



ADAPTATION FUND

AFB/EFC.4/9
February 24, 2011

Adaptation Fund Board
Ethics and Finance Committee
Fourth Meeting
Bonn, March 16, 2011

Agenda Item EFC 8

REVIEW OF THE OPERATIONAL POLICIES AND GUIDELINES AND RELATED TEMPLATES

I. Background

1. The operational policies and guidelines for Parties to access resources of the Adaptation Fund (OPG) state on paragraph 65 that

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

2. At its twelfth meeting, the Board requested the secretariat

to present a preliminary draft of the revisions that might be required of the operational policies and guidelines for consideration by the next Board meeting, incorporating any decisions and/or amendments thus far proposed by the PPRC, EFC and AP
(Decision 12/30, paragraph (a))

3. As per Board request, the secretariat has prepared the preliminary draft contained in the Annex to the present document and submits it to the Board for consideration.

II. Categories of proposed amendments

4. The secretariat identified three categories of proposed amendments that the Board may want to consider:

- a) Decisions already adopted by the Board that amend the OPG;
- b) Issues discussed by the Board that may require amendments to the OPG or their related templates, on which no Board decision was adopted;
- c) Additional amendments that the Board may want to consider, in light of the lessons learned during the accreditation process and the project cycle.

III. Proposed amendments

- a) *Decisions already adopted by the Board that amend the OPG*

5. The Board has already adopted a number of decisions that amend or would amend the OPG. These decisions have been incorporated to the revised OPG text in track changes and refer to the following issues:

- Decision B.7-8/1, decision 4/CMP.5 and entry into force of the German Act of Parliament that conferred legal capacity on the Adaptation Fund Board. Addition of new sentence to paragraph 8.
- Decision B.11/2: Possibility to resubmit the accreditation applications for MIEs. The Board decided to consider amending the guidelines to incorporate the text added to OPG paragraph 34.
- Decision B.11/14 (c): Non signature of the standard legal agreement by the implementing entity within four months of the notification of the approval of the project/programme. It is proposed to add a new paragraph to the OPG (new paragraph 50).

- Decision B.11/16: Cap on implementing entities fees and budget on fee use. It is proposed to add new text to OPG former paragraph 62 (new paragraph 67). Given that the Board has expressed that will keep the amount of the cap under review, no amount has been included in the suggested text.
- Decision B.12/6: Ministries as applicant NIEs. Since the Board took note of the difficulties expressed by the Accreditation Panel when reviewing applications from ministries and adopted the guidelines for designated authorities to select an NIE, the Board may prefer not to encourage the selection of ministries as applicant NIEs. It is therefore proposed to delete the reference to ministries from footnote 8.
- Decision B.12/7 (b): explanation and breakdown of administrative costs, including execution costs. A new paragraph 68 is proposed and the former section "management fees" would be renamed "administrative costs" to encompass all these categories of project costs.
- Decision B.12/10: Timeline of the project/programme review process. The suggested changes on OPG paragraphs 40 (a), (b) and (c), and 41 (a), (b) and (c) incorporate the agreed timeline for the secretariat's technical review of project proposals.
- Decision B.12/28: Project Formulation Grants (PFG). A new section would be added to the OPG (paragraphs 42-45) to include the possibility to award PFG. A new annex containing the approved PFG form would also be added.
- Decision B.12/29: Approval of the standard legal agreement between the Board and the implementing entities. It is proposed to amend OPG former paragraph 42 (new 46) to refer to the standard legal agreement.
- Decision B.12/30 (b): Disbursement schedule with time-bound milestones. New text requesting the submission of the schedule together with the project document is proposed on OPG paragraphs 40 (a), 41(a) and former 45 (new 49).

6. The secretariat is not proposing to amend the OPG in case of decisions where the Board has expressed that will keep a particular issue under review.

b) Issues considered by the Board that may require amendments to the OPG or their related templates, on which no Board decision was adopted

- Consultative process: The PPRC observed that there appeared to be an omission in the project review template for the recording of the consultations with relevant stakeholders. It was also observed that, pending the review of the project/programme review criteria, it would still remain possible for the secretariat to directly request that information from the applicants¹. The EFC may want to consider recommending an amendment to the project review template accordingly. The EFC may also want to recommend the Board to provide guidance on whether those consultations should take place either during the project design phase or may be undertake during project implementation.

