



ADAPTATION FUND

AFB/PPRC.38/39/Add.1
20-21 October 2026

Adaptation Fund Board
Project and Programme Review Committee
Thirty-eighth meeting
Bonn, Germany, 20-21 October 2026

Agenda Item 6 g)

**PROJECT FORMULATION GRANT FOR
LLA SINGLE COUNTRY PROPOSAL FOR NEPAL**

I. Background

1. The Board at its eleventh meeting discussed the document "Funding for Project Formulation Costs" (AFB/11/6) and agreed, in its Decision B.11/18, that:

- i. project formulation grants (PFG) should be given once a project concept has been approved
- ii. consideration should be given in terms of differentiating between NIEs and MIEs, since some NIEs might have financial difficulties in trying to formulate project or programme proposals;
- iii. a flat rate should be given for project formulation costs;
- iv. a list of eligible activities and items still needed to be prepared; v. the grant should be additional to the project cost; and
- v. the fate of funds if the final project document was rejected should be determined.

2. There was consensus that a three-tiered system should be considered for project formulation grants: endorse a project concept with a PFG amount, endorse a project concept without a PFG amount, or reject the project concept.

3. Following the discussion, the Board decided:

To request the secretariat to reformulate the document, to include a comparison of eligible activities provided by other funds for project formulation grants, to take into account guidance provided by the Board at the present meeting, and to submit the document to the Board at its twelfth meeting, through the EFC. The EFC should review and finalize the process and policy of the project formulation grant focusing, in particular, on: the issue of unspent project funds; the procedures followed by other funds in that regard; and the determination of a flat-rate.

4. A document was prepared by the secretariat in response to the above mandate and presented at the third EFC meeting, which made specific recommendations to the Board at its twelfth meeting. Having considered the recommendation of the Ethics and Finance Committee, the Board, in its Decision B.12/28, decided that:

- (a) Project Formulation Grants (PFGs) will only be made available for projects submitted through NIEs. The Board would continue reviewing the question of PFGs for projects submitted through MIEs and would solicit comments from members and alternate members by February 14, 2011; the views would be compiled by the secretariat for presentation to the Board at its March 2011 meeting;*
- (b) If a country required a project formulation grant, a request should be made at the same time as the submission of a project concept to the secretariat. The secretariat will review and forward it to the PPRC for a final recommendation to the Board. A PFG could only be awarded when a project concept was presented and endorsed;*
- (c) A PFG form, reproduced in Annex V, should be submitted;*

- (d) Only activities related to country costs would be eligible for PFG funding;*
- (e) A flat rate of up to US\$30,000 shall be provided, inclusive of the management fee, which cannot exceed 8.5 per cent of the grant amount. The flat fee would be reviewed by the Board at its thirteenth and all subsequent meetings;*
- (f) If the final project document is rejected, any unused funds shall be returned to the Adaptation Fund Trust Fund;*
- (g) Once a project/programme formulation grant is disbursed, a fully developed project document should come to the Board for approval within 12 months. No additional grants for project preparation can be received by a country until the fully developed project/programme document has been submitted to the Board; and*
- (h) The Trustee was instructed to remove the set-aside of US\$100,000 for project preparation that had been decided at the June 2010 meeting, as project preparation would be approved on a project-by-project basis.*

5. In its twenty-fourth meeting, the Board had initiated steps to launch a pilot programme on regional projects and programmes, not to exceed US\$ 30 million and had requested the secretariat to prepare for the consideration of the Board a proposal for such a pilot programme (Decision B.24/30). In its twenty-fifth meeting, the secretariat submitted such document and the Board decided to:

- (a) Approve the pilot programme on regional projects and programmes, as contained in document AFB/B.25/6/Rev.2;*
- (b) Set a cap of US\$ 30 million for the programme;*
- (c) Request the secretariat to issue a call for regional project and programme proposals for consideration by the Board in its twenty-sixth meeting; and*
- (d) Request the secretariat to continue discussions with the Climate Technology Center and Network (CTCN) towards operationalizing, during the implementation of the pilot programme on regional projects and programmes, the Synergy Option 2 on knowledge management proposed by CTCN and included in Annex III of the document AFB/B.25/6/Rev.2.*

