# Accessing Resources \*\*Adaptation Fund

THE HANDBOOK





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## **FOREWORD**



The Adaptation Fund, which finances concrete adaptation projects and programmes with particular emphasis on the most vulnerable communities, is well known for being the first institution offering the direct access modality as an option to developing countries in the context of climate change finance. It is encouraging that other institutions under the United Nations Framework Convention on Climate Change are following the example of the Adaptation Fund by allowing developing countries the possibility to access the resources directly as opposed to the traditional modality that obliges countries to use intermediary institutions to implement their projects.

Since the Adaptation Fund became fully operational in April 2010, it has financed 17 projects and programs that cover all regions, including the Small Islands Developing States and the Least Developed Countries, through swift processes and a non-prescriptive approach that allows countries to address specific adverse effects of climate change. Although only being operational for a short while, the Adaptation Fund already has generated important lessons learned. The version of the handbook presented herewith integrates the first set of revisions to the Operational Policies and Guidelines and associated templates to clarify certain key areas and incorporate crucial elements such as gender considerations and knowledge management.

I am delighted to present the updated version of the handbook that reflects the evolution of the Adaptation Fund.

#### **Ana Fornells de Frutos**

Adaptation Fund Board Chair

## INTRODUCTION

This handbook provides developing country governments, organizations, and other stakeholders with guidance on how the Adaptation Fund can serve the growing adaptation needs in vulnerable developing countries. This introduction gives an overview of key aspects of the Fund and offers brief guidance on

- How to access resources from the Fund
- How to prepare project proposals
- How to nominate and accredit national implementing entities.

The Adaptation Fund Board has developed specific templates and guidance to assist developing country Parties as much as possible in accessing resources from the Fund in a simple and effective manner.

## ADAPTING TO CLIMATE CHANGE MEANS SAFEGUARDING DEVELOPMENT

The science of climate change is unambiguous. There is broad scientific consensus that climate change is already a serious challenge and it is likely to happen more quickly than was expected to some years ago. With it comes a decrease in food security, less predictable availability of fresh water, and adverse health effects. Climate change is undermining development and increasing the burdens on the poorest people in the world, who are often hardest hit by weather catastrophes, desertification, and rising sea levels, but who have contributed the least to the problem of global warming. Helping the most vulnerable countries and elements of societies is thus an increasing challenge and duty for the international community, especially because adaptation to climate change requires significant resources in addition to what is already needed to achieve internationally agreed-on development objectives such as the Millennium Development Goals.

## LEGAL MILESTONES IN THE ESTABLISHMENT OF THE ADAPTATION FUND

The Adaptation Fund evolved through a series of decisions of the highest governing body of the countries that ratified the Kyoto Protocol, the Conference of the Parties serving as the Meeting of the Parties to the Protocol (CMP). The following decisions constitute the milestones that founded the legal basis of the Adaptation Fund.

- The Kyoto Protocol under the United Nations
  Framework Convention on Climate Change
  (UNFCCC) was agreed on in 1997 and entered into
  force in 2005; its Article 12.8 states that a share of
  the proceeds from certified project activities shall
  be used to assist particularly vulnerable developing
  countries in meeting the costs of adaptation.
- The Marrakesh Accords, adopted at the 7<sup>th</sup> Conference of the Parties to the UNFCCC in 2001 in Marrakesh, contain the provision that the Adaptation Fund shall be the recipient of 2 percent of the share of these proceeds.
- With regard to the specific approaches, principles and modalities for operationalization of the Fund, the Parties to the Kyoto Protocol achieved progress in the CMP 1 in Montreal, 2005, and CMP 2 in Nairobi, 2006.
- The agreement reached in Bali in December 2007 in CMP 3 was a breakthrough for the actual operationalization of the Fund. It was decided that the operating entity of the Fund would be the Adaptation Fund Board, serviced by a Secretariat and a Trustee. Upon invitation by the Parties, the Global Environment Facility (GEF) provides Secretariat services to the Board, and the World Bank serves as Trustee of the Fund, both on an interim basis.
- After the Bali Conference, the Board developed a set of documents necessary to progress in operationalization of the Fund through the year

2008. The CMP in Poznan then adopted the Rules of Procedures of the Adaptation Fund Board, the Memorandum of Understanding between the CMP and the GEF regarding Secretariat services, the terms and conditions of services to be provided by the Trustee, and the strategic priorities, policies, and guidelines of the Fund.

■ In Cancun (2010) the Kyoto Protocol Parties decided to endorse the Adaptation Fund Board decision to accept the offer of Germany to confer legal capacity on the Board. This process was concluded with the enactment of a German Act of Parliament conferring legal capacity on the Board on 8 February 2011.

## THE INNOVATIVE FEATURES OF THE ADAPTATION FUND

The Fund has unique features that set it apart from other international financing mechanisms: (i) direct access for developing countries to the resources of the Fund; (ii) innovative source of funding; and (iii) its governance structure.

#### Direct access for developing countries

A key innovative principle of the Adaptation Fund is direct access for developing countries. Vulnerable developing countries can nominate domestic institutions for accreditation as National Implementing Entities (NIEs), which will be responsible for endorsing project and program proposals from their countries, and will be the direct recipients of funding. This increases financing opportunities for vulnerable developing countries and gives them a sense of ownership of the Fund. Countries also have the option of going through Multilateral Implementing Entities (MIEs). The institutions nominated must meet certain standards that ensure sound fiduciary management and oversight, functions that usually are performed by the multilateral agencies. An Accreditation Panel reviews applications and forwards its recommendation to the Fund Board for a decision. Following a positive funding decision, the implementing entities distribute the resources within countries to those government agencies, nongovernmental organizations, and other stakeholders that will execute the projects and programs.

#### A new source of revenues

The Adaptation Fund is the first fund to be financed by a truly international revenue source that exists because of an internationally agreed-on climate policy framework. Climate change mitigation projects registered under the Clean Development Mechanism (CDM) channel 2 percent of the "certified emission reductions" (CERs) into the account of the Adaptation Fund. The certificates are subsequently monetized on the carbon market. This is a new approach to international cooperation for addressing climate change; usually, resources for adaptation are provided voluntarily by developed countries. Nevertheless, the Fund can

#### **CER MONETIZATION**

- The World Bank serves as the trustee for the Adaptation Fund and, through the CER Monetization Program, is responsible for monetizing the Adaptation Fund's CERs, holding the proceeds in a trust fund, and disbursing them at the instruction of the Adaptation Fund Board.
- The three objectives of the CER Monetization Program are to: (i) ensure predictable revenue flow for the Adaptation Fund; (ii) optimize revenue for the Adaptation Fund while limiting financial risks; and (iii) enhance transparency and monetize the share of proceeds in the most cost-effective and inclusive manner (decision1/CMP.3 paragraph 28).
- The inaugural sale of CERs for the Adaptation Fund took place during the third week of May 2009. Since then, the World Bank, as Trustee, has conducted ongoing CER sales.
- The potential funds available for the Adaptation Fund depend upon several factors most notably the number of Certified Emission Reductions (CERs) issued under the Clean Development Mechanism (CDM) and the market price of CERs. Depending upon the assumptions used, estimates of potential resources available to the Adaptation Fund up to the end of 2010 amount to between approximately USD 100-200 million<sup>1</sup>.

Based on publicly available information as of September 30, 2009, and in no way reflects a prediction with respect to future CER prices, exchange rates, CER issuance, or other variables.

also receive funding from other kinds of sources. A number of developed countries have already contributed to the Fund. The Board has also received small donations from civil society. Strengthening the funding base will become more and more important, since the CDM levy will not suffice to cover the growing adaptation needs in developing countries.

#### Innovative and equitable governance

The UNFCCC enshrines the principle of equitable and balanced representation of all Parties when it comes to the governance of financial mechanisms. This principle also guided the shaping of the composition of the Adaptation Fund Board, which is the operating entity of the Fund and responsible for its supervision and management. The Board comprises 16 Members and 16 Alternate Members with appropriate technical, adaptation, and policy expertise, and representing relevant country groups. Members are nominated by their constituencies for a term of two years and are eligible for a second term. Special seats have been given to country groups recognized as being particularly vulnerable to the adverse effects of climate change: the Least Developed Countries (LDCs) and the Small Island Developing States (SIDS). While this composition results in an overall majority of developing countries, making decisions by consensus is a core principle of the Adaptation Fund Board and ensures in-depth considerations of matters under discussion.

#### The Mandate of the Adaptation Fund

According to its mandate as defined in the Marrakesh Accords, the Adaptation Fund shall finance concrete adaptation projects and programs. In its "Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund," the Adaptation Fund Board further specifies its definition of a concrete adaptation project as "a set of activities aimed at addressing the adverse impacts of and risks posed by climate change." An adaptation program is understood as "a process, a plan, or an approach for addressing climate change impacts that is broader than the scope of an individual project." The Adaptation Fund supports projects and programs at the community, national, and transboundary levels, so it remains open to specific needs that a developing country or group of countries would like to respond to. Funding

for projects and programs will be on a full adaptation cost basis, which means the costs associated with implementing concrete adaptation activities that address the adverse effects of climate change. As experience in funding adaptation projects and programs is accumulated, further guidance may be provided.

#### STRATEGIC PRIORITIES OF THE FUND

The guidelines developed by the Adaptation Fund Board do not prescribe to developing countries the kind of adaptation measures that are eligible, or which sectors to address. Nevertheless, there are some guiding criteria, the strategic priorities, which are important in order to make the Fund an effective and targeted tool.

As a means to ensure national ownership and coherence, projects and programs funded under the Adaptation Fund should take into account relevant national strategies, such as national sustainable development strategies, poverty reduction strategies, national communications programs, and national adaptation programs of action. Parties are also asked to take into account political and scientific guidance, such as that agreed to previously by the Conference of the Parties, in reports from the Intergovernmental Panel on Climate Change, and in information generated under the Nairobi work program on impacts, vulnerability, and adaptation to climate change. To target adaptation measures to those people most in need, the Fund also requires that governments that submit proposals to the Fund give special attention to the particular needs of the most vulnerable communities. All proposals submitted to the Adaptation Fund Board will be checked against these strategic priorities.

#### STRATEGIC PRIORITIES

- Supporting adaptation priorities determined by and within developing countries
- Consistency with relevant national development, poverty reduction, and climate change strategies
- Taking into account existing scientific and political guidance
- Special attention to the particular needs of the most vulnerable communities

## HOW TO ACCESS RESOURCES FROM THE ADAPTATION FUND

Vulnerable developing countries may use two different tracks to access resources from the Adaptation Fund: (i) direct access through a national implementing entity, or (ii) using the services of a multilateral implementing entity.

#### Direct access modality

The option of direct access opens a new opportunity for developing countries, since they will be able to access Adaptation Fund financing and implement projects through a national legal entity that attains accreditation as a National Implementing Entity (NIE).

To attain accreditation, NIEs shall go through an accreditation process and demonstrate that they meet the fiduciary and management standards that the Board has established. Those standards, which are part of the "Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund," involve (i) financial integrity and management, (ii) institutional capacity, and (iii) transparency and self-investigative powers.

The Adaptation Fund Board has set up an Accreditation Panel composed of Board Members and external experts. The Panel reviews the nominations for NIEs and prepares recommendations for the Board. If a nominated NIE does not meet the standards, the nomination may be resubmitted by a developing country after further requirements are fulfilled. Accreditation, once achieved,

is valid for five years, unless there are reasons for cancellation or suspension of the accreditation.