¹ Report of the eleventh meeting of the Adaptation Fund Board, paragraph 52.

² Report of the eleventh meeting of the Adaptation Fund Board, paragraph 126.

³ Report of the twelfth meeting of the Adaptation Fund Board, paragraphs 32 and 33.

- Gender considerations: After a presentation by UNDP on mainstreaming gender into adaptation finance, the Board expressed that the proposals made by the speaker would be taken into account in the review of the OPG and in considering applications for funding of projects and programmes². The EFC may want to consider recommending the Board an amendment to the project review template to include gender considerations as new review criteria.
- Resubmission of rejected project/programme proposals: At its twelfth meeting the Board discussed the possibility of introducing a “traffic light system” according to which rejected proposals could not be resubmitted³. Since this contradicts OPG paragraphs 40.c) and 41.c), the EFC may want to consider recommending the Board to provide guidance on whether to incorporate the “traffic light system” to the OPG.
- Documentation supporting compliance with the fiduciary standards: The Accreditation Panel is working on a proposal to clarify the supporting documentation required to demonstrate compliance with the approved fiduciary standards⁴ that the Board may want to consider incorporating to the relevant template once approved.

c) Additional amendments that the Board may want to consider in light of the lessons learned during the accreditation process and the project cycle

- Designated authorities: The OPG paragraphs related to the role and function of the DA are not very specific. This often leads to misunderstandings when submitting accreditation applications and/or project proposals. The EFC may want to consider recommending the Board to reformulate section “country endorsement” by outlining more specifically the role of the DA. This section could be renamed “Designated Authority”.
- Possibility of submitting projects through both NIEs and MIEs: Some potential project proponents have doubts on whether the use of NIEs and MIEs by the same Party for different projects is possible. The EFC may want to recommend clarifying that these options are not mutually exclusive by adding a new sentence to paragraph 26.

IV. Recommendation

7) Having considered the proposed amendments and any additional amendments the EFC may deem appropriate, the EFC may want to recommend the Board:

- a) To approve the proposed amendments to the OPG;
- b) To request the secretariat to prepare draft text on the issues outlined under section III.b) and c) of the present document, following guidance provided by the Board during the

² Report of the eleventh meeting of the Adaptation Fund Board, paragraph 126.

³ Report of the twelfth meeting of the Adaptation Fund Board, paragraphs 32 and 33.

⁴ Requested by decision B.11/3, paragraph (j).

discussion of the present document, and to incorporate the agreed text to the draft revised OPG for consideration of the Board at its fourteenth meeting;

- c) To request the secretariat to present a consolidated draft of the revised OPG to the fourteenth Board meeting, incorporating any decision taken at the present Board meeting that may require further amendments.

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

INTRODUCTION

1. The Kyoto Protocol (KP), in its Article 12.8, states that “The Conference of the Parties serving as the meeting of the Parties to this Protocol shall ensure that a share of the proceeds from certified project activities is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.”⁵ 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).⁶
3. In Montreal, Canada in November 2005⁷ and in Nairobi, Kenya in December 2006,⁸ 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.⁹ 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:
 - (a) the *Rules of Procedures of the Adaptation Fund Board*;

⁵ See FCCC/KP/Kyoto Protocol.

⁶ See Decision 10/CP.7, “Funding under the Kyoto Protocol”.

⁷ See Decision 28/CMP.1, “Initial guidance to an entity entrusted with the operation of the financial system of the Convention, for the operation of the Adaptation Fund” in Annex I to this document.

⁸ See Decision 5/CMP.2, “Adaptation Fund”, in Annex I to this document.

⁹ See Decision 1/CMP.3, “Adaptation Fund”, in Annex I to this document.

