# Accessing Resources FROM THE Adaptation Fund THE HANDBOOK

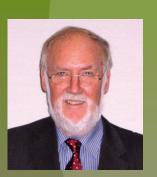




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# **FOREWORD**



This handbook is the first of several publications that will be made available to guide developing countries in accessing resources from the Adaptation Fund. The handbook helps project and program proponents prepare proposals and submit them through an accredited implementing entity, either national or multilateral.

Central to this compilation are the Operational Policies and Guidelines for Parties to access resources from the Adaptation Fund. The Guidelines outline the project cycle and the accreditation process for implementing entities, and provide the templates and documents necessary for project submission.

Further, the "direct access modality" that the Guidelines present as a way of accessing the

resources of the Fund, is perhaps the most important among the forward-looking elements that define this financial mechanism.

The Adaptation Fund stands as one of the most innovative international financial mechanisms conceived of as of today.

The source of its funding, the balanced representation at its governing body and the "direct access modality" to access its resources, constitute the features for which this Fund is considered a breakthrough in international cooperation.

The Adaptation Fund offers the most vulnerable developing countries a strong voice and responsibility in administration of the financial mechanism that will assist them in adapting to the effects of climate change.

It points to the future with regard to the financial architecture of climate financing.

It is my hope that this Handbook will be a valuable reference material that facilitates the presentation of project and programme proposals and, at the same time, increases the knowledge about this innovative fund.

### Jan Cedergren

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.

# 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 also receive funding from other kinds of sources. 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.

### **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 million¹.

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, CFR issuance, or other variables.

### 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 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

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

- Parties are invited to nominate an NIE
- 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

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 PROJECT CYCLE

- Eligible developing country Parties submit proposals 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 contracts 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.

Contact Details for Submission of Project and Programme Proposals

**The Adaptation Fund Board Secretariat** 

Tel: + 1 202 473 0508 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>3</sup>
- 3. In Montreal, Canada in November 2005<sup>4</sup> and in Nairobi, Kenya in December 2006,<sup>5</sup> 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. Farties invited the Global Environment Facility to provide secretariat services to the Adaptation Fund Board (the Secretariat), and the World Bank to serve as

- the trustee (the Trustee) of the Fund, both on an interim basis.
- 5. In particular, Decision 1/CMP.3, paragraph 5(b), lists among the functions of the Board is the development and decision on specific operational policies and guidelines, including programming guidance and administrative and financial management guidelines, in accordance with decision 5/CMP.2, and to report to the CMP.
- 6. In Poznan, Poland, in December 2008, through Decision 1/CMP.4, the Parties adopted:
  - (a) the Rules of Procedures of the Adaptation Fund Board;
  - (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).
- 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.

<sup>2.</sup> See FCCC/KP/Kyoto Protocol.

<sup>3.</sup> See Decision 10/CP.7, "Funding under the Kyoto Protocol".

<sup>4.</sup> 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.

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

<sup>6.</sup> 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

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

# OPERATIONAL AND FINANCING PRIORITIES

12. The overall goal of all adaptation projects and programmes financed under the Fund will be to

- support concrete adaptation activities that reduce the adverse effects of climate change facing communities, countries, and sectors.
- 13. Provision of funding under the Fund will be based on, and in accordance with, the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* adopted by the CMP, attached as Annex 1.
- 14. Funding will be provided on full adaptation cost basis of projects and programmes to address the adverse effects of climate change.<sup>7</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 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>8</sup>

<sup>7.</sup> Decision 5/CMP.2, paragraph 1 (d).

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

- 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).

