outlined in the country development strategies sectoral development and sub-national development strategies and action plans;
- (b) Is in line with the vulnerability and adaptation priorities outlined in the National Communications to the UNFCCC, Technology Needs Assessment Reports and NAPAs or any other government relevant documents;
- (c) Is endorsed by the UNFCCC national focal point;
- (d) Clearly demonstrates that the issue of concern is climate-driven and is not part of business-as-usual development solution able to be financed from other sources of funding, rather than the Adaptation Fund;
- (e) Addresses current and future climate vulnerability in an integrated manner;
- (f) Is designed in a way to enable the setting up of a mechanism to ensure long-term adaptation capacity in the host country;
- (g) Promotes environmentally friendly and pro-poor solutions to adaptation;
- (h) Consistent with government needs and priorities;

- (i) Clearly outlines a project/programme strategy that is based on a scientific justification⁸ of climate risk and vulnerability;⁹
- (j) Provides clear indicators of measuring the project impact and sustainability and demonstrates replicability and up-scaling potential;

VIII. PROGRAMMING FRAMEWORK

47. This section needs to be built on realistic scenarios for the availability of the resources that would feed the Fund. A certain period for such a programming framework needs to be defined by the Board.

A. *Definitions of Adaptation Projects and Programmes, and Full Costs of Adaptation*

48. 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.

49. Consequently, a concrete adaptation project is defined as a project aiming at addressing the adverse impacts of climate change.

50. Adaptation projects can be implemented at the local, national, regional and global level.

51. 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.

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

53. The Adaptation Fund will pay the *full costs of adaptation*, defined as the costs of concrete activities to be implemented to address the adverse impacts of climate change.

54. However, in the limited, but so far significant experience of the management of the portfolios of the Strategic Pilot of Adaptation, the Least Developed Countries Fund and the Special Climate Change Fund,¹⁰ initial lessons have been learned on how to identify concrete

⁸ The Board might want to consider creating a panel of experts to provide the Board with objective and scientific analysis of the projects.

⁹ Appropriate indicators will be developed.

¹⁰ In some of these projects, the optional use of a sliding scale – which proposes an approximate percentage of adaptation costs to be added to the costs of the business as usual development costs – was considered a useful tool to save money and time.

adaptation measures and their costs, as opposed to business as usual development activities, with some initial positive results. Projects submitted under the AF may build upon this initial experience and at the same time create new and more innovative methods for assigning adaptation financing.

i) Types of projects

55. The types of projects that will be eligible for financing under the Adaptation Fund have been indicated in paragraph 30:

Specific activities within each sector may include:

- (a) Activities that are supporting concrete adaptation technology transfer;
- (b) Infrastructure, civil works;
- (c) Skill training/workshops/conferences; and
- (d) Capacity building/vulnerability assessments (only if necessary for the realization of the implementation phase of the project).

ii) Types of programmes

56. Adaptation programmes are eligible under the AF. Therefore, the Board will take into consideration for approval the submission of adaptation programmes that finance adaptation needs which cannot be addressed through the implementation of a project.

57. Adaptation programmes may include programmatic approaches and/or programmes that integrate climate change risks and adaptation measures into development planning at the local, national, regional or global levels.

58. 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 AF 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.

iii) Project selection criteria (to be selected by the Board)

59. To access AF resources, projects will have to be in compliance with the eligibility criteria selected by the Board, which may include:

- (a) Country eligibility;
- (b) Executing entity (which may include government agencies) eligibility (if direct access modality is adopted)/ implementing entity eligibility (if IE is chosen);