The NIEs formally submit project and program proposals to the Fund on behalf of a developing country and thus serve as the key counterpart to the Fund for the implementation of projects. Nevertheless, each project or program proposed needs endorsement by the authority that the national government of the country designates for that purpose.

#### Access through an MIE

Multilateral development agencies and banks are invited to serve on the Board as MIEs. They must also meet the fiduciary standards mentioned above. This modality is similar to other financial mechanisms that do not provide direct access.

Adaptation projects and programs supported by the Fund are developed in the field by Executing Entities, under the oversight of Implementing Entities, either NIEs or MIEs.

The Implementing Entities bear full responsibility for the overall management of the projects and programs financed by the Adaptation Fund in the respective developing country, including the financial, monitoring, and reporting responsibility.

The Board approved the first decisions on accreditation of implementing entities, including the accreditation of the first NIE, on June 2010.

#### **ACCREDITATION OF NATIONAL IMPLEMENTING ENTITIES**

- Parties are invited to nominate an NIE
- The Party Designated Authority endorses application
- Potential Implementing Entities submit their accreditation application to the Secretariat
- The Secretariat checks the application and forwards the complete application to the Accreditation Panel
- The Accreditation Panel reviews the application and forwards a recommendation to the Board or requests further information from the potential Implementing Entity
- The Board approves the accreditation or requires more information from the applicant
- Accreditation is valid for five years

## THE PROJECT CYCLE OF THE ADAPTATION FUND AND ALLOCATION OF RESOURCES

The Adaptation Fund Board has developed a project cycle that intends to keep simple the preparation of project and program proposals, and to deliver a streamlined approval process. Small-size projects with a project volume of less than US\$1 million undergo a simplified approval procedure.

After submission of project and program proposals, the Secretariat screens them and prepares a technical review. The proposals are further reviewed by a dedicated committee of the Board and forwarded to the entire Board for a decision. All proposals are made available on the Adaptation Fund Web site before approval.

Countries can choose to submit a concept note first, or submit the full-fledged proposal. To simplify the application procedure, the Adaptation Fund Board provides countries with templates and instructions. Funding for projects and programs is made on a full adaptation cost basis to address the adverse effects

of climate change and is available for projects and programs at national, regional, and local levels. When the Board assesses proposals, it gives particular attention to consistency with the strategic priorities; economic, social, and environmental benefits; cost-effectiveness; and arrangements for monitoring and evaluation and impact assessment.

Specific criteria for the allocation of resources to Parties are the level of vulnerability; the level of urgency and risks arising from delay; ensuring access to the Fund in a balanced and equitable manner; lessons learned in project and program design and implementation to be captured; securing regional cobenefits to the extent possible; maximizing multisectoral or cross-sectoral benefits; and adaptive capacity to adverse effects of climate change.

The Board approved the first proposals for funding, including the first direct access proposals, on September 2010 and the first tranche of funds for the first project was transferred by the trustee on November 2010, upon signature of the agreement between the Board and the implementing entity.

#### THE PROJECT CYCLE

- Eligible developing country Parties submit proposals, with endorsement by the Party's Designated
   Authority, to the Secretariat through national or multilateral Implementing Entities
- The Secretariat screens proposals and forwards technical reviews to the Project and Programme Review Committee (PPRC)
- The PPRC reviews proposals and prepares recommendations for the Board
- The Board decides on the proposals
- In case of project approval, the Secretariat processes standard legal agreements with the Implementing Entity and the Trustee transfers resources for implementation

All proposals will be put on the Fund Web site with a public comment possibility.

## ROLE OF THE PARTY'S DESIGNATED AUTHORITY

The involvement of the government of the country in the process is ensured by the appointment of a Designated Authority (DA)

#### The DA is:

- The government's focal point towards the Adaptation Fund Board/secretariat
- Responsible for endorsing accreditation application of a national entity as NIE
- Responsible for endorsing project/programme proposals submitted for funding

Contact Details for Submission of Project and Programme Proposals

#### **The Adaptation Fund Board Secretariat**

Tel: + 1 202 458 7347 Fax: + 1 202 522 3240/5

Email: secretariat@adaptation-fund.org

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." This is the legal basis for the establishment of the Adaptation Fund.
- 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).<sup>2</sup>
- 3. In Montreal, Canada in November 2005<sup>3</sup> and in Nairobi, Kenya in December 2006, 4 the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), decided on specific approaches, principles and modalities to be applied for the operationalization of the Fund.
- 4. In Bali, Indonesia, in December 2007, the CMP decided that the operating entity of the Fund would be the Adaptation Fund Board (the Board), serviced by a Secretariat and a Trustee.<sup>5</sup> 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.

- In particular, Decision 1/CMP.3, paragraph 5(b), lists among the functions of the Board is 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.
- In Poznan, Poland, in December 2008, through Decision 1/CMP.4, the Parties adopted:
  - (a) the Rules of Procedures of the Adaptation Fund Board;
  - (b) the Memorandum of Understanding between the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and Council of the Global Environmental Facility regarding secretariat services to the Adaptation Fund Board, on an interim basis;
  - (c) the Terms and Conditions of Services to be Provided by the International Bank for Reconstruction and Development (the World Bank) as Trustee for the Adaptation Fund, on an interim basis; and
  - (d) the Strategic Priorities, Policies and Guidelines of the Adaptation Fund (see Annex 1).
- 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 on February 8, 2011.

See FCCC/KP/Kyoto Protocol.

See Decision 10/CP.7, "Funding under the Kyoto Protocol".

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.

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

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

8. This document (hereafter "the operational policies and guidelines"), in response to the above CMP decisions, outlines operational policies and guidelines for eligible developing country Parties to access resources from the Fund. The operational policies and guidelines are expected to evolve further based on the experience acquired through the operationalization of the Fund, subsequent decisions of the Board and future guidance from the CMP.

## DEFINITIONS OF ADAPTATION PROJECTS AND PROGRAMMES

- 9. The Adaptation Fund established under decision 10/CP.7 shall finance concrete adaptation projects and programmes.
- 10. A concrete adaptation project is defined as a set of activities aimed at addressing the adverse impacts of and risks posed by climate change. The activities shall aim at producing visible and tangible results on the ground by reducing vulnerability and increasing the adaptive capacity of human and natural systems to respond to the impacts of climate change, including climate variability. Adaptation projects/programmes can be implemented at the community, national, regional and transboundary level. Projects/programmes concern activities with a specific objective(s) and concrete outcome(s) and output(s) that are measurable, monitorable, and verifiable.
- 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 vulnerability and increase adaptive capacity to respond to the impacts of climate change, including variability at local and national levels.
- 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.<sup>6</sup> 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/programme proponent is to provide justification of the extent to which the project contributes to adaptation and climate resilience. The Board may provide further guidance on financing priorities, including through the integration of information based on further research on the full costs of adaptation and on the lessons learned.
- 15. In developing projects and programmes to be funded under the Fund, eligible developing country Parties may wish to consider the guidance provided in Decision 5/CP.7. Parties 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.<sup>7</sup>

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

## PROJECT/PROGRAMME PROPOSAL REQUIREMENTS

19. To access Fund resources, a project/programme will have to be in compliance with the eligibility

criteria contained in paragraph 15 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* and using the relevant templates (templates attached as Annex 3).

#### **DESIGNATED AUTHORITY**

- 20. Each Party shall designate and communicate to the secretariat the authority that will represent the government of such Party in its relations with the Board and its secretariat. The Designated Authority shall be an officer within the Party's government administration. The communication to the secretariat shall be made in writing and signed by either a Minister, an authority at cabinet level, or the Ambassador of the Party.
- 21. The main responsibility of the Designated Authority is the endorsement on behalf of the national government of: a) accreditation applications as National Implementing Entities submitted by national entities; b) accreditation applications as Regional or Sub-regional Implementing Entities submitted by regional or sub-regional entities; and c) projects and programmes proposed by the implementing entities, either national, regional, sub-regional, or multilateral.
- 22. The Designated Authority shall confirm that the endorsed project/programme proposal is in accordance with the government's national or regional priorities in implementing adaptation activities to reduce adverse impacts of, and risks posed by, climate change in the country or region.

<sup>7.</sup> 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.t

#### FINANCING WINDOWS

- 23. 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

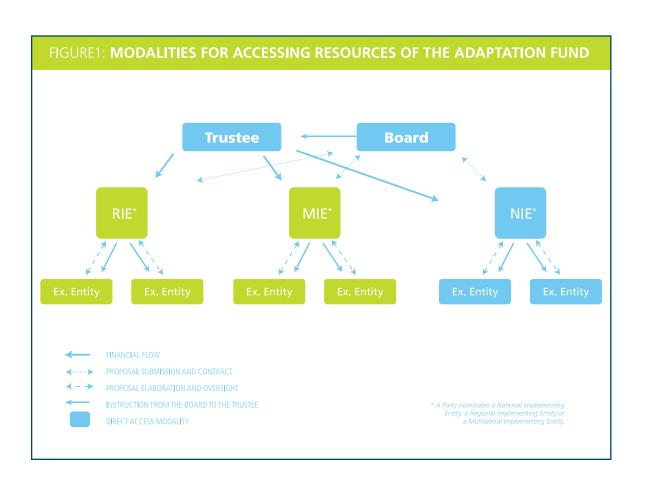
- 24. The Fund shall finance concrete adaptation projects and programmes in developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change.
- 25. Paragraph 10 of the *Strategic Priorities*, *Policies and Guidelines of the Adaptation Fund* provides the country eligibility criteria.
- 26. 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

27. Eligible Parties who seek financial resources from the Adaptation Fund shall submit proposals directly through their nominated National Implementing Entity (NIE). They may, if they so wish, use the services of Multilateral Implementing Entities (MIE). The implementing entities shall obtain an endorsement from the government through the Designated Authority referred to in paragraph 20 above. The options of submitting different projects/programmes through an NIE and through an MIE are not mutually

- exclusive. The modalities for accessing resources of the Adaptation Fund are outlined in Figure 1.
- 28. National Implementing Entities (NIE) are those national legal entities nominated by Parties that are recognized by the Board as meeting the fiduciary standards approved 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.
- 29. A group of Parties may also nominate regional and sub-regional entities as implementing entities (RIE/SRIE), and thereby provisions of paragraph 28 will apply. In addition to the nomination of an NIE an eligible Party may also nominate a RIE/SRIE and may submit project/programme proposals through an accredited RIE/SRIE that is operating in their region or sub-region. The application for accreditation shall be endorsed by at least two country members of the organization. The RIE/SRIEs 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. Multilateral Implementing Entities (MIE) are those Multilateral Institutions and Regional Development Banks invited by the Board that meet the fiduciary standards approved 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.

 $<sup>8. \ \</sup> They may include {\it inter alia}, ministries, inter-ministerial commissions, government cooperation agencies.$ 



- 31. 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.
- 32. Executing Entities are organizations that execute adaptation projects and programmes supported by the Fund under the oversight of the Implementing Entities.