- (b) the *Memorandum of Understanding between the Conference of the Parties serving as the meeting of the Parties of the Kyoto Protocol and Council of the Global Environmental Facility regarding secretariat services to the Adaptation Fund Board*, on an interim basis;
 - (c) the *Terms and Conditions of Services to be Provided by the International Bank for Reconstruction and Development (the World Bank) as Trustee for the Adaptation Fund*, on an interim basis; and
 - (d) the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* (see Annex 1).
7. In Decision 1/CMP.4, paragraph 11, the CMP decided that the Adaptation Fund Board be conferred such legal capacity as necessary for the execution of its functions with regard to direct access by eligible developing country Parties. Further, in decision 4/CMP.4, paragraph 1, the Parties endorsed the Board decision to accept the offer of Germany to confer legal capacity on the Board. The German Act of Parliament which conferred legal capacity to the Board entered into force of February 8, 2011.
8. This document (hereafter “the operational policies and guidelines”), in response to the above CMP decisions, outlines operational policies and guidelines for eligible developing country Parties to access resources from the Fund. The operational policies and guidelines are expected to evolve further based on experience acquired through the operationalization of the Fund, subsequent decisions of the Board and future guidance from the CMP.

DEFINITIONS OF ADAPTATION PROJECTS AND PROGRAMMES

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

OPERATIONAL AND FINANCING PRIORITIES

12. The overall goal of all adaptation projects and programmes financed under the Fund will be to support concrete adaptation activities that reduce the adverse effects of climate change facing communities, countries, and sectors.
13. Provision of funding under the Fund will be based on, and in accordance with, the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* adopted by the CMP, attached as Annex 1.

14. Funding will be provided on full adaptation cost basis of projects and programmes to address *the adverse effects of climate change*.¹⁰ *Full cost of adaptation* means the costs associated with implementing concrete adaptation activities that address the adverse effects of climate change. The Fund will finance projects and programmes whose principal and explicit aim is to adapt and increase climate resilience. The project proponent is to provide justification of the extent to which the project contributes to adaptation and climate resilience. The Board may provide further guidance on financing priorities, including through the integration of information based on further research on the full costs of adaptation and on lessons learned.
15. In developing projects and programmes to be funded under the Fund, eligible developing country Parties may wish to consider the guidance provided in 5/CP.7. Parties may also consult information included in reports from the Intergovernmental Panel on Climate Change (IPCC) and information generated under the Nairobi Work Programme (NWP) on Impacts, Vulnerability and Adaptation to Climate Change.¹¹
16. Decisions on the allocation of resources of the Fund shall take into account the criteria outlined in the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund*, adopted by the CMP, specifically:
 - (a) Level of vulnerability;
 - (b) Level of urgency and risks arising from delay;
 - (c) Ensuring access to the fund in a balanced and equitable manner;
 - (d) Lessons learned in project and programme design and implementation to be captured;
 - (e) Securing regional co-benefits to the extent possible, where applicable;
 - (f) Maximizing multi-sectoral or cross-sectoral benefits;
 - (g) Adaptive capacity to the adverse effects of climate change.
17. Resource allocation decisions will be guided by paragraphs 9 and 10 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund*.
18. The Board will review its procedures for allocating resources of the Fund among eligible Parties at least every three years, and/or as instructed by the CMP.

PROJECT/ PROGRAMME PROPOSAL REQUIREMENTS

19. To access Fund resources, a project /programme will have to be in compliance with the eligibility criteria contained in paragraph 15 of the *Strategic Priorities, Policies and*

¹⁰ Decision 5/CMP.2, paragraph 1 (d).

¹¹ IPCC Assessment Report 4, see <http://www.ipcc.ch/ipccreports/assessments-reports.htm> and NWP see http://unfccc.int/adaptation/sbsta_agenda_item_adaptation/items/3633.php.

Guidelines of the Adaptation Fund and using the relevant templates (templates attached as Annex 2)