(Decision B.25/28)

6. The approved document AFB/B.25/6/Rev.2 contained provisions for the approval of project formulated grants for regional project and programme proposals, at different development stages, as follows:

“It is proposed that the Board open a structured call for MIEs and RIEs to submit pre-concepts for regional projects and programmes. The optional pre-concepts would be very brief proposals of maximum 5 pages that would explain the proposed regional adaptation project/programme. The pre-concepts would be screened and technically reviewed by the

secretariat, and subsequently reviewed by the PPRC. Together with the pre-concept, the proponent could submit a Phase I PFG request, up to the maximum level of US\$ 20,000. While endorsing the pre-concept, the Board could also approve the Phase I PFG request. The endorsement of the pre-concept would not create an obligation for the Board for later funding. As the next step, the proponent would submit a concept, and with it the proponent could submit a Phase II PFG request. The maximum AFB/PPRC.18/25/Add.1 level of the Phase II PFG would be US\$ 80,000 for proposals that had been previously granted Phase I PFG, and US\$ 100,000 for proposals that bypassed the optional pre-concept stage. While endorsing the concept, the Board could also approve the Phase II PFG request. The endorsement of the concept would not create an obligation for the Board for later funding, as it is the case for the national projects. The final stage of the proposal process would be the submission of the fully-developed regional project document”.

7. At its forty-second meeting the Board approved modifications to project formulation grants contained in document AFB/PPRC.33/40. Having considered the recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided:

- a) *That project formulation grants (PFGs) be made available for projects submitted through national, regional and multilateral implementing entities;*
- b) *That the maximum size of the PFG for single country projects for all windows, inclusive of the management fee, be set as follows:*
 - (i) For projects below US\$ 2,000,000, the limit is set at US\$ 50,000;*
 - (ii) For projects at or above US\$ 2,000,000 and below US\$ 5,000,000, the limit is set at US\$ 100,000;*
 - (iii) For projects at or above US\$ 5,000,000, the limit is set at US\$ 150,000;*
- c) *That an additional PFG amount (inclusive of the management fee) can be provided on a case-by-case basis for locally-led adaptation projects up to a maximum of US\$ 100,000, and that such amount should be dedicated to support activities that enable decision-making by local actors over how adaptation actions are defined, prioritized, designed and implemented;*
- d) *That the maximum size of the PFG for all regional projects, inclusive of the management fee, is set as follows:*
 - (i) For regional projects of US\$ 5,000,000 and above, and with less than three countries, the limit is set at US\$ 150,000;*
 - (ii) That this limit increase by US\$ 15,000 for each additional country involved, up to a maximum of US\$ 250,000;*
- e) *That requests for a PFG should be made at the same time as the submission of a project concept or pre-concept to the secretariat using the revised PFG form in annex I to document AFB/PPRC.33/40;*

- f) *That, for a PFG at the pre-concept stage, up to 20 percent of the maximum amount of the PFG set in out in subparagraphs (b), (c) and (d) above could be granted;*
- g) *That only activities that support project preparation and formulation would be eligible for PFG funding, as per paragraph 32 of document AFB/PPRC.33/40.*

(Decision B.42/37)

II. The Project Formulation Grant Request

8. This addendum to the document, AFB/PPRC.38/39 “LLA Single Country Proposal for Nepal” includes a request for a Project Formulation Grant, requesting a budget of US\$ 140,000 which was received by the secretariat along with the concept-note for the project AF00000559 “*Building Resilient Communities through Locally Led Nature-Based Climate Action in Lumbini Province, Nepal*”. This proposal was submitted by United Nations Human Settlements Programme (UN-Habitat), which is a Multilateral Implementing Entity of the Adaptation Fund, in time for consideration by the Adaptation Fund Board at its forty-seventh Board meeting.