## ACCREDITATION OF IMPLEMENTING ENTITIES

#### Fiduciary Standards

- 33. Among the principles established for the Adaptation Fund (Decision 5/CMP.2) is "sound financial management, including the use of international fiduciary standards." At its 7<sup>th</sup> 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:
    - 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/programme;
- (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

- 34. Accreditation for the implementing entities would follow a transparent and systematic process through an Adaptation Fund Accreditation Panel (the Panel) supported by the Secretariat. The Panel will consist of two Board Members and three experts. The different steps for accreditation are as follows:
  - (a) The Board will invite Parties<sup>9</sup> to each nominate a National Implementing Entity (NIE); the Board will issue a call to potential Multilateral Implementing Entities (MIE) to express interest in serving as a MIE;
  - (b) Potential implementing entities (NIEs, RIEs, or MIEs) will submit their accreditation applications to the Secretariat together with the required supporting documentation to verify how they meet the fiduciary standards;
  - (c) The Secretariat will screen 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 Panel within 15 (fifteen) working days following receipt of a candidate implementing entity's submission;

<sup>9.</sup> The designated authority referred to in paragraph 20 above shall endorse the application for accreditation on behalf of the Party.

- (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.<sup>10</sup>
- (e) The Board will provide further guidance on the required information in the future on the basis of lessons learned; and
- (f) 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 approved; or
  - (ii) Applicant needs to address certain requirements prior to full accreditation.
- 35. In case the nominated NIE does not meet the criteria, an eligible Party may resubmit its application after addressing the requirements of the Board or submit an application nominating a new NIE. In the meantime, eligible Parties are encouraged to use the services of an accredited RIE/SRIE or MIE, if they so wish, to submit project proposals for funding. An applicant MIE that does not meet the criteria for accreditation may also resubmit its application after addressing the requirements of the Board.
- 36. Accreditation will be valid for a period of 5 years with the possibility of renewal 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.

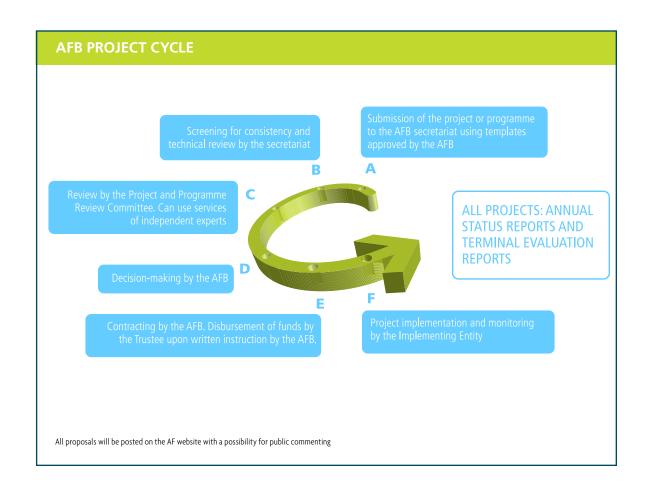
- 37. The Board reserves the right to evaluate the performance of implementing entities at any time during an implementing entity's accreditation period. It also reserves the right to investigate the use of the Fund resources, if there is any indication of misappropriate allocations. An investigation could include an independent audit of the use of the Fund resources. A minimum notification of 3 months will be given to an implementing entity if they have been identified by the Board as being the object of a review or evaluation.
- 38. The Board may also consider suspending or cancelling the accreditation of an implementing entity if it made false statements or provided intentionally false information to the Board both at the time of accreditation to the Board or in submitting a project or programme proposal.
- 39. 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

40. The project/programme cycle of the Adaptation Fund for any project or programme size begins with a proposal submission to the Secretariat by the NIE/RIE/MIE chosen by the Party/ies. The Designated Authority referred to in paragraph 20 above shall endorse the proposal submission. The submission is followed by an initial screening, project/programme review and approval.<sup>11</sup>

<sup>10.</sup> 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.

<sup>11.</sup> The designated authority referred to in paragraph 21 above shall endorse the proposal submission.



## Review and Approval of Small-size Projects and Programmes

- 41. In order to expedite the process of approving projects/programmes and reduce unnecessary bureaucracy, small-size projects will 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/programme document 12 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 shall be submitted to the Board through the Secretariat. 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). 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.
  - (c) The Secretariat will send all project/programme proposals received with technical reviews to the PPRC at least seven (7) days prior to the meeting. The PPRC will review the proposals and give its recommendation to the Board for a decision at the Meeting. The PPRC may use services of independent adaptation experts to provide input into the review process if

- needed. The Board can approve, not approve or reject a proposal with a clear explanation to the implementing entities. Rejected proposals cannot be resubmitted.
- (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.

## Review and Approval of Regular Projects and Programmes

- 42. Regular adaptation projects/programmes are those that request funding exceeding \$1 million. These proposals may undergo either a one-step or a two-step approval process. In the one-step approval process the proponent shall submit a fully-developed project/programme document. In the two-step<sup>13</sup> approval process a brief project/programme concept shall be submitted as first step followed by a fully-developed project/document. Funding will only be reserved for a project/programme after the approval of a fully-developed project document in the second step.
- 43. The project/programme cycle steps for both concept and fully-developed project document are as follows:
  - (a) The project/programme proponent submits a concept/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 shall be submitted to the Board through the Secretariat. 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.

<sup>12.</sup> A fully developed project is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation.

<sup>13.</sup> 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.

<sup>14.</sup> A fully developed project is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation.

- (b) The Secretariat will screen all proposals for consistency and provide a technical review based on the criteria approved by the Board (Annex 3). It will then forward the proposals and the technical reviews to the PPRC for review. 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 in the review template.
- (c) The Secretariat will send all project/programme proposals with technical reviews to the PPRC at least seven (7) days before the meeting. The PPRC will review the proposals and give its recommendation to the Board for a decision at the meeting. The PPRC may use services of independent adaptation experts to provide input into the review process if needed. In the case of concepts, the Board can endorse, not endorse, or reject a proposal with a clear explanation to the implementing entities. In the case of fully-developed proposals, the Board can approve, not approve, or reject a proposal with a clear explanation to the implementing entities. Rejected proposals cannot be resubmitted.
- 44. Proponents with endorsed concepts are expected to submit a fully developed proposal at subsequent Board meetings for approval and funding, following the steps described on paragraph 43 above.
- 45. All proposals approved for funding by the Board will be posted on the Adaptation Fund website. Upon the decision, the Secretariat will notify the proponent of the Board decision in writing.

#### Project/Programme Formulation Grants

- 46. NIE project/programme proponents are eligible to submit a request for a Project/Programme Formulation Grant (PFG) together with a project/ programme concept, 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 can only be awarded when a project/programme concept is presented and endorsed.
- 47. Only activities related to country costs are eligible for funding through a PFG.
- 48. The project/programme proponent shall return any unused funds to the Trust Fund through the trustee.
- 49. The project/programme proponent shall submit a fully developed project/programme document within twelve (12) months of the disbursement of the PFG. No PFG for other projects/programmes can be awarded until the fully developed project/programme document has been submitted.

#### Transfer of Funds

- 50. The Secretariat will draft a standard legal agreement between the Board and implementing entities using the template approved by the Board, and any other documents deemed necessary. The secretariat will provide these documents for signature by the Chair or any other Member designated to sign. The Board may, at its discretion, review any of the proposed agreements.
- 51. The Trustee will transfer 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 transfer of funds.

- 52. The Board will ensure a separation of functions between the review and verification of transfer requests, and the issuance of instructions to the Trustee to transfer funds.
- 53. The Board will instruct the Trustee to transfer funds in tranches, based on the disbursement schedule with time bound milestones submitted with the fully developed project/programme document. The Board may require a progress review from the Implementing Entity prior to each tranche transfer. The Board may also suspend the transfer of funds if there is evidence that funds have been misappropriated.
- 54. 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 cancelled and retained in the Trust Fund for new commitments.

#### Monitoring, Evaluation and Review

55. The Board is responsible for the strategic oversight of projects and programmes implemented with resources from the Fund, in accordance with its overarching strategic results framework, a Strategic Results Framework for the Adaptation Fund and the Adaptation Fund Level Effectiveness and Efficiency Results Framework [Available: http://www.adaptation-fund.org/document/results-framework-and-baseline-guidance-project-level], to support the Strategic Priorities, Policies, and Guidelines of the Adaptation Fund. The Ethics and Finance Committee (EFC), with support of the Secretariat, will monitor the Adaptation Fund portfolio of projects and programmes.

- 56. 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 EFC. The EFC, 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.
- 57. All regular projects and programmes that complete implementation will be subject to terminal evaluation by an independent evaluator selected by the Implementing Entity. All small projects and programmes shall be subject to terminal evaluation if deemed appropriate by the Board. Terminal evaluation reports will be submitted to the Board after a reasonable time after project termination, as stipulated in the project agreement.
- 58. The Board requires that all projects' and programmes' objectives and indicators align with the Fund's Strategic Results Framework. Each project/ programme will embed relevant indicators from the strategic framework into its own results framework. Not all indicators will be applicable to all projects/programmes but at least one of the core outcome indicators should be embedded.
- 59. The Board reserves the right to carry out independent reviews, evaluations or investigations of the projects and programmes as and when deemed necessary. The costs for such activities will be covered by the Fund. Lessons from evaluations will be considered by the PPRC when reviewing project/programme proposals.

- 60. The Board has approved *Guidelines for project/*programme final evaluations. [Available: http://

  www.adaptation-fund.org/document/guidelinesprojectprogramme-final-evaluations]. These
  guidelines describe how final evaluations should
  be conducted for all projects/programmes funded
  by the Adaptation Fund, as a minimum, to ensure
  sufficient accountability and learning in the Fund.
  They should be complementary to the implementing entities' own guidelines on final evaluation.
- 61. This project cycle will be kept under review by the Board.

#### **Procurement**

- 62. 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/programmes.
- 63. The project/programme 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. The Board reserves the right to investigate any anomalies that may occur with respect to procurement.

#### **Project Suspensions and Cancellations**

64. At any stage of the project/programme cycle, either at its discretion or following an independent review-evaluation or investigation, the EFC may recommend to the Board to suspend or cancel a

- project/programme for several reasons, notably:
- (a) financial irregularities in the implementation of the project/programme; and/or
- (b) material breach and poor implementation performance leading to a conclusion that the project/programme can no longer meet its objectives.
- 65. Before the Board makes its final decision whether to suspend or cancel a project/programme, the concerned implementing entity and the DA will be given a fair chance to present its views to the Board.
- 66. In accordance with their respective obligations, Implementing Entities suspending or cancelling projects/programmes, after consulting with the DA, must send detailed justification to the Board for the Board's information
- 67. 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

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

#### Dispute Settlement

69. In case of a dispute as to the interpretation, application, or implementation of the project/ programme, the implementing entity or the DA shall first approach the EFC through 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 or the DA could also be invited.

70. The provisions of the standard legal agreement between the Board and implementing entity/DA on settlement of disputes shall apply to any disputes that may arise with regard to approved projects/programmes under implementation.

#### Administrative costs

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

#### Where to send a Request for Funding

73. All requests shall be sent to:

#### The Adaptation Fund Board Secretariat

Tel: +1 202 458 7347 Fax: +1 202 522 3240/5

Email: secretariat@adaptation-fund.org

74. 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

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

## ANNEXES

#### ANNEX 1

## STRATEGIC PRIORITIES, POLICIES, AND GUIDELINES OF THE ADAPTATION FUND ADOPTED BY THE CMP

#### Background

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

#### Strategic priorities

- 5. In accordance with decision 1/CMP.3, paragraphs 1 and 2, the Adaptation Fund shall:
  - (a) Assist developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation;
  - (b) Finance concrete adaptation projects and programmes that are country driven and are based on the needs, views and priorities of eligible Parties.