COUNTRY ENDORSEMENT

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

FINANCING WINDOWS

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

ELIGIBILITY CRITERIA

Country Eligibility

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

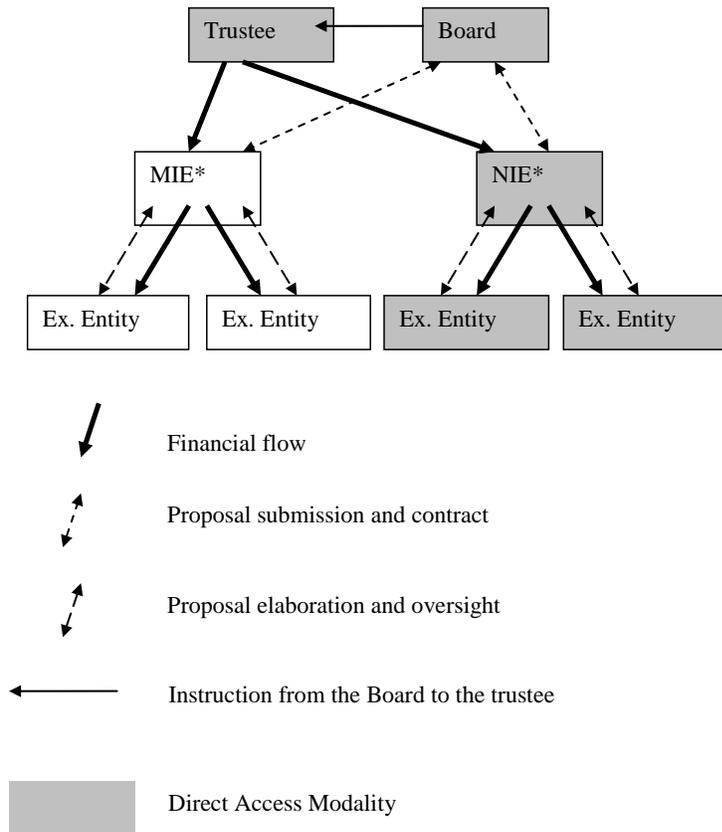
Implementing and Executing Entities

26. Eligible Parties who seek financial resources from the Adaptation Fund shall submit proposals directly through their nominated National Implementing Entity (NIE).¹² They may, if they so wish, use the services of Multilateral Implementing Entities (MIE). The implementing entities shall obtain an endorsement from the government.¹³ The modalities for accessing resources of the Adaptation Fund are outlined in Figure 1.

¹² They may include *inter alia*, ~~ministries~~, inter-ministerial commissions, government cooperation agencies.

¹³ As laid out in paragraph 21: "Each Party shall designate and communicate the authority that will endorse on behalf of the national government the projects and programmes proposed by the implementing entities."

Figure 1: Modalities for Accessing Resources of the Adaptation Fund



* A Party nominates a National Implementing Entity. May also nominate a Multilateral entity

27. National Implementing Entities (NIE) are those national legal entities nominated by Parties that are recognized by the Board as meeting the fiduciary standards established by the Board. The NIEs will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring and reporting responsibilities.
28. A group of Parties may also nominate regional and sub-regional entities as implementing entities, and thereby provisions of paragraph 27 will apply.

Field Code Changed

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

ACCREDITATION OF IMPLEMENTING ENTITIES

Fiduciary Standards

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

Accreditation Process

33. Accreditation for the implementing entities would follow a transparent and systematic process through an Adaptation Fund Accreditation Panel supported by the Secretariat. The Accreditation Panel will consist of two Board Members and three experts. The different steps for accreditation are as follows:
- (a) The Board will invite Parties¹⁴ to each nominate a national implementing entity; the Board will issue a call to potential multilateral implementing entities to express interest in serving as an MIE;
 - (b) Potential implementing entities will submit their accreditation applications to the Secretariat together with any supporting documentation to verify how they meet the fiduciary standards;
 - (c) The Secretariat will review the documentation to ensure that all the necessary information is provided, and will follow-up with the potential implementing entities to ensure that the application package is complete. The Secretariat will forward the complete package to the Accreditation Panel within 15 (fifteen) working days following receipt of a candidate implementing entity's submission;
 - (d) The Panel will undertake a desk-review of the application and forward its recommendation to the Board; should the Panel require additional information prior to making its recommendation, a mission and/or a teleconference may be undertaken with regard to the country concerned.¹⁵The Board will provide further guidance on the required information in the future on the basis of lessons learned; and
 - (e) The Board will make a decision and in writing will notify the entity of the outcome, which could fall into one of the following categories:
 - (i) Applicant meets requirements and accreditation is recommended; or
 - (ii) Applicant needs to address certain requirements prior to full accreditation.
34. In case the nominated NIE does not meet the criteria, an eligible Party may resubmit its application after addressing the requirements of the Board. In the meantime, eligible Parties are encouraged to use the services of an MIE, if they so wish, to submit project proposals for funding by the Adaptation Fund. An applicant MIE that does not meet the criteria for accreditation may also resubmit its application after addressing the requirements of the Board.

Comment [MR1]: Decision B.11/12

¹⁴ The designated authority referred to in paragraph 21 above shall endorse the application for accreditation on behalf of the Party.