- (c) Country drivenness – the project/programme must be endorsed by the UNFCCC focal point and must demonstrate consistency with the Country’s national priorities;
- (d) Addressing vulnerability (indicators to be defined,¹¹ which will be consistent with monitoring and evaluation framework);
- (e) Scientific grounding;¹²
- (f) Conformity and consistency with Adaptation Fund objectives, policies and procedures;
- (g) Conformity and consistency with scope, activities and type of eligible projects;
- (h) Inclusion of description of project components and concrete adaptation measures to be financed and assessment of full costs of adaptation;
- (i) Viability of the project, sustainability (ecological and financial), impact on structural change;
- (j) Cost-effectiveness and positive benefit-cost ratio;
- (k) Compliance with environmental and social safeguards;
- (l) Stakeholder involvement (national, bilateral and multilateral, including civil society);
- (m) Adoption of transparency policy and full disclosure of project documentation;
- (n) Coordination with other financial actors and agencies working in the same areas, as needed to avoid duplication and lack of consistency;
- (o) Milestones and agreements for further project preparation; and
- (p) Inclusion of Monitoring and Evaluation framework.

IX. PROJECT CYCLE AND APPROVAL

60. The AF will include two main types of projects/programmes: (a) Small-scale & community-based project/programmes (up to \$300,000) and (b) Regular projects/programmes (grants greater than \$300,000). Small-scale project/programmes will be submitted on a rolling

¹¹ The GEF Secretariat is working in cooperation with the Office of Evaluation on vulnerability and adaptation indicators for the Least Developed Countries Fund and the Special Climate Change Fund on agriculture, water, health, infrastructure and other relevant sectors. The results of this ongoing work may also be of use for the purposes of the Adaptation Fund.

¹²The Board might want to consider creating a panel of experts to provide the Board with objective and scientific analysis of the projects.

basis and reviewed on a rolling basis by a Board committee and the committee shall report to the Board at each meeting on its activity in this regard. Regular projects will undergo screening for consistency by the Secretariat and will be submitted to the Board for review and or approval intersession and at every Board meeting.

A. Small-scale and Community-based Projects/Programmes (up to a max of \$300,000)

61. Many countries have expressed the need for small grants for small-scale projects. These projects must have a streamlined project cycle and a facilitated system to access resources.

62. Small-scale projects may include: (i) any kind of small-scale adaptation investments, and (ii) community-based projects.

63. Small-scale projects will be submitted on a rolling basis by eligible Parties.

64. Small-scale projects will be submitted to the Board through the proposed simplified procedure: projects will be submitted to the Secretariat on a rolling basis. The Secretariat will submit screened projects to a project review committee of the Board for review and approval and the committee will report to the next meeting. Should an objection to a project be raised by two members of that committee, the project would be brought to the attention of the Board for approval. Through this procedure small projects will have the benefit of a streamlined approval process but still submit to Board approval.

B. Regular Projects/Programmes

65. This section includes regular adaptation projects/programmes that include allocations of grants greater than \$300,000.

66. These projects may be submitted on a rolling basis in conjunction with AF Board meetings.

67. Parties may submit regular projects directly to the Board, or these projects may come to the Board through an implementing entity.

68. The Board will approve them during the AF Board meetings or through other modalities as decided by the Board, for example by posting them on the web for approval on a non-objection basis.

69. The Board will decide on the priority of the submitted projects consistent with the prioritization criteria to be developed.

C. Disbursement

70. The Bank as Trustee will not assume principal obligations or liability for AF projects/programmes. Two approaches can be followed: a GEF model, where oversight and fiduciary responsibility rests with implementing entities, or a Global Fund model, where the

Bank's trustee functions are limited to financial transactions at the express direction of another legal entity with contractual capacity and programmatic responsibility.

71. In the case of the GEF model, the Trustee will not enter into agreements with executing entities. In all cases, transfers of funds will be made only at, and in accordance with, written direction provided to the Trustee as agreed between the AF Board and the Trustee.

72. The actual arrangements will depend on whether the AF is endowed with legal personality. If so, the AF will enter into agreements with IEs and EEs directly, and the Trustee will transfer funds to IEs and EEs in response to written direction from the AF Board. If the AF is not endowed with legal personality, the GEF model will be followed and the Trustee will enter into financial procedures agreements with IEs only.

D. Monitoring and Evaluation

73. Unless otherwise determined by the Board, all projects under implementation will submit annual project status reports to the Board at the completion of each fiscal year. The Board may require the Secretariat to undertake monitoring and report covering portfolio to the Board.