- 6. In accordance with decision 5/CMP.2, paragraph 2 (c), projects and programmes funded under the Adaptation Fund should also take into account, inter alia, national sustainable development strategies, poverty reduction strategies, national communications and national adaptation programmes of action and other relevant instruments, where they exist.
- 7. In developing projects and programmes to be funded under the Adaptation Fund, eligible Parties should consider the guidance provided in decision 5/CP.7, paragraph 8, and, where necessary, further information included in reports from the Intergovernmental Panel on Climate Change and information generated under the Nairobi work programme on impacts, vulnerability and adaptation to climate change.
- 8. In developing projects and programmes, special attention shall be given by eligible Parties to the particular needs of the most vulnerable communities.

#### Strategic policies and guidelines

- The operational principles and modalities that shall guide the provision of assistance by the Adaptation Fund to eligible Parties shall be consistent with decision 5/CMP.2, paragraphs 1 and 2.
- 10. Eligible Parties to receive funding from the Adaptation Fund are understood as developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change including low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems.

- 11. Eligible Parties can submit project proposals directly to the Adaptation Fund Board and implementing or executing entities chosen by governments that are able to implement the projects funded under the Adaptation Fund can approach the Adaptation Fund Board directly.
- 12. Funding for projects and programmes will be on a full adaptation cost basis to address the adverse effects of climate change.
- 13. Funding for projects and programmes will be available for projects and programmes at national, regional and community levels.
- 14. Short and efficient project development and approval cycles and expedited processing of eligible activities shall be developed.
- 15. In assessing project and programme proposals, the Adaptation Fund Board shall give particular attention to:
  - (a) Consistency with national sustainable development strategies, including, where appropriate, national development plans, poverty reduction strategies, national communications and national adaptation programmes of action and other relevant instruments, where they exist;
  - (b) Economic, social and environmental benefits from the projects;
  - (c) Meeting national technical standards, where applicable;

- (d) Cost-effectiveness of projects and programmes;
- (e) Arrangements for management, including for financial and risk management;
- (f) Arrangements for monitoring and evaluation and impact assessment;
- (g) Avoiding duplication with other funding sources for adaptation for the same project activity;
- (h) Moving towards a programmatic approach, where appropriate.
- 16. The decision on the allocation of resources of the Adaptation Fund among eligible Parties shall take into account:
  - (a) Level of vulnerability;
  - (b) Level of urgency and risks arising from delay;
  - (c) Ensuring access to the fund in a balanced and equitable manner;
  - (d) Lessons learned in project and programme design and implementation to be captured;
  - (e) Securing regional co-benefits to the extent possible, where applicable;
  - (f) Maximizing multi-sectoral or cross-sectoral benefits:
  - (g) Adaptive capacity to the adverse effects of climate change.
  - (h) The Adaptation Fund Board may wish to review elements of this strategic priority based on lessons learned.

### ANNEX 2

## FIDUCIARY RISK MANAGEMENT STANDARDS TO BE MET BY IMPLEMENTING ENTITIES

#### Competencies and Specific Capabilities

REQUIRED COMPETENCY	SPECIFIC CAPABILITY REQUIRED	ILLUSTRATIVE MEANS OF VERIFICATION
I Financial Management and Integrity	Accurately and regularly record transactions and balances in a manner that adheres to broadly accepted good practices, and are audited periodically by an independent firm or organization	Production of reliable financial statements prepared in accordance with internationally recognized accounting standards.  Annual external audited accounts that are consistent with recognized international auditing standards.  Production of detailed departmental accounts  Use of accounting packages that are recognised and familiar to accounting procedure in developing countries  Demonstrate capability for functionally independent internal auditing in accordance with internationally recognized standards.¹
	Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;	A control framework that is documented with clearly defined roles for management, internal auditors, the governing body, and other personnel. Financial projections demonstrating financial solvency Demonstration of proven payment / disbursement systems
	Produce forward-looking financial plans and budgets	Evidence of preparation of corporate , project or departmental / ministry budgets  Demonstration of ability to spend against budgets
	Legal status to contract with the Adaptation Fund and third parties	Demonstration of necessary legal personality in case it is not government department/institution.  Demonstrated legal capacity/authority and the ability to directly receive funds
II Requisite Institutional Capacity	Procurement procedures which provide for transparent practices, including competition	Evidence of procurement policies and procedures at national levels consistent with recognized international practice (including dispute resolution procedures)
	Capacity to undertake monitoring and evaluation	Demonstration of existing capacities for monitoring and independent evaluation consistent with the requirements of the Adaptation Fund.  Evidence that a process or system, such as project-at-risk system, is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond accordingly to redress the problems.

REQUIRED COMPETENCY	SPECIFIC CAPABILITY REQUIRED	ILLUSTRATIVE MEANS OF VERIFICATION
	Ability to identify, develop and appraise project	Availability of/ Access to resources and track records of conducting appraisal activities  Evidence of institutional system for balanced review of projects, particularly for quality-at-entry during design phase.  Risk assessment procedures are in place.
	Competency to manage or oversee the execution of the project/programme including ability to manage sub-recipients and to support project / programme delivery and implementation	Understanding of and capacity to oversee the technical, financial, economic, social, environmental and legal aspects of the project and their implications  Demonstrated competence to execute or oversee execution of projects / programmes of the same nature as intended project or programme
III Transparency, self - investiga- tive powers, and anti-corruption measures	Competence to deal with financial mis-management and other forms of malpractice	Demonstration of capacity and procedures to deal with financial mismanagement and other forms of malpractice.  Evidence of an objective investigation function for allegations of fraud and corruption.

#### ANNEX 3

#### TEMPLATES APPROVED BY THE ADAPTATION FUND BOARD

#### Approval and Operations Procedures

- 1. Adaptation Fund Project/Programme **Approval Process:** Eligible developing country Parties to the Kyoto Protocol may submit project/ programme proposals directly to the Adaptation Fund Board Secretariat (AFBSEC) via their National Implementing Entities (NIEs) or via Multilateral Implementing Entities (MIEs). NIEs/MIEs have to be accredited by the Adaptation Fund Board (AFB) to be eligible as an implementing entity for the purpose of submitting projects to the Adaptation Fund. They should also meet the fiduciary standards and other qualifications provided by the Board. There are two approval processes under the Adaptation Fund project<sup>15</sup> cycle: (i) a one-step approval process; and (ii) a two-step approval process. All small-size projects/programmes will follow the one-step approval process, while regular projects/programmes may follow either the one-step approval or the two-step approval process, depending on the stage of project/ programme preparation, and at the discretion of the project/programme proponent. The following section outlines the steps of the approval processes.
- 2. Single-Step Approval Process: This process may be used for small-size projects/programmes or regular projects/programmes with proposals that are already fully-prepared. Approval process includes the following steps:
  - (a) Eligible Parties submit a fully-prepared project/ programmes document to the AFBSEC at least nine weeks before the next AFB meeting.
  - (b) The AFBSEC will screen all proposals and prepare a **Technical Review** for each project/ programme. The AFBSEC will submit a collection of proposals consisting of technical reviews

- for all projects/programmes to the Project and Program Review Committee (PPRC) at least seven (7) days prior to the next AFB meeting.
- (c) The PPRC meeting will be held back-to-back to the Adaptation Fund Board (AFB) meeting. The PPRC will review and prepare recommendations for submission to the Board the next day(s).
- (d) AFB approves/does not approve/rejects the recommendations during the meeting.
- (e) All approved projects will be posted on the AF website following the conclusion of its meeting.
- 3. Two-Step Approval Process: The two-step approval process may be used for regular projects;/programmes if it is so decided by the proponent Party: (i) project concept approval; and (ii) fully developed project document approval. Each of these steps is subject to the same approval process as the single approval process, i.e., the project/programme is subjected to the single approval process twice. The rationale for choosing such a process is for a country to receive feedback or guidance from the AFB upstream before a project has been fully prepared. The following two documentations are required to be submitted at each step following the same procedures as the single approval process:
  - (a) 1st step: Regular Project/Programme Concept.
  - (b) 2<sup>nd</sup> step: Regular Fully Developed Project/ Programme Document.

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

 (a) Project/Programme Concept: used for the first step of the two-step approval process (only for regular projects that have not been fully developed);

<sup>15.</sup> In what follows the term project will refer to both programmes and projects unless otherwise stated.

- (b) Fully Developed Project/Programme Document: prepared by NIEs/MIEs for both small-sized and regular projects;
- (c) Endorsement Letter signed by the country's Designated Authority for Adaptation Fund. 16

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

- (a) Small-Sized projects and programmes (SPs): defined as project proposals requesting up to \$1.0 million.
- (b) Regular-Sized projects and programmes (RPs): project proposals requesting more than \$1.0 million

#### 6. Definitions of Terms:

(a) Project: A concrete adaptation project is defined as a set of activities aimed at addressing the adverse effects of climate change and build in climate change resilience.

- (b) Programme: An adaptation program is a process, a plan or an approach for addressing climate change impacts which are broader than the scope of an individual project. Further guidance on how to present programmes for approval can be found in the instructions for presenting a request for funding from the Adaptation Fund.
- **7. Financing and Transfer of funds:** The financing of projects/programmes via transfer of funds is a process that commences once projects/programmes are approved for funding by the AFB.
  - (a) Financing: funding for projects and programs will be on a full adaptation cost basis to address the adverse effects of climate change.<sup>17</sup>
  - (b) Transfer of funds: The Trustee will transfer funds on the written instruction of the Board, signed by the Chair, the Vice-Chair, or any other Board Member designated by the Chair, and report to the Board on the transfer of funds

<sup>16.</sup> The Designated Authority referred to in paragraph 20 of the "Operational policies and guidelines for Parties to access resources from the Adaptation Fund" (OPG).

<sup>17.</sup> Para. 14 of the "OPG, and para. 12 of the "Strategic Priorities, Policies, and Guidelines of the Adaptation Fund."

#### Adaptation Fund Project Review Criteria

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

#### Review Criteria

COUNTRY	Is the country party to the Kyoto Protocol?
ELIGIBILITY	Is the country a developing country particularly vulnerable to the adverse effects of climate change? <sup>18</sup>
PROJECT	Has the government endorsed the project through its Designated Authority? <sup>19</sup>
ELIGIBILITY	Does the project / programme support concrete adaptation actions to assist the country in addressing the adverse effects of climate change and build in climate change resilience?
	Does the project / programme provide economic, social and environmental benefits, with particular reference to the most vulnerable communities, including gender considerations?
	Is the project / programme cost-effective?
	Is the project / programme consistent with national sustainable development strategies, national development plans, poverty reduction strategies, national communications or adaptation programs of action, or other relevant instruments?
	Does the project / programme meet the relevant national technical standards, where applicable?
	Is there duplication of project with other funding sources?
	Does the project / programme have a learning and knowledge management component to capture and feedback lessons?
	Has the project / programme provided justification for the funding requested on the basis of the full cost of adaptation?
	Does the project / programme align with the AF results framework?
RESOURCE	Is the requested project funding within the cap of the country?
AVAILABILITY	Is the Implementing Entity management fee at or below 8.5 per cent of the total project/programme budget before the fee?
	Are the project/programme execution costs at or below 9.5 per cent of the total project/programme budget before the fee?
ELIGIBILITY OF NIE/MIE	Is the project submitted through an eligible NIE/MIE that has been accredited by the Board?
IMPLEMENTATION	Is there adequate arrangement for project?management?
ARRANGEMENT	Are there measures for financial and project risk management?
	Are arrangements for monitoring and evaluation clearly defined, including a budgeted M&E plan?
	Is a project results framework included? Are relevant targets and indicators disaggregated by sex?