¹⁵ The Panel will specify areas requiring further work to meet the requirements and may provide technical advice to address such areas. In exceptional circumstances, an external assessor may be used to help resolve especially difficult/contentious issues.

35. Accreditation will be valid for a period of 5 years. The Board will develop guidelines for renewal of an implementing entity's accreditation based on simplified procedures that will be established at a later date.
36. The Board reserves the right to evaluate the performance of implementing entities at any time during an implementing entity's accreditation period. A minimum notification of 6 months will be given to an implementing entity if they have been identified by the Board as being the object of such an evaluation.
37. The Board may also consider suspending or cancelling the accreditation of an implementing entity if it made false statements or provided intentionally incomplete information to the Board both at the time of accreditation to the Board or in submitting a project or programme proposal.
38. Before the Board makes its final decision on whether to suspend or cancel the accreditation of an implementing entity, the entity concerned will be given a fair chance to present its views to the Board.

PROJECT CYCLE

39. The project cycle of the Adaptation Fund for any project or programme size begins with a proposal submission to the Secretariat by the NIE/MIE chosen by the government of the recipient country/ies. The submission is followed by an initial screening, project review and approval.¹⁶

Review and Approval of Small-size Projects and Programmes

40. In order to expedite the process of approving projects and reduce unnecessary bureaucracy, it is proposed that small-size projects undergo a one-step approval process by the Board. The proposed project cycle steps are as follows:
 - (a) The project proponent submits a fully developed project document¹⁷ based on a template approved by the Board (Annex 3, Appendix A). A disbursement schedule with time-bound milestones will be submitted together with the fully developed project/programme document. Proposals can be submitted to the Board through the Secretariat three times per year or as may be decided at any time by the Board depending on the flow of requests and the available resources. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board to the extent possible. Project/programme proposals shall be submitted at least nine weeks before each Board meeting in order to be considered by the Board at its next meeting.
 - (b) The Secretariat will screen all proposals for consistency and provide a technical review. It will then forward the proposals with the technical reviews to the Projects and Programmes Review Committee for review, based on the criteria approved by the Board (Annex 3). Screening by the Secretariat will be conducted as soon as

Comment [MR2]: Decision 12/30 (b)

Comment [MR3]: Decision B.12/10

¹⁶ The designated authority referred to in paragraph 21 above shall endorse the proposal submission.

¹⁷ A fully developed project is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation.

~~possible, and within fifteen (15) working days. The secretariat will forward comments on the project/programme proposals and requests for clarification or further information to the implementing entities, as appropriate. The inputs received and the conclusions of the technical review by the secretariat will be incorporated to the review template.~~

Comment [MR4]: Decision B.12/10

- (c) The Secretariat will send all project proposals received with technical reviews to the Project and Programmes Review Committee ~~four weeks at least seven (7) days~~ prior to the ~~Adaptation Fund Board~~ meeting. The Project and Programmes Review Committee will review the proposals and give its recommendation to the Board for a decision at the Meeting. The Committee may use services of independent adaptation experts to provide input into the review process if needed. The Board can approve or reject a proposal with a clear explanation to the implementing entities. Rejected proposals can be resubmitted after consideration of the reasons for rejection.
- (d) The proposals approved by the Board will be posted on the Adaptation Fund website. Upon the decision, the Secretariat in writing will notify the proponent of the Board decision.

Comment [MR5]: Decision B.12/10

Review and Approval of Regular Projects and Programmes

41. Regular adaptation projects are those that request funding exceeding \$1 million. It is proposed that these proposals undergo either a one-step or a two-step¹⁸ approval process. To reduce the time needed to get a project funded, proponents are encouraged to submit a fully-developed project document¹⁹ for a one-step approval. The proposed project cycle steps for a one-step approval are as follows:

- (a) The project proponent submits a fully-developed project document based on a template approved by the Board ((Annex 3, Appendix A). ~~A disbursement schedule with time-bound milestones will be submitted together with the fully developed project/programme document.~~ Proposals can be submitted to the Board through the Secretariat three times per year or any other schedule to be decided by the Board. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board as much as possible. ~~Project/programme proposals shall be submitted at least nine weeks before each Board meeting in order to be considered by the Board at its next meeting.~~
- (b) The Secretariat will screen all proposals for consistency and provide a technical review. It will then forward the proposals and the technical reviews to the Projects and Programmes Review Committee for review based on the criteria approved by the Board (Annex 3). ~~The Secretariat will forward comments on the project/programme proposals and requests for clarification or further information to~~