### **COUNTRY ENDORSEMENT**

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

### FINANCING WINDOWS

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

### **ELIGIBILITY CRITERIA**

### **Country Eligibility**

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

### Implementing and Executing Entities

- 26. Eligible Parties who seek financial resources from the Adaptation Fund shall submit proposals directly through their nominated National Implementing Entity (NIE). They may, if they so wish, use the services of Multilateral Implementing Entities (MIE). The implementing entities shall obtain an endorsement from the government. The modalities for accessing resources of the Adaptation Fund are outlined in Figure 1.
- 27. National Implementing Entities (NIE) are those national legal entities nominated by Parties that are recognized by the Board as meeting the fiduciary standards established by the Board. The NIEs will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring, and reporting responsibilities.
- 28. A group of Parties may also nominate regional and sub-regional entities as implementing entities, in which case provisions of paragraph 27 will apply.
- 29. Multilateral Implementing Entities (MIE) are those Multilateral Institutions and Regional Banks that meet the fiduciary standards provided by the Board. The MIEs, chosen by eligible Parties to submit proposals to the Board, will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring, and reporting responsibilities.

- 30. In the case of regional (i.e., multi-country) projects and programmes, the proposal submitted to the Board should be endorsed by the designated authority of each participating Party.
- 31. Executing Entities are organizations that execute adaptation projects and programmes supported by the Fund under the oversight of the Implementing Entities.

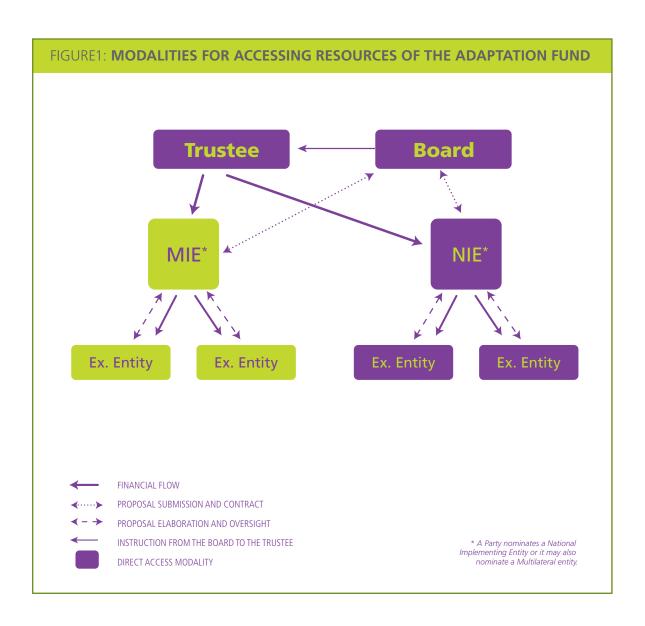
# ACCREDITATION OF IMPLEMENTING ENTITIES

### Fiduciary Standards

- 32. 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:
    - (i) Accurately and regularly record transactions and balances in a manner that adheres to broadly accepted good practices, and are audited periodically by an independent firm or organization;
    - (ii) Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;
    - (iii) Produce forward-looking financial plans and budgets;

<sup>9.</sup> They may include inter alia, ministries, inter-ministerial commissions, government cooperation agencies.

<sup>10.</sup> As laid out in paragraph 21: "Each Party shall designate and communicate the authority that will endorse on behalf of the national government the projects and programmes proposed by the implementing entities."



- (iv) Legal status to contract with the Adaptation Fund and third parties
- (b) Institutional Capacity:
  - (i) Procurement procedures which provide for transparent practices, including in competition;
  - (ii) Capacity to undertake monitoring and evaluation;
  - (iii) Ability to identify, develop and appraise project;
  - (iv) Competency to manage or oversee the execution of the project/programme including ability to manage sub-recipients and to support project /programme delivery and implementation.
- (c) Transparency and Self-investigative Powers: Competence to deal with financial mismanagement and other forms of malpractice.

### **Accreditation Process**

- 33. Accreditation for the implementing entities would follow a transparent and systematic process through an Adaptation Fund Accreditation Panel supported by the Secretariat. The Accreditation Panel will consist of two Board Members and three experts. The different steps for accreditation are as follows:
  - (a) The Board will invite each Party<sup>11</sup> to nominate a national implementing entity; the Board will issue a call to potential multilateral implementing entities to express interest in serving as a MIE;
  - (b) Potential implementing entities will submit their accreditation applications to the

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

<sup>11.</sup> The designated authority referred to in paragraph 21 above shall endorse the application for accreditation on behalf of the Party.

<sup>12.</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.

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

### **PROJECT CYCLE**