Attached with this note are the following:

Appendix A: Request for Project/Programme Funding from Adaptation Fund

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

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

<sup>18.</sup> Further reference to the eligibility of country can be found in the document: "Strategic Priorities, Policies, and Guidelines of the Adaptation Fund"

<sup>19.</sup> 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.



## REQUEST FOR PROJECT/PROGRAMME FUNDING FROM ADAPTATION FUND

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

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

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

Complete documentation should be sent to

The Adaptation Fund Board Secretariat Email: secretariat@adaptation-fund.org



ADAPTATION FUND
PROJECT/PROGRAMME ID:
(For Adaptation Fund Board Secretariat Use Only)

### PROJECT/PROGRAMME PROPOSAL

#### PART I: PROJECT/PROGRAMME INFORMATION

PROJECT/PROGRAMME CATEGORY:

COUNTRY/IFS:

SECTOR/S:

TITLE OF PROJECT/PROGRAMME:

Type of Implementing Entity:

**IMPLEMENTING ENTITY:** 

**EXECUTING ENTITY/IES:** 

AMOUNT OF FINANCING REQUESTED: (In U.S Dollars Equivalent)

#### ■ PROJECT / PROGRAMME BACKGROUND AND CONTEXT:

Provide brief information on the problem the proposed project/programme is aiming to solve. Outline relevant climate change scenarios according to best available scientific information. Outline the economic social, development and environmental context in which the project/programme would operate.

#### ■ PROJECT / PROGRAMME OBJECTIVES:

List the main objectives of the project/programme.

#### ■ PROJECT / PROGRAMME COMPONENTS AND FINANCING:

Fill in the table presenting the relationships among project/programme components, activities, expected concrete outputs, and the corresponding budgets. If necessary, please refer to the attached instructions for a detailed description of each term.

For the case of a programme, individual components are likely to refer to specific subsets of stakeholders, regions and/or sectors that can be addressed through a set of well defined interventions / projects.

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

#### ■ PROJECTED CALENDAR:

Indicate the dates of the following milestones for the proposed project/programme

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

#### PART II: PROJECT / PROGRAMME JUSTIFICATION

- **A.** Describe the project / programme components, particularly focusing on the concrete adaptation activities of the project, and how these activities contribute to climate resilience. For the case of a programme, show how the combination of individual projects will contribute to the overall increase in resilience.
- **B.** Describe how the project / programme provides economic, social and environmental benefits, with particular reference to the most vulnerable communities, and groups within communities, including gender considerations.
- C. Describe or provide an analysis of the cost-effectiveness of the proposed project / programme.

- D. Describe how the project / programme is consistent with national or sub-national sustainable development strategies, including, where appropriate, national or sub-national development plans, poverty reduction strategies, sector strategies, national communications, or national adaptation programs of action, or other relevant instruments, where they exist.
- **E.** Describe how the project / programme meets relevant national technical standards, where applicable, such as standards for environmental assessment, building codes, etc.
- **F.** Describe if there is duplication of project / programme with other funding sources, if any.
- **G.** If applicable, describe the learning and knowledge management component to capture and disseminate lessons learned.
- **H.** Describe the consultative process, including the list of stakeholders consulted, undertaken during project preparation, with particular reference to vulnerable groups, including gender considerations.
- **I.** Provide justification for funding requested, focusing on the full cost of adaptation reasoning.
- **J.** Describe how the sustainability of the project/programme outcomes has been taken into account when designing the project.

## PART III: IMPLEMENTATION ARRANGEMENTS

- **A.** Describe the arrangements for project / programme implementation.
- **B.** Describe the measures for financial and project / programme risk management.

- **C.** Describe the monitoring and evaluation arrangements and provide a budgeted M&E plan. Include break-down of how Implementing Entity's fees will be utilized in the supervision of the monitoring and evaluation function.
- **D.** Include a results framework for the project proposal, including milestones, targets and indicators and sex-disaggregate targets and indicators, as appropriate. The project or programme results framework should align with the goal and impact of the Adaptation Fund and should include at least one of the core outcome indicators from the AF's results framework that are applicable<sup>22</sup>.
- **E.** Include a detailed budget with budget notes, a budget on the Implementing Entity management fee use, and an explanation and a breakdown of the execution costs.
- **F.** Include a disbursement schedule with time-bound milestones.

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

A. RECORD OF ENDORSEMENT ON BEHALF OF THE GOVERNMENT<sup>23</sup> Provide the name and position of the government official and indicate date of endorsement. If this is a regional project/programme, list the endorsing officials all the participating countries. The endorsement letter(s) should be attached as an annex to the project/programme proposal. Please attach the endorsement letter(s) with this template; add as many participating governments if a regional project/programme:

(Enter Name, Position, Ministry)	Date: (Month, day, year)

<sup>&</sup>lt;sup>22</sup> Please refer to the *Project level results framework and baseline guidance* for the Adaptation Fund's results framework and guidance on developing a results framework and establishing a baseline [add link here].

<sup>&</sup>lt;sup>6.</sup> 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.

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

I certify that this proposal has been proguidelines provided by the Adaptation National Development and Adaptation subject to the approval by the Adaptation	Fund Board, and prevailing Plans (list here) and
the Implementing Entity will be fully (le	gally and financially) responsible
for the implementation of this project/p	rogramme.
Name & Signature Implementing Entity Coordinator	
Date: (Month, Day, Year) Tel	. and email:
Project Contact Person:	
Tel. And Email:	

## INSTRUCTIONS FOR PREPARING A REQUEST FOR PROJECT OR PROGRAMME FUNDING FROM THE ADAPTATION FUND

Project and programme proposals must be clear on the adaptation challenge to be addressed, the objective(s), what the project/programme will deliver when, how and by whom. Clear baselines, milestones, targets and indicators should be included to ensure progress and results can be measured<sup>1</sup>. Programmes will generally be more complex and will require greater oversight and management which should be properly explained under Implementation Arrangements for programmes.

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

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

## PART I: PROJECT / PROGRAMME INFORMATION

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

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

A programme will generally fulfil the following criteria: A series of projects which could include small-size projects or regular projects aimed at achieving an outcome that is otherwise not achievable by a single project. Projects under a programme would have synergies in their objectives and implementation. A programme may also cover more than one sector and geographic location. Programmes usually engage multiple partners / stakeholders and are able to achieve a greater degree of cost-efficiency through coordination and feedback of the programme's components.

**COUNTRY/IES:** Please insert the name of the country requesting the grant.

**TITLE OF PROJECT / PROGRAMME:** Please enter the title of the proposed project / programme.

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

<sup>&</sup>lt;sup>1</sup> For detailed guidance on project indicators, targets and baselines, please consult the "<u>AF Results Framework and Baseline Guidance – Project level</u>" document

- A) NATIONAL IMPLEMENTING ENTITY
- B) MULTILATERAL IMPLEMENTING ENTITY
- C) REGIONAL IMPLEMENTING ENTITY

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

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

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

**PROJECT / PROGRAMME BACKGROUND AND CONTEXT.** Provide brief information on the problem the proposed project/programme is aiming to solve. Outline relevant climate change scenarios according to best available scientific information. Outline the economic social, development and environmental context in which the project/programme would operate.

**PROJECT / PROGRAMME OBJECTIVES.** List the main objectives of the project/programme. The objectives have to be aligned with the Adaptation Fund Results Framework and, in the case of fully-developed project/programme documents, specify this alignment at outcome level. For the case of a programme, this is likely to involve multiple objectives by stakeholder / sector / region, based on an overall strategic plan at the regional, national or local level.

**PROJECT / PROGRAMMES COMPONENTS AND FINANCING.** Please fill out the table presenting the project components, activities, expected concrete outputs, and their corresponding budgets to accomplish them. For fully-developed project/programme documents, the budget is required at the output level. Please also indicate the budget for execution costs and project cycle management fee. For the case of a programme, individual components are likely to refer to specific sub-sets of stakeholders, regions, and/or sectors that can be addressed through a set of well defined interventions / projects.

The aforementioned terms are defined below to facilitate the process of completing the table:

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

**ACTIVITIES.** Actions taken or work performed through which inputs, such as funds, technical assistance and other types of resources are mobilized to produce specific outputs. For the case of programmes, list the types and number of projects that the programme will support.

MILESTONES / TARGETS. Milestones help with regular monitoring of progress towards the target. Targets indicate the desired result at the end of the project.<sup>2</sup>

**INDICATORS** – What is going to be measured to assess if targets are met?<sup>3</sup>

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

**EXPECTED OUTCOMES.** The change in conditions, or intended effects of an intervention, usually brought about by the collective efforts of partners. Outcomes are achieved in the short to medium term.

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

**PROJECT / PROGRAMME EXECUTION COST<sup>4</sup>.** The main items supported by the Adaptation Fund for project management including consultant services, travel and office facilities, etc.

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

IMPLEMENTING ENTITY PROJECT CYCLE MANAGEMENT FEE<sup>5</sup>. This is the fee that is requested by an Implementing Entity for project cycle management services.

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

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

START OF PROJECT / PROGRAMME IMPLEMENTATION The date on which project becomes effective. For AF projects/programmes, the date of the inception workshop or similar is considered the start date of the project.

MID-TERM REVIEW. The date on which the Implementing Entity completes its mid-term review of the project/programme. Mid-Term Review is required for projects with duration of over three years.6

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

<sup>3</sup> Ibid

<sup>&</sup>lt;sup>2</sup> Please see document "AF Results Framework and Baseline Guidance – Project level"

<sup>&</sup>lt;sup>4</sup> Please note that project/programme execution costs should not be more than 9.5% of the total budget requested, before the implementing entity fees.

<sup>&</sup>lt;sup>5</sup> The project cycle management fees should not be more than 8.5% of the total budget requested. For more information on these fees, see document "Administrative and execution costs: Analysis of current rules and comparison of practices with other funds"

<sup>6</sup> Please see document "AF Results Framework and Baseline Guidance – Project level"

**FINAL EVALUATION.** The date on which the Implementing Entity completes the final evaluation report, normally two months after project/programme completion but in any case, no later than nine months after project/programme completion.

## PART II: PROJECT / PROGRAMME JUSTIFICATION

A. Describe the project / programme components, particularly focusing on the concrete adaptation activities of the project, and how these activities contribute to climate resilience. For the case of a programme, show how the combination of individual projects will contribute to the overall increase in resilience.

Describe how the activities will help with adaptation to climate change and improve climate resilience. For the case of a programme, show how the combination of individual projects will contribute to the overall increase in resilience. Decision 10/CP.7 establishing the Adaptation Fund stipulates that it shall finance concrete adaptation projects and programmes. In the AF Operational Policies and Guidelines, a concrete adaptation project is defined as "a set of activities aimed at addressing the adverse impacts of and risks posed by climate change. The activities shall aim at producing visible and tangible results on the ground by reducing vulnerability and increasing the adaptive capacity of human and natural systems to respond to the impacts of climate change, including climate variability. Adaptation projects/programmes can be implemented at the community, national, regional and transboundary level. Projects/programmes concern activities with a specific objective(s) and concrete outcome(s) and output(s) that are measurable, monitorable, and verifiable."

The project objective has to be aligned with the Adaptation Fund Results Framework. The project/programme activities should align with its overall goal and objectives hence ensuring the cohesion of the components among themselves. It should be distinguished from a "business-as-usual" development or environmental protection project by clearly demonstrating that the proposed adaptation measures are suited or adequate for the identified climate threats. The project/programme proposal should therefore explain the project rationale in relation to the climate scenario(s) outlined in the background and context section. Finally, the non-climatic barriers to achieving the project objective, whenever relevant, should be taken into account when designing the project/programme.

For a fully developed proposal, the activities will have to be detailed to a sufficient level and their appropriateness in responding to the threats posed by the likely climate scenarios should be outlined in detail in the background and context section and quantified in terms of magnitude and uncertainty. The description should include information on project location and scope, and should have clearly defined activities including technical specifications, where appropriate. For a fully developed proposal, the alignment with Adaptation Fund fund-level objectives has to be specified at the project/programme outcome level as described in the document "AF Results Framework and Baseline Guidance – Project level".

B. Describe how the project / programme provides economic, social and environmental benefits, with particular reference to the most vulnerable communities, and vulnerable groups within communities, including gender considerations.

The proposal should include information on the expected beneficiaries of the project/programme, with particular reference to the equitable distribution of benefits to vulnerable communities, households, and individuals.

For a fully developed proposal, the estimated benefits will have to be quantified, whenever possible. In addition, if there is any concern of negative development or maladaptation in any of these areas, relevant evidence would need to be referenced, with specific studies if necessary. In that case, based on an Impact Assessment, the proposal should describe how it addresses possible threats, risks of maladaptation or imbalances caused in a wider region, or upstream/downstream to other communities and ecosystems.

## C. Describe or provide an analysis of the cost-effectiveness of the proposed project / programme.

The proposal should provide a logical explanation of the selected scope and approach. The cost effectiveness should also be demonstrated from a sustainability point of view.

For a fully developed proposal, a clear description of alternative options to the proposed measures should be provided, to allow for a good assessment of the project/programme cost effectiveness. The proposal should compare to other possible interventions that could have taken place to help adapt and build resilience in the same sector, geographic region, and/or community. Quantitative estimates of cost-effectiveness are required only where feasible and useful.

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

The relevant plans and strategies have to be identified. This includes as a minimum the most important adaptation-related plans and strategies and the most important relevant sectoral plans and strategies in the country.

For a fully developed proposal, the compliance of the project/programme with the relevant plans and strategies has to be explained in detail.

E. Describe how the project / programme meets relevant national technical standards, where applicable, such as standards for environmental assessment, building codes, etc.

The relevant national technical standards need to be identified, and compliance stated in a logical manner. These standards include Environmental Impact Assessments (EIAs), building codes, water quality regulations, and sector-specific regulations. Regarding EIAs, depending on the sector and the size of the project, the category of impact assessment or management strategy that the project is expected to trigger will have to be outlined.

For a fully developed proposal, compliance with relevant technical standards needs to be explained in detail, addressing environmental assessments, building codes, and land use or tenure regulations, as required by national legislation. If one specific activity of the project/programme requires compliance with technical standards, the legal source of the requirement, the steps taken to comply with it and the nature of the authorization/clearance granted for the project to be implemented will have to be explained. A proposal cannot be recommended for approval, if the project has yet to receive technical clearances, in accordance with national legislation, for core parts of the project design. If technical clearance is pending for a minor part of the project design (either for a part that is included from the start or for any part that is to be included during implementation through a participatory planning arrangement), it should be mentioned in the document and the project design must include clear procedures for a fallback option. Finally, in considering compliance with national technical standards, the time required to get clearance using national procedures may be as important a factor as compliance itself, as lengthy procedures may significantly hinder implementation of overly ambitious plans.

## F. Describe if there is duplication of project / programme with other funding sources, if any.

All relevant potentially overlapping projects / programmes need to be identified, and lack of overlap / complementarity stated in a logical manner.

For a fully developed proposal, the linkages and synergies with all relevant potentially overlapping projects / programmes need to be clearly outlined, avoiding evasive wording, including areas of overlap and complementarity, drawing lessons from the earlier initiatives during the project design, learning from their problems/mistakes, and establishing a framework for coordination during implementation.

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

Activities related to knowledge management (KM) and dissemination of lessons learned have to be included. They can be grouped in a single component or part of a larger component.

The Adaptation Fund has included knowledge management as part of its Results-Based Management Framework at the Fund level. Project/programme proponents must therefore systematically keep track of experiences gained from their project and analyze them periodically both to enrich the global, national and local knowledge on climate change adaptation and to accelerate understanding about what kinds of interventions work. Key factors of success of a project KM strategy include adaptive management and the development of learning objectives and indicators.

For a fully developed proposal, the KM and dissemination of lessons learned component has to be explained in detail. For additional guidance on the type of KM activities and indicators, please refer to Section 3 (p.27) of the "AF Results Framework and Baseline Guidance – Project level" document.

## H. Describe the consultative process, including the list of stakeholders consulted, undertaken during project preparation, with particular reference to vulnerable groups, including gender considerations.

At the concept stage, an initial consultative process has to take place, with key stakeholders of the project/programme. Depending on the level of involvement of local communities or governments, private sector, CSOs or universities/research centres in the execution of the project/programme, those stakeholders may or may not be consulted at the concept stage. Where Project Formulation Grants (PFG) are accessed, these should also be used to facilitate a comprehensive stakeholder consultation process in the project preparation phase.

For a fully developed proposal, a comprehensive consultative process has to take place, and should involve all direct and indirect stakeholders of the project/programme, including vulnerable groups and taking into account gender considerations. The results of the consultative process must be reflected in the project design. Under extraordinary circumstances, the consultation of a specific stakeholder can be deferred to the implementation stage, if it enables a more effective consultation (e.g. if beneficiaries for specific activities have not been identified yet). However, if the project specifically targets the most vulnerable groups, they will have to be identified and consulted by the time of submission.

The implementation arrangement should include a framework allowing for stakeholders' views to be heard during project implementation. Whenever possible, a strategy and timetable for sharing information and consulting with each of the stakeholder groups during project implementation should be provided. Adequate facilitation measures (e.g. travel costs) should be budgeted to minimise barriers for involvement of key stakeholders where these impede their participation.

The documentation of the consultative process should at least contain a) the list of stakeholders already consulted (principles of choice, role ascription, date of consultation), b) a description of the consultation techniques (tailored specifically per target group), c) the key consultation findings (in particular suggestions and concerns raised).

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

The Adaptation Fund does not require co-financing for the projects/programmes it funds. The principal and explicit aim of the project/programme should be to adapt and to increase resilience of a specific system or communities, to the adverse effects of climate change and variability. Therefore, the proposal should demonstrate that the project/programme activities are relevant in addressing its adaptation objectives and that, taken solely, without additional funding from other donors, they will help achieve these objectives. Although co-financing is not required, it is possible and often cost-effective to implement Adaptation Fund projects in parallel with projects funded from other sources. In such a situation, the Adaptation Fund project should be able to deliver its outcomes and outputs regardless of the success of the other project(s). It is possible to include activities which, taken out of context, could be considered "business-as-usual" development but these should be justified in the context of achieving the adaptation goals of the project.

For a fully developed proposal, the full cost of adaptation reasoning should be more detailed and demonstrated for each component of the project/programme. If necessary, a comparison of

a baseline situation and a with-project scenario for each component of the project/programme can be undertaken (e.g. in the case of a proposal aiming at "climate-proofing" a specific sector).

## J. Describe how the sustainability of the project/programme outcomes has been taken into account when designing the project / programme.

The adaptation benefits achieved with the help of the project/programme should be sustained after its end, and should enable replication and scaling up with other funds after its end. The proposal should explain the arrangements through which this would be achieved, taking into account sustainability and maintenance of any infrastructure or installations to be developed, policies and governance arrangements to be developed and implemented, knowledge to be generated, management and other capacity to be improved, etc. All key areas of sustainability should be addressed, including but not limited to economic, social, environmental, institutional, and financial.

**PART III: IMPLEMENTATION ARRANGEMENTS**<sup>7</sup>. Describe the various elements of project implementation as enumerated below:

## A. Adequacy of project / programme management arrangements.

The implementation arrangements should include a clear description of the roles and responsibilities of the implementing entity as well as any executing entity or organizations/stakeholders that are involved in the project. If necessary, provide a full organization chart showing how they report to each other.

In the case of a programme, explain how the programme strategy will be managed and evaluated, and how individual projects have been identified, designed, appraised, approved, implemented and evaluated against programme's strategic objectives. The implementation arrangements should be cost-effective and efficient, and country-ownership should always be privileged.

## B. Measures for financial and project / programme risk management.

The proposal should identify all major risks, consider their significance, and include a plan of monitoring and mitigating them. It should provide a table with detailed information on the different categories of risks (i.e. financial, environmental, institutional...), their level and how they will be managed.

## C. Monitoring and evaluation arrangements including budgeted M&E plan.

The proposal should include a budgeted M&E plan, which should be in compliance with the AF M&E guidelines<sup>8</sup>.

<sup>&</sup>lt;sup>7</sup> Note: This section is not required for a project/programme concept document

<sup>&</sup>lt;sup>8</sup> See section on reporting process requirements in the AFB/EFC.7/4.Rev.2 document "<u>Annual Performance Report</u>". See also the "<u>AF Evaluation Framework</u>", the "<u>AF Results Framework and</u>

## D. Provide a results framework for the project proposal, including milestones, targets and indicators.

The proposal should include a results framework with realistic, quantified expected results. Whenever possible, the indicators and targets should be disaggregated by sex. More guidelines on preparing the project/programme results framework, including a list of standard AF indicators, can be found in the "AF Results Framework and Baseline Guidance – Project level" document.

E. Include a detailed budget with budget notes, a budget on the Implementing Entity management fee use, and an explanation and a breakdown of the execution costs.

The proposal should include a detailed budget with budget notes indicating the break-down of costs at the activity level.

## F. Include a disbursement schedule with time-bound milestones.

The proposal should include a disbursement schedule that includes time-bound milestones relative to project inception and the annual reporting requirement.

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

## A. RECORD OF ENDORSEMENT BY DESIGNATED GOVERNMENT AUTHORITY.

Provide the name, position, and government office of the designated government authority and indicate date of endorsement. If this is a regional project/programme, list the designated government authorities of all participating countries endorsing the project. The endorsement letter(s) should be attached as an annex to the project/programme proposal.

## B. IMPLEMENTING ENTITY CERTIFICATION.

Provide the name and signature of the Implementing Entity Coordinator and the date of signature. Provide also the project/programme contact person's name, telephone number



## **Letter of Endorsement by Government**

## [Government Letter Head]

[Date of Endorsement Letter]

To: The Adaptation Fund Board

c/o Adaptation Fund Board Secretariat Email: Secretariat@Adaptation-Fund.org

Fax: 202 522 3240/5

Subject: Endorsement for [Title of Project]

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

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

Sincerely,

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

# ANNEX 4 ACCREDITATION APPLICATION FOR IMPLEMENTING ENTITIES



# **ADAPTATION FUND BOARD SECRETARIAT TECHNICAL REVIEW** OF PROJECT/PROGRAMME PROPOSAL

PROJECT/PROGRAMME CATEGORY: (select)

Country/Region:

Project/Programme Title:

AF Project ID:

NIE/MIÉ Project/Programme ID:

Requested Financing from Adaptation Fund (US Dollars): Anticipated Submission of final RP document (if Regular Project/Programme Concept Approval Date (if applicable):

applicable): AFB Secretariat Screening Manager:

NIE/MIE Contact Person:

Review Criteria	Questions	Comments
	1. Is the country party to the Kyoto Protocol?	
Country Fligibility	2. Is the country a developing country	
(Second ) = (Second)	particularly vulnerable to the adverse	
	effects of climate change?	
	<ol> <li>Has the designated authority for the</li> </ol>	
Project Eligibility	Adaptation Fund endorsed the	
	project/programme?	
	2. Does the project / programme support	
	concrete adaptation actions to assist the	
	country in addressing adaptive capacity to	
	the adverse effects of climate change and	
	build in climate resilience?	
	3. Does the project / programme provide	
	economic, social and environmental	
	benefits, particularly to vulnerable	
	communities, including gender	
	considerations?	
	4. Is the project / programme cost effective?	

	5. Is the project / programme consistent with national or sub-national sustainable development strategies, national or sub-national development plans, poverty reduction strategies, national communications and adaptation programs of action and other relevant instruments?  6. Does the project / programme meet the relevant national technical standards, where applicable?  7. Is there duplication of project / programme with other funding sources?  8. Does the project / programme have a learning and knowledge management component to capture and feedback lessons?  9. Has a consultative process taken place, and has it involved all key stakeholders, and vulnerable groups, including gender considerations?  10. Is the requested financing justified on the basis of full cost of adaptation reasoning?  11. Is the project / program aligned with AF's results framework?  12. Has the sustainability of the project/programme outcomes been taken	
Resource Availability	into account when designing the project?  1. Is the requested project / programme funding within the cap of the country?  2. Is the Implementing Entity Management Fee at or below 8.5 per cent of the total project/programme budget before the fee?  3. Are the Project/Programme Execution Costs at or below 9.5 per cent of the total project/programme budget (including the fee)?	

Eligibility of NIE/MIE	<ol> <li>Is the proj through an accredited</li> </ol>	Is the project/programme submitted through an eligible NIE/MIE that has been accredited by the Board?	
	<ol> <li>Is there ac / program</li> </ol>	Is there adequate arrangement for project / programme management?	
	<ol><li>Are there project/pro</li></ol>	Are there measures for financial and project/programme risk management?	
	<ol><li>Is a budge Managem</li></ol>	is a budget on the Implementing Entity Management Fee use included?	
	<ol> <li>Is an explained execution</li> </ol>	Is an explanation and a breakdown of the execution costs included?	
	<ol><li>Is a detailed buc notes included?</li></ol>	Is a detailed budget including budget notes included?	
	6. Are arranç	Are arrangements for monitoring and	
Implementation	evaluatior budgeted	evaluation clearly defined, including budgeted M&E plans and sex-	
Arrangement	alsaggrega indicators?	disaggregated data, targets and indicators?	
	7. Does the l break-dow	Does the M&E Framework include a break-down of how implementing entity	
	fees will be utilized the M&E function?	fees will be utilized in the supervision of the M&E function?	
	8. Does the j	Does the project/programme's results	
	framework	framework align with the AF's results framework? Does it include at least one	
	core outco results fra	core outcome indicator from the Fund's results framework?	
	<ol><li>Is a disbur bound mil</li></ol>	Is a disbursement schedule with time-bound milestones included?	
Technical			
Summary			
Date:			

# **Accreditation Application Form**

Please fill out all of the background and contact information contained in Section I.

supporting documentation. Examples of the types of supporting documentation that would provide evidence of meeting the Fund's fiduciary and management standards are included at the end of each of these sections. For Sections II-IV, provide a description of how the organization meets the specific required capabilities and attach

Note: Application and supporting documentation must be submitted in English

SECTION I: Background/Contact	
Nominated Entity (if NIE):	
Invited Entity (if MIE):	
Address:	
Country: Postal Code:	1
Telephone:	
Fax:	
Web Address:	
Contact Person:	
Telephone:	
Email:	
	i



## Specific Capability Required

a Legal status to contract with Adaptation Fund Board)

- b) 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;
- c) Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;
  - d) Produce forward-looking financial plans and budgets

Required competency	Specific capability required	Supporting documentation that
		should be provided
Legal Status	Demonstration of necessary legal personality	Documentation of legal status and
		mandate (please highlight the
		relevant paragraphs
	Demonstration of legal capacity/authority and	i) Same documentation or
	the ability to directly receive funds	separate supporting
		documentation
		ii) List of foreign loan/donor funds
		handled over the last 2 years
Financial statements including	Production of reliable financial statements	Audited Financial Statements
Project Accounts statement	that are prepared in accordance with	
and the provisions for Internal	internationally recognized accounting	
and External Audits	standards	
	Production of annual externally audited	<ol> <li>i) External Auditor Reports</li> </ol>
	accounts that are consistent with	ii) Audit Committee's Terms of
	recognized international auditing standards	. Reference and
	Demonstration of use of accounting	Name and brief description of
	packages that are recognised and familiar	accounting package used
	to accounting procedures in developing	
	countries	

	Demonstration of capability for functionally independent internal auditing in accordance with internationally recognized standards	<ul> <li>i) Policy/charter and other published documents (like manuals) that outline the entity's internal auditing function</li> <li>ii) Copies of audit plans for last 2 years and the current year</li> <li>iii) List of internal audit reports of last 2 years and sample reports</li> </ul>
Internal Control Framework with particular reference to control over disbursements and payments	Demonstration of use of a control framework that is documented with clearly defined roles for management, internal auditors, the governing body, and other personnel	Policy or other published document that outlines the entity's control framework
	Demonstration of proven payment/disbursement systems	Procedures describing the payment/ disbursement system with particular reference to project payments/ disbursements
Preparation of Business Plans and Budgets and ability to monitor expenditure in line with budgets	Production of long term business plans/ financial projections demonstrating financial solvency	Long Term Business plans or Financial Projections for the next 3 to 5 years
	Evidence of preparation of corporate, departmental/ ministry budgets and demonstration of ability to spend against budgets	<ul> <li>i) Annual budgets for the organization and entities within it</li> <li>ii) End of calendar year/fiscal year or periodical budget report</li> </ul>



## **Specific Capability Required**

A) Ability to manage procurement procedures which provide for transparent practices, including competition

B) Ability to identify, develop and appraise projects C) Competency to manage or oversee the execution of projects/programmes, including ability to manage sub-recipients and to support project/programme delivery and implementation

D) Capacity to undertake monitoring and evaluation

Required competency	Specific capability required	Supporting
		documentation that may
		be provided
Procurement	Evidence of transparent and fair procurement	i) Procurement Policy
	policies and procedures at the national level that	ii) Detailed procedures or
	are consistent with recognized international	guidelines including composition
	practice (including dispute resolution	and role of key decision making
	piocedules)	committees
		iii) Provisions for oversight/audit
		/review of the procurement
		function with an actual sample
		of oversight/audit/review reports
		iv) Procedures for
		handling/controlling
		procurement in Executing
		Agencies
Project preparation and	Demonstration of capability and experience in	Detailed project plan documents for
approval. This should include	identification and design of projects (preferably	2 projects
impact (environment, socio-	adaptation projects)	
economic, political, etc)		
assessment study with risk		

assessment and mitigation plans		
	Demonstration of availability of/ access to resources and track record of conducting appraisal activities	<ul><li>i) Details of the project approval process/procedure</li><li>ii) 2 samples of project appraisals undertaken</li></ul>
	Demonstration of the ability to examine and incorporate the likely impact of technical, financial, economic, social, environmental, and legal aspects into the project at the appraisal stage itself	Sample of project documents which demonstrate this capability
	Evidence procedures/framework in place to undertake risk assessment and integrate mitigation strategies/plans into the project document	<ul> <li>i) Policy and/or other published document(s) that outline the risk assessment procedures/framework</li> <li>ii) 2 samples of completed project appraisals with identified risks and corresponding mitigation strategies/plans</li> </ul>
Project implementation Planning and Quality-at-entry Review	Evidence of institutional system for planning implementation of projects with particular emphasis for quality-at-entry	Operational manual or written procedures for project review system during the design phase
	Evidence of preparation of project budgets for projects being handled by the entity or any sub-entity within it	<ul><li>i) Project budgets</li><li>i) Analysis of project expenditure</li><li>vs budget</li></ul>
Project Monitoring and Evaluation during implementation	Demonstration of existing capacities for monitoring and independent evaluation that are consistent with the requirements of the Adaptation Fund	ii) Policy or other published document that outlines monitoring and evaluation requirements iii) Detailed procedures and formats used for monitoring and evaluation during project implementation iv) Sample project monitoring and

		evaluation reports
	Production of detailed project accounts which	i) Sample of project accounts
	are externally audited	ii) Sample of project audit
		reports
	Evidence of a process or system, such as a	Procedures for project-at-risk
	project-at-risk system, that is in place to flag	system or similar process/system to
	when a project has developed problems that	ensure speedy solutions to
	may interfere with the achievement of its	problems which may interfere with
	objectives, and to respond to redress the	the achievement of the project
	problems	objectives
Project closure and final	Demonstration of an understanding of and	Project closure reports or
evaluation	capacity to assess impact/implications of the	independent evaluation reports
	technical, financial, economic, social,	containing assessment of the
	environmental, and legal aspects of projects	impact/implications of the
		technical, financial, economic,
		social, environmental, and legal
		aspects of projects
	Demonstration of competence to execute or	Independent evaluation reports
	oversee execution of projects/programmes	of completed projects/
		programmes

# SECTION IV: Transparency, self-investigative powers, and anti-corruption measures

## **Specific Capability Required**

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a) Competence to deal with financial mismanagement and other forms of malpractice

Required competency	Specific capability required	Supporting
		be provided
	Evidence/tone/statement from the top	Provide evidence of a statement
financial mismanagement and other	emphasising a policy of zero tolerance for fraud,	communicating such a policy of
torms of malpractices	tinancial mismanagement and other forms of	zero tolerance for fraud, financial
	any external sources associated directly or	mismanagement and other forms
	indirectly with the projects	of malpractice
	Demonstration of capacity and procedures to	i) Provide copy of documented
	deal with financial mismanagement and other	code of conduct/ethics
	forms of malpractice	applicable to the staff
		ii) Documentation establishing
		avenues for reporting non-
		compliance/
		violation/misconduct and
		business conduct concerns
		iii) Details of policies and
		procedures relating to
		managing conflict of interest
		and whistle blower protection
	Evidence of an objective investigation function	i) The structure and process/
	for allegations of fraud and corruption	procedures within the
		organization to handle cases
		of fraud and mismanagement
		and undertake necessary
		investigative activities.
		ii) Data on cases of violation of
		code of conduct/ethics and
		frauds reported over last 2
		years be provided in terms of
		number of cases, types of
		violations and summary of
		status/action taken.
		iii) Periodical oversight reports of
		the ethics function/ committee
		be attached for the last 2
		years

## DECISION 1/CMP.3

## **ADAPTATION FUND**

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Recalling Article 12, paragraph 8, of the Kyoto Protocol,

Reaffirming decisions 3/CMP.1, 28/CMP.1 and 5/CMP.2,

- Decides that developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change are eligible for funding from the Adaptation Fund to assist them in meeting the costs of adaptation;<sup>22</sup>
- Decides that the Adaptation Fund shall finance concrete adaptation projects and programmes that are country driven and are based on the needs, views and priorities of eligible Parties;

## Operating entity

- Decides that the operating entity of the Adaptation Fund shall be the Adaptation Fund Board, serviced by a secretariat and a trustee;
- 4. Decides that the Adaptation Fund Board shall be established to supervise and manage the Adaptation Fund, under the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, and shall be fully 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 in line with relevant decisions;

## **Functions**

Decides that the functions of the Adaptation Fund Board shall include the following functions

- and any other functions assigned to it by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol:
- (a) To develop strategic priorities, policies and guidelines, and recommend their adoption to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (b) 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;
- (c) To develop criteria based on principles and modalities listed in decision 5/CMP.2 to ensure that the implementing and executing entities have the capacity to implement the administrative and financial management guidelines of the Adaptation Fund, and report on it to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (d) To decide on projects, including the allocation of funds, in line with the Adaptation Fund principles, criteria, modalities, policies and programmes, in accordance with decision 5/CMP.2;
- (e) To develop and agree on additional rules of procedure to those included in this decision and recommend these for adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (f) To monitor and review implementation of the operations of the Adaptation Fund, including its administrative arrangements and the expenditure incurred under the Adaptation Fund, and recommend decisions, as may be appropriate, for adoption by the Conference of

<sup>22.</sup> Decision 28/CMP.1 makes reference in the preambular part to particularly vulnerable countries.

- the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (g) To establish committees, panels and working groups, if required, to provide, inter alia, expert advice, to assist the Adaptation Fund Board in the performance of its functions;
- (h) To draw upon and make use of the expertise that the Adaptation Fund Board may require to perform its functions;
- To regularly review performance reports on implementation and ensure independent evaluation and auditing of activities supported by the Adaptation Fund;
- (j) To develop and approve draft legal and administrative arrangements for secretariat services and the trustee for approval by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (k) To be responsible for the monetization of certified emission reductions issued by the Executive Board of the clean development mechanism and forwarded to the Adaptation Fund to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation, and to report annually to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol on the monetization of certified emission reductions;
- To report on its activities at each session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (m)To include in its work plan for the period up to the fourth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, inter alia, those functions identified in paragraph 5 (a), (b), (c), (e), (j) and (k) above in order for the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol to adopt or take note thereof;

## Composition

- 6. Decides that the Adaptation Fund Board shall comprise 16 members representing Parties to the Kyoto Protocol, taking into account fair and balanced representation among these groups as follows:
  - (a) Two representatives from each of the five United Nations regional groups;
  - (b) One representative of the small island developing States;
  - (c) One representative of the least developed country Parties;
  - (d) Two other representatives from the Parties included in Annex I to the Convention (Annex I Parties);
  - (e) Two other representatives from the Parties not included in Annex I to the Convention (non-Annex I Parties);
- 7. Decides that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol shall elect an alternate for each member of the Adaptation Fund Board on the same principles as set out in paragraph 6 above, and that the nomination of a candidate member shall be accompanied by a nomination of a candidate alternate member from the same group;
- 8. Decides that members, including alternate members, of the Adaptation Fund Board with the appropriate technical, adaptation and/or policy expertise shall be identified by their respective governments, nominated by the relevant groups as indicated in paragraphs 6 and 7 above and elected by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol to serve as government representatives, and that vacancies shall be filled in the same manner;
- 9. Decides that members and alternate members shall serve for a term of two years and shall

be eligible to serve a maximum of two consecutive terms;

## Membership

10. Decides that members, including alternate members, of the Adaptation Fund Board shall be bound by the rules of procedure of the Adaptation Fund Board and have no personal financial interest in any aspect of a project activity or a body presenting a project for approval to the Adaptation Fund Board;

## Quorum

11. Decides that a simple majority of the members of the Adaptation Fund Board must be present at the meeting to constitute a quorum;

## Decision-making

12. Decides that decisions of the Adaptation Fund Board shall be taken by consensus; if all efforts at reaching a consensus have been exhausted, and no agreement has been reached, decisions shall be taken by a two-thirds majority of the members present at the meeting on the basis of one member, one vote;

## Chairmanship

13. Decides that the Adaptation Fund Board shall elect its own Chair and Vice-Chair, with one being a member from an Annex I Party and the other being from a non-Annex I Party, and that the positions of Chair and Vice-Chair shall alternate annually between a member from an Annex I Party and a member from a non-Annex I Party;

## Frequency of meetings

14. Decides that the Adaptation Fund Board shall convene its first meeting soon after the election of its members;

15. Decides that, thereafter, the Adaptation Fund Board shall meet at least twice a year, while retaining the flexibility to adjust the number of meetings to suit its needs, and meet in the country hosting the UNFCCC secretariat except when meeting in conjunction with sessions of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol or with sessions of subsidiary bodies under the Convention;

## **Observers**

16. Decides that meetings of the Adaptation Fund Board shall be open to attendance, as observers, by UNFCCC Parties and by UNFCCC accredited observers, except where otherwise decided by the Adaptation Fund Board;

## Transparency

 Decides that the full text of all decisions taken by the Adaptation Fund Board shall be made publicly available in all six official languages of United Nations;

## Secretariat

- 18. Decides that secretariat services shall be provided to the Adaptation Fund Board in order to support and facilitate its activities, that a dedicated team of officials shall be identified to render secretariat services to the Adaptation Fund Board in a functionally independent and effective manner and that the head of the secretariat responsible for rendering the services shall be accountable to the Adaptation Fund Board;
- 19. *Invites* the Global Environment Facility to provide secretariat services to the Adaptation Fund Board on an interim basis;

## Trustee

- 20. Decides that the Adaptation Fund shall have a trustee that shall have fiduciary responsibility and the administrative competence to manage the Adaptation Fund, and shall comply with principles and modalities for operations stipulated in relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- 21. Decides that the trustee shall hold in trust the funds, assets and receipts that constitute the Fund, and manage and use them only for the purpose of, and in accordance with, the provisions of relevant decisions, keeping them separate and apart from all other accounts and assets of, or administered by, the trustee;
- 22. Decides that the trustee shall be accountable to the Adaptation Fund Board for the performance of its fiduciary responsibilities and in particular for the monetization of certified emission reductions in accordance with guidance provided by the Adaptation Fund Board;
- 23. *Invites* the World Bank to serve as the trustee of the Adaptation Fund on an interim basis;
- 24. Decides that a trust fund shall be established under the management of the trustee, to be funded by the monetized share of proceeds of certified emission reductions, to meet the costs of adaptation and other sources of funding;
- 25. Decides that the administrative expenses for operating the Adaptation Fund shall be financed by the trust fund for the Adaptation Fund;
- 26. *Decides* that the cost of participation of members and of alternate members from

- developing country Parties and other Parties eligible under the UNFCCC practice shall be covered by the trust fund for the Adaptation Fund;
- 27. Invites Parties to finance the administrative expenses for operating the Adaptation Fund in an interim phase, until the monetization of the share of proceeds of certified emission reductions to meet the costs of adaptation is operational, by making contributions to the trust fund for the Adaptation Fund and that such contributions shall be reimbursed, if requested, from the monetization of the share of proceeds of certified emission reductions to meet the costs of adaptation, in accordance with procedures and a timetable to be determined by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol upon the recommendation of the Adaptation Fund Board;

## Monetization

- 28. *Decides* that the monetization of certified emission reductions referred to in paragraphs 5 (k), 22 and 27 above shall be undertaken in order to:
  - (a) Ensure predictable revenue flow for the Adaptation Fund;
  - (b) Optimize revenue for the Adaptation Fund while limiting financial risks;
  - (c) Be transparent and monetize the share of the proceeds in the most cost-effective manner, utilizing appropriate expertise for this task;

## Access to funding

29. Decides that eligible Parties shall be able to submit their project proposals directly to the Adaptation Fund Board and that implementing or executing entities chosen by governments that are able to implement the projects funded under the Adaptation Fund may also approach the Adaptation Fund Board directly;

30. Decides that in order to submit a project proposal, Parties and implementing or executing entities shall meet the criteria adopted by the Adaptation Fund Board in accordance with paragraph 5 (c) above, in order to access funding from the Adaptation Fund;

## Institutional arrangements

31. Decides to request the Adaptation Fund Board to develop the necessary legal arrangements, to be concluded between the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and both the secretariat and the trustee servicing the Adaptation Fund, for the purpose of regulating the provisions of the required services, the terms and conditions thereof and the performance standards required from the secretariat and the trustee servicing the Adaptation Fund, and present these legal arrangements for adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its fourth session;

## Review

32. *Decides* that the interim institutional arrangements mentioned in paragraphs 19 and 23 above shall

- be reviewed after three years at the sixth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- 33. Decides to undertake, at its sixth session, a review of all matters relating to the Adaptation Fund, including the institutional arrangements, with a view to ensuring the effectiveness and adequacy thereof, and thereafter every three years, in order to adopt an appropriate decision on the outcome of such a review; the review shall take into account the outcome of performance reviews of the secretariat and the trustee servicing the Adaptation Fund, submissions by Parties and other interested intergovernmental organizations and stakeholders;
- 34. Decides that in the event of any revision of the decision on institutional arrangements, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol shall make the necessary arrangements to ensure that any project activities already funded and in the process of being implemented are not jeopardized.

## DECISION 5/CMP.2

## **ADAPTATION FUND**

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Recognizing that Parties should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities and that, accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof,

Recalling Article 12, paragraph 8, of the Kyoto Protocol,

Recalling its decisions 3/CMP.1 and 28/CMP.1,

Recalling also decisions 5/CP.7, 10/CP.7, 17/CP.7,

- 1. *Decides* that the Adaptation Fund shall be guided by the following principles:
  - (a) 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;
  - (b) Access to the fund in a balanced and equitable manner for eligible countries;
  - (c) Transparency and openness in the governance of the fund;
  - (d) Funding on full adaptation cost basis of projects and programmes to address the adverse effects of climate change;
  - (e) The Adaptation Fund should 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;

- (f) Accountability in management, operation and use of the funds;
- (g) No duplication with other sources of funding for adaptation in the use of the Adaptation Fund;
- (h) Efficiency and effectiveness in the management, operation and governance of the fund;
- 2. *Decides* that the Adaptation Fund shall operate with the following modalities:
  - (a) Funding for eligible Parties will be available for national, regional and community level activities;
  - (b) Facilitative procedures for accessing funds, including short and efficient project development and approval cycles and expedited processing of eligible activities;
  - (c) Projects 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) Ability to receive contributions from other sources of funding;
  - (f) Competency in adaptation and financial management;
  - (g) Sound financial management, including the use of international fiduciary standards;
  - (h) Clearly defined responsibilities for quality assurance, management and implementation;
  - (i) Independent monitoring, evaluation and financial audits;
  - (j) Learning by doing;

- 3. Decides that membership of the governing body of the Adaptation Fund shall be from Parties to the Kyoto Protocol, follow a one-country-one-vote rule and have a majority of Parties not included in Annex I to the Convention:
- 4. Requests the Subsidiary Body for Implementation to develop recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its third session with the aim of adopting a decision on the following issues:
  - (a) Eligibility criteria;
  - (b) Priority areas;
  - (c) Monetizing the share of proceeds;
  - (d) Institutional arrangements;
- 5. *Invites* interested institutions to submit to the secretariat, by 23 February 2007, their views on how they would operationalize this decision;
- Requests the secretariat to compile the submissions mentioned in paragraph 5 above into a miscellaneous document for consideration by the Subsidiary Body for Implementation at its twenty-sixth session;
- 7. Requests the Chair of the Subsidiary Body for Implementation to organize, with the assistance of the secretariat and subject to the availability of resources, consultations among Parties before the twenty-seventh session of the Subsidiary Body for Implementation with the aim of exchanging views on issues defined in paragraph 4 above and recommending possible ways forward.

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