Comment [MR6]: Decision 12/30 (b)

Comment [MR7]: Decision B.12/10

¹⁸ A brief project concept is approved in the first step followed by the review and approval of a fully-developed project/document in the second-step. A two-step process, while time consuming minimizes the risk that a proponent does not invest time and energy in fully developing a project or program document that fails to meet the criteria of the Fund. Funding will only be reserved for a project after the approval of a fully-developed project document in the second step.

¹⁹ A fully developed project is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation.

the implementing entities, as appropriate. The inputs received and the conclusions of the technical review by the secretariat will be incorporated to the review template. Screening by the Secretariat will be conducted as soon as possible, and within fifteen (15) working days.

Comment [MR8]: Decision B.12/10

- (c) The Secretariat will send all project proposals with technical reviews to the Project and Programmes Review Committee ~~four weeks~~ at least seven (7) days before the ~~Adaptation Fund Board~~ meeting. The Project and Programme Review Committee will review the proposals and give its recommendation to the Board for a decision at the Meeting. The Committee may use services of independent adaptation experts to provide input into the review process if needed. The Board can approve or reject a proposal with a clear explanation to the implementing entities. Rejected proposals can be resubmitted after consideration of the reasons for rejection.

Comment [MR9]: Decision B.12/10

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

Project Formulation Grants

Comment [MR10]: Decision B.12/28

42. Requests for Project Formulation Grants (PFG) can be made at the same time as the submission of a project concept to the secretariat, using the PFG form approved by the Board. The secretariat will review the request and forward it to the PPRC for a final recommendation to the Board. A PFG could only be awarded when a project concept was presented and endorsed.
43. Only activities related to country costs will be eligible for PFG funding.
44. If the final project document is rejected, any unused funds shall be returned to the Trust Fund.
- 42-45. Once a PFG is disbursed, a fully developed project document should come to the Board for approval within twelve (12) months. No additional PFG can be received by a country until the fully developed project/programme document has been submitted to the Board.

Disbursement

- 43-46. The Secretariat will draft ~~contracts, memoranda of understanding and/or other necessary standard legal~~ agreements ~~with between the Board and~~ implementing entities using the template approved by the Board, and any other documents deemed necessary. The secretariat and will provide these ~~agreements documents~~ for signature by the Chair or any other Member designated to sign ~~these documents~~. The Board may, at its discretion, review any of the proposed agreements. ~~A template approved by the Board will be used to make agreements.~~
- 44-47. The Trustee will disburse funds on the written instruction of the Board, signed by the Chair, or any other Board Member designated by the Chair, and report to the Board on the disbursement of funds.
- 45-48. The Board will ensure a separation of functions between the review and verification of disbursement requests, and the issuance of instructions to the Trustee to disburse.

Comment [MR11]: Decision 12/29

~~49.~~ The Board ~~may will~~ instruct the Trustee to disburse funds ~~for programmes~~ in tranches, based on the disbursement schedule with time specific-bound milestones submitted with the fully developed project/programme document. ~~The Board, and~~ may require a progress review from the Implementing Entity prior to each tranche ~~disbursement.~~

Comment [MR12]: Decision 12/30 (b)

~~46-50.~~ If an implementing entity does not sign the standard legal agreement within four (4) months from the date of notification of the approval of the project/programme proposal, the funds committed for that project/programme will be added to funds available for new commitments.

Comment [MR13]: Decision 11/14 (c)

Monitoring, Evaluation and Review

~~47-51.~~ The Board is responsible for strategic oversight of projects and programmes implemented with resources from the Fund. The Ethics and Finance Committee, with support of the Secretariat, will monitor the Adaptation Fund portfolio of projects and programmes.

~~48-52.~~ The Adaptation Fund Board will develop a results framework to support the *Strategic Priorities, Policies, and Guidelines of the Adaptation Fund*. The framework will take into consideration existing good practice and lay out an approach that: (i) incorporates measuring results with widely recognized tools; (ii) assesses risk on an ongoing basis; and (iii) incorporates learning into strategies, project and programmes.