74. Unless determined otherwise by the Board, all projects that complete implementation will be subject to terminal evaluation by an independent evaluator. Terminal evaluation reports will be submitted to the Secretariat for review and reporting to the Board in the context of the annual monitoring report.

X. PROJECT PREPARATION GUIDANCE

A. Step by Step Guidance to Access Adaptation Fund Resources

Step 1:

A project proposal can be submitted to the Adaptation Fund Board only by an eligible Party, which is a developing country that is a Party to the Kyoto Protocol.

Step 2:

The Party may submit directly or through an implementing or executing entity.

Step 3:

The project proponent must decide if the project to be submitted is a small-scale project or a regular project. All projects will follow the same procedure. The role of the Secretariat on the projects shall remain consistent with the role and responsibilities of the Secretariat that have been approved by the Board unless otherwise decided by the Board.

Step 4:

Before submitting the project to the Board, the project proposal must be endorsed by the UNFCCC focal point. The submitted project shall have a work plan and timeframe for preparation but disbursement will be for the whole project consistent with relevant decisions and actions taken by the Board, as well as relevant legal arrangements.

Step 5:

Project Cycle: the project proposal follows the project cycle standard procedures.

Project approval

Programme / project is submitted to AF Secretariat for an initial screening for eligibility and will be passed to AFB for a review and final approval.

AFB may through the AF Secretariat request project proponents to provide additional clarifications within the pre-set timeframe.

Upon a final decision by the AF Board on project /programme approval, the funds will be released for project / programme implementation.

This process should take no more than 2 meetings; otherwise explanations for the delay shall be given to the COP/MOP.

Step 6:

Board approval: Once the Board has approved the grant request, the country will receive the money from the Trustee and the project will start implementation.

Project implementation

The projects /programmes will be implemented within the pre-set time-frame and have to follow the rules and procedures for project/programme implementation of the IE/EE to which an authority to implement the project has been delegated by the AF Board

Step 7:

At different stages of implementation and after project completion, the project will undergo standard Monitoring and Evaluation procedures to measure progress and disseminate lessons learned.

Project monitoring and evaluation

Parties/IE/EE will be requested to submit annual progress reports, including financial reports on disbursement and implementation.

All projects/programmes will be subject to external audit. Upon project completion IE/EE will submit final report to the AFB through the AF Secretariat.

Within one year, after project / programme has been completed IA/EA will provide for independent evaluation and independent audit reports.

Example of Template for Adaptation Fund Project (Regular-size)

ADAPTATION FUND

PROJECT ID

COUNTRY(IES):

PROJECT TITLE:

MODE OF ACCESS:- DIRECT/IA/EE

SUBMISSION DATE: (select)

Project Components	Expected Outcomes	Expected Outputs	Total (\$)
1.			
2.			
3.			
Project Management			
Total Project costs			

PART II: PROJECT JUSTIFICATION

- A. STATE THE ISSUE, HOW THE PROJECT SEEKS TO ADDRESS IT, AND THE EXPECTED ADAPTATION BENEFITS TO BE DELIVERED:**
- B. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH NATIONAL PRIORITIES/PLANS (INCLUDING NAPA PRIORITIES):**
- C. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH AF ELIGIBILITY CRITERIA AND PRIORITIES:**
- D. DESCRIBE ADAPTATION ACTIVITIES AND ESTIMATE FULL COSTS OF ADAPTATION**
- E. INDICATE THE RISK THAT MIGHT PREVENT THE PROJECT OBJECTIVE(S) FROM BEING ACHIEVED AND OUTLINE RISK MITIGATION MEASURES:**

PART III: APPROVAL/ENDORSEMENT BY UNFCCC FOCAL POINT(S)

RECORD OF ENDORSEMENT OF UNFCCC FOCAL POINT(S) ON BEHALF OF THE GOVERNMENT:

(Please attach [endorsement letter\(s\)](#) with this template).

<i>(Enter Name, Position, Ministry)</i>	<i>Date: (Month, day, year)</i>
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<i>(Enter Name, Position, Ministry)</i>	<i>Date: (Month, day, year)</i>
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