9. In accordance with Decision B.12/28, paragraph (b), the secretariat carried out an initial review of the PFG request and found that the document provided detailed information on the use of the requested funds. The proposed activities were aligned with the goal of the project. The \$140,000 Project Formulation Grant (PFG) will support will support stakeholder consultations and participatory planning to identify and validate local adaptation priorities and governance arrangements; Free, Prior and Informed Consent (FPIC) processes and community consultations; collection and validation of local climate, socio-economic and vulnerability data to strengthen the climate rationale, results framework and monitoring and evaluation system; preparation of environmental and social safeguards and Gender Equality and Social Inclusion (GESI) instruments; and preparation of a fully developed proposal, including the detailed budget, implementation arrangements and supporting technical analyses.

10. Therefore, the PPRC may want to consider and recommend to the Board to approve the PFG Request, provided that the related concept note proposal is endorsed.



Revised PFG Submission Form¹ (additions in red)

Project Formulation Grant (PFG)

Submission Date:

Adaptation Fund Project ID:

Country: Nepal

Title of Project/Programme: Building Resilient Communities through Locally Led Nature-Based Climate Action in Lumbini Province, Nepal

Type of IE (NIE/RIE/MIE): MIE

Implementing Entity: United Nations Human Settlements Programme (UN-Habitat)

Executing Entity/ies: Youth Alliance for Environment

A. Project Preparation Timeframe

Start date of PFG	1 November 2026 (or immediately following endorsement of the concept note)
Completion date of PFG	28 February 2027

B. Proposed Project Preparation Activities (\$)

The requested Project Formulation Grant (PFG) of USD 140,000 will support undertake comprehensive set of preparatory activities to undertake necessary consultation, assessments, data collection and validations to develop technically robust and full proposal for the Adaptation Fund's Locally Led Adaptation (LLA) funding window that is fully compliant with the Adaptation Fund's Environmental and Social Policy (ESP) and Gender Policy, and Results Framework. The PFG will finance community and stakeholder consultation, including FPIC, technical, socio-economic and gender analyses including validation, and field studies to understand granularity of the localized climate impacts and adaptation interventions needed across four targeted municipalities and the communities in Lumbini province. Through these preparatory activities, the PFG will generate the evidence base, stakeholder ownership, technical design, safeguard compliance, institutional arrangements, and implementation readiness - necessary to develop a robust full proposal for submission to the Adaptation board. The process will ensure that the proposed project is grounded in local realities, addresses the needs of the most climate-vulnerable populations, and delivers transformational adaptation benefits through nature-based locally led adaptation actions consistent with the Adaptation Fund's LLA modality, while promoting climate-resilient and inclusive development pathways.

List of Proposed Project Preparation Activities	Output of the PFG Activities	US\$ Amount	Budget Note
1. Comprehensive stakeholders' consultation and workshop to ensure project alignment with local priorities and adaptation need	Detailed stakeholders' engagement plan and consultation report documenting the co-designed mechanisms for community decision making, transparent and accountability, validated locally identified adaptation priorities incorporating inputs and feedback	25, 000	Support local consultations, workshops, documentation, translation, logistics and travel

¹ As presented in AFB/PPRC.33/40 Annex 1.

	from local government and communities		
2. Free, Prior and Informed Consent (FPIC) and related consultations to ensure compliance with the Environmental and Social Policy	FPIC process undertaken through targeted consultations with Indigenous Peoples, local communities, and other potentially affected vulnerable groups, as a mean to ensure fundamental safeguard measure and that communities are fully informed, their knowledge documented and meaningfully consulted in decision making and benefit sharing.	11,032	Support for community meetings, facilitation, documentation, and local coordination for culturally appropriate consultation aligned with AF ESP
3. Local context data collection and validation for strengthening and refining Results Framework and developing Monitoring and Evaluation (M&E) Plan	Refined and quantified climate rationale strengthened project components with verified field data to refine indicator and define targets with baselines. M&E Plan developed.	38,000	Supports localized assessment to design site specific analysis, community consultation to validate and analyze data and documentation necessary for AF appraisal standards. Logistics and travel
4. Gender, Environmental and Social Risk Analyses	Environmental and Social Management Plan (ESMP) and Gender Action Plan (GAP) developed and integrated into the full proposal	15,000	Supports for screening tools (ESMP and GAP), AF Policy alignment, stakeholder consultations, and report preparation.
5. Full proposal development, consolidation of consultations, internal review, and submission to AF.	Strengthened and complete project document, including stronger climate rationale, evidence backed project components, validated detailed activities, budget, refined implementation strategy, with detailed log frame, and supporting annexes	40,000	Consultancy and technical support from international and national experts for full proposal development including AF Results Framework; and technical inputs for NbS and value chain, including logistics, meetings, final editing.
Sub Total		129,032	
6. Implementing Entity (IE) Management Fee (8.5%)	Oversight, quality assurance, technical supervision, coordination and administrative lead throughout proposal development process	10,968	Supports project preparation through strategic oversight, technical quality control, fiduciary supervision, and coordination among key stakeholders.
Total Project Formulation Grant		140,000	

Please describe below each of the PFG activities and provide justifications for their need and for the amount of funding required:

1. Comprehensive Stakeholder Consultations and Workshops to Ensure Project Alignment with Local Priorities and Adaptation Needs (US\$ 25,000)

This activity will support a comprehensive stakeholder engagement and co-design process to ensure that the full project is firmly grounded in local priorities, climate adaptation needs, and development aspirations across the target four municipalities of Lumbini Province. Consultations and participatory workshops will be conducted at provincial, municipal, ward, and community levels, engaging climate-vulnerable communities, local governments, community-based organizations, women's groups, Indigenous Peoples, youth, persons with disabilities, civil society organizations, private sector actors, and relevant government agencies.

The consultations and co-design sessions will identify and validate local climate risks, vulnerabilities, adaptation priorities, implementation challenges, and opportunities for collaboration, including mechanisms for community decision making, transparency and accountability. Particular emphasis will be placed on the meaningful participation of women, marginalized groups, and vulnerable households to strengthen the projects locally led, inclusive, and gender-responsive approach. Findings will directly inform project design, beneficiary targeting,

adaptation interventions, implementation arrangements, and sustainability mechanisms, while fostering stakeholder ownership and implementation readiness. The requested budget will cover consultation meetings and workshops, facilitation and documentation, venue and logistics, participant travel and refreshments, translations and the preparation of consultation reports to support the development of the full project proposal.

2. *Free, Prior and Informed Consent (FPIC) and Related Consultations to Ensure Compliance with the Environmental and Social Policy (US\$ 11,032)*

This activity will ensure full compliance with the Adaptation Fund's Environmental and Social Policy through the implementation of a robust Free, Prior and Informed Consent (FPIC) process and targeted consultations with Indigenous Peoples, local communities, and other potentially affected vulnerable groups. The FPIC process will be undertaken as a fundamental safeguard measure to ensure that vulnerable communities are fully informed, meaningfully consulted, and able to participate in decision-making regarding project interventions that may affect their rights, livelihoods, resources, or well-being.

Consultations will be conducted in culturally appropriate, inclusive, and gender-responsive ways, respecting local customs, traditional governance structures, and community decision-making processes. Communities will be provided with clear, accessible, and timely information on proposed activities, potential benefits, risks, and implementation arrangements, enabling them to make informed decisions and provide or withhold consent where applicable.

The outcomes of the FPIC process and stakeholder consultations will directly inform project design, safeguard measures, risk mitigation strategies, and implementation arrangements, ensuring that the project is socially inclusive, rights-based, and responsive to community priorities. The requested budget will support community consultations, facilitation by trained personnel, preparation and translation of information materials, travel and logistics, documentation of consent processes, and the preparation of FPIC and consultation reports required for the full project proposal.

3. *Local context data collection and validation for strengthening and refining Results Framework and developing Monitoring and Evaluation (M&E) Plan (US \$ 38,000)*

This activity supports collecting supplementary field data and validating existing information to ensure the results framework and targets reflect real local conditions. It is conducted in selected priority locations through short surveys, key informant interviews, and on-site observations with beneficiaries, service providers, and local authorities. It will involve collecting and validating data to better understand climate risks, vulnerabilities, housing conditions, health impacts, and socio-economic conditions. The activity will support the selection and prioritization of target communities based on their climate vulnerability, adaptive capacity, and readiness to participate. It will also verify local climate and microclimate risks, assess climate-related health challenges, and gather household and community-level information to refined and quantified climate rationale, strengthen project components with verified field data to refine indicator and define targets with baselines.

A comprehensive Monitoring, Evaluation and Learning (MEL) framework will be developed to ensure robust tracking of project performance, outcomes, impacts, and lessons learned throughout implementation. Aligned with the Adaptation Fund Results Framework, the MEL system will establish a clear baseline, define output and outcome indicators, set measurable targets, and identify appropriate data sources and collection methodologies to support evidence-based reporting and adaptive management.

The collected data is triangulated with existing reports and administrative records to identify gaps or inconsistencies. Based on this validation, adjustments are made to indicators, baselines, or targets to better reflect actual implementation conditions and improve the accuracy of the results framework and develop M&E Plan of the project. In addition, it will consolidate and validate climate, housing, health, and socio-economic information from both primary and secondary sources, providing a robust foundation for refining adaptation interventions, beneficiary selection criteria, and investment priorities. The resulting evidence will strengthen the project's climate rationale, improve the precision of its targeting approach, and enhance implementation planning while ensuring that the proposal remains responsive to local needs and aligned with the principles of Locally Led Adaptation. The budget is required for field surveys, data collection, climate data analysis, GIS-

based mapping, community consultations, technical experts, validation workshops, travel and report preparation.

4. Gender, Environmental and Social Risk Analyses and Development of Safeguard Instruments (US\$ 15,000)

This activity will undertake comprehensive gender, environmental, and social safeguard analyses to ensure that the proposed project is equitable, inclusive, and environmentally sustainable, while fully complying with the Adaptation Fund's Environmental and Social Policy. It will also support the development of key safeguard instruments, including an Environmental and Social Management Plan (ESMP) and a Gender Action Plan (GAP), to systematically assess and manage risks and enhance positive outcomes. The analyses will assess potential impacts and risks related to ecosystems, biodiversity, natural resources, livelihoods, cultural heritage, social inclusion, and vulnerable populations, with particular attention to women, Indigenous Peoples, and marginalized groups. Based on this assessment, appropriate mitigation measures, safeguard actions, grievance redress mechanisms, and monitoring arrangements will be designed and embedded within the project framework to ensure risk-informed implementation.

The requested budget will support technical experts, field assessments, stakeholder consultations, safeguard screening processes, preparation of ESMP and GAP documents, validation workshops, and finalization of safeguard instruments for submission as part of the full proposal.

5. Full proposal development, consolidation of consultations, internal review, and submission to AF. (US\$ 40,000)

International and National Technical expertise will be mobilized to develop and finalize a high-quality, evidence-based full project proposal informed by field assessments, consultations, analyses and validations carried out during the PFG phase. This will include preparation of complete project narrative, results framework and M&E plan, implementation arrangements, detailed budget, risk mitigation and sustainability measures, and required technical annexes for submission to the Adaptation Fund. They will elaborate and strengthen project components, outputs, and activities to meet full proposal requirements, ensuring technical coherence and alignment with Adaptation Fund standards. In addition, the assignment will include expansion and alignment of the results framework with measurable indicators consistent with the Adaptation Fund Results Framework, preparation of a comprehensive log-frame, monitoring and evaluation framework, risk matrix, and a detailed, activity-based budget.

The technical experts will ensure full compliance with the Adaptation Fund's Environmental and Social Policy and Gender Policy, while integrating Nature-based Solutions (NbS), ecosystem-based adaptation approaches, and climate-resilient livelihood interventions where appropriate. Throughout the process, the technical team will work closely with government counterparts and local stakeholders to ensure the proposal is technically robust, socially inclusive, and fully aligned with locally led adaptation priorities. The budget will support technical consultancy services, proposal drafting and refinement, technical reviews, coordination meetings, integration of stakeholder feedback, and finalization of the complete proposal package for submission to the Adaptation Fund.

6. Implementing Entity (IE) Fee (US\$ 10,968)

The Implementing Entity will provide overall oversight, quality assurance, technical guidance, fiduciary management, and coordination throughout the project formulation process. The IE will ensure that all activities are conducted in compliance with Adaptation Fund requirements and that the full proposal meets the required technical, environmental, social, and fiduciary standards. The fee covers administrative and management costs associated with project formulation, review of deliverables, coordination with executing partners and stakeholders, and final submission support.

For LLA Projects only:

If requesting additional funding for LLA projects to enable devolving decision making to the local level, please specify the activities that would directly serve to enable devolving decision making to the lowest appropriate level and enable local actors to make informed decisions on how adaptation actions are defined, prioritized, designed, and implemented:

Please provide justifications for their need and for the amount of additional funding required:

The PFG will support targeted activities to strengthen locally led adaptation and devolve decision-making to the lowest appropriate level. Through participatory consultations and co-design workshops in selected municipalities and communities, community groups, women, Indigenous Peoples, youth, and other vulnerable groups will help identify climate risks, validate adaptation priorities, and shape project interventions. The PFG will also support the co-design of community-level governance, beneficiary selection, and accountability mechanisms, as well as validation of local data and evidence to inform adaptation planning. These activities will enable local actors to make informed decisions on how adaptation actions are defined, prioritized, designed, and implemented, ensuring that the full project is responsive to local needs and aligned with the Adaptation Fund's Locally Led Adaptation principles.

C. Implementing Entity

This request has been prepared in accordance with the Adaptation Fund Board's procedures and meets the Adaptation Fund's criteria for project identification and formulation

Implementing Entity Coordinator, IE Name	Signature	Date (Month, day, year)	Project Contact Person	Telephone	Email Address
Raf Tuts, Direct, Global Solution Divisions, UN-Habitat		06.30.2026	Odicea Angelo Barrios, Programme Management Officer, UN-Habitat	(81-92) 724-7121	odicea.angelobarrios1@un.org



Government of Nepal
Ministry of Agriculture, Forests and Environment

Ref. No. 452



P.O. Box No. 3987
Singh Durbar, Kathmandu

Date: 30 June 2026

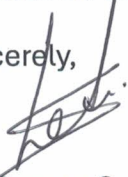
To: The Adaptation Fund Board
c/o Adaptation Fund Board Secretariat
Email: Secretariat@adaptation-fund.org
Fax: 202 522 3240/5

Subject: Endorsement for concept note on **Building Resilient Communities through Locally Led Nature-Based Climate Action in Lumbini Province, Nepal project**

In my capacity as designated authority for the Adaptation Fund in Nepal, I confirm that the above national project concept note is in accordance with the government's national priorities in implementing adaptation activities to reduce adverse impacts of, and risks, posed by climate change in Nepal.

Accordingly, I am pleased to endorse the above grant proposal with support from the Adaptation Fund. If approved, the project will be implemented by the United Nations Human Settlements Programme (UN-Habitat) and executed by the Government of Nepal and Youth Alliance for Environment (YAE).

Sincerely,


Mr. Suman Subedi
Primary Contact Point, Adaptation Fund
Under Secretary, Adaptation Section
Climate Change Management Division
Ministry of Agriculture, Forests and Environment
Singhadurbar, Kathmandu