~~49-53.~~ The Board will oversee results at the fund-level. Implementing entities shall ensure that capacity exists to measure and monitor results of the executing entities at the country-level. The Board requires that projects and programmes under implementation submit annual status reports to the Ethics and Finance Committee. The Committee with the support of the Secretariat shall provide an annual report to the Board on the overall status of the portfolio and progress towards results.

~~50-54.~~ All regular projects and programmes that complete implementation will be subject to terminal evaluation by an independent evaluator selected by the implementing entity. The Board reserves the right to submit small projects and programmes to terminal evaluation when deemed appropriate. Terminal evaluation reports will be submitted to the Board after a reasonable time after project termination, as stipulated in the project agreement. .

~~54-55.~~ The Adaptation Fund Board will consider the process for developing a results framework to support projects and programmes and outline its main components with the aim of ensuring that the framework is in place before projects are approved.

~~52-56.~~ The Adaptation Fund Board reserves the right to carry out independent reviews or evaluations of the projects and programmes as and when deemed necessary. The costs for such activities will be covered by the Adaptation Fund.

~~53-57.~~ This project cycle will be kept under review by the Board.

Procurement

~~54-58.~~ Procurements by the implementing entities or any of their attached organizations shall be performed in accordance with internationally accepted procurement principles, good

procurement practices and the procurement regulations as applicable to a given Party. Implementing entities shall observe the highest ethical standards during the procurement and execution of the concrete adaptation projects.

~~55-59.~~ The project proposal submitted to the Board shall contain adequate and effective means to punish and prevent malpractices. The implementing entities should promptly inform the Board of any instances of such malpractices.

Project Suspensions and Cancellations

~~56-60.~~ At any stage of the project cycle, either at its discretion or following an independent review-evaluation, the Ethics and Finance Committee may recommend to the Board to suspend or cancel a project for several reasons, notably:

- (a) financial irregularities in the implementation of the project; and/or
- (b) material breach, and poor implementation performance leading to a conclusion that the project can no longer meet its objectives.

~~57-61.~~ Before the Board makes its final decision whether to suspend or cancel a project, or a programme, the concerned implementing entity will be given a fair chance to present its views to the Board.

~~58-62.~~ In accordance with their respective obligations, implementing entities suspending or cancelling projects and programmes must send detailed justification to the Board for the Board's information.

~~59-63.~~ The Secretariat will report to the Board on an annual basis on all approved projects and programmes that were suspended or cancelled during the preceding year.

Reservations

~~60-64.~~ The Board reserves the right to reclaim all or parts of the financial resources allocated for the implementation of a project or programme, or cancel projects or programmes later found not to be satisfactorily accounted for. The implementing entity shall be given a fair chance to consult and present its point of view before the Board.

Dispute Settlement

~~61-65.~~ In case of a dispute as to the interpretation, application or implementation of the project/programme, the implementing entity shall first approach the Secretariat with a written request seeking clarification. In case the issue is not resolved to the satisfaction of the implementing entity, the case may be put before the Board at its next meeting, to which a representative of the implementing entity could also be invited.

~~62-66.~~ Subject to development on the legal status of the Board, the Board will draw more comprehensive dispute settlement provisions.

Management Fees**Administrative costs**

67. Every project proposal submitted to the Board shall state the management fee requested by the Implementing Entity if any. Fully developed proposals shall include a budget on fee use. The reasonability of the fee will be reviewed on a case by case basis. The requested fee shall not exceed the cap established by the Board.

Comment [MR14]: Decision 11/16

~~63-68.~~ Fully developed project/programme proposals shall include an explanation and a breakdown of all administrative costs associated with the project, including the execution costs.

Comment [MR15]: Decision 12/7 (b)

Where to send a Request for Funding

~~64-69.~~ All requests shall be sent to:

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

~~65-70.~~ Acknowledgment of the receipt shall be sent to the proposing implementing entities within a week of the receipt of the request for support. All project proposals submitted will be posted on the website of the Adaptation Fund Board. The Secretariat will provide facilities that will enable interested stakeholders to publicly submit comments about proposals.

Review of the Operational Policies and Guidelines

~~66-71.~~ The Board shall keep these operational policies and guidelines under review and will amend them as deemed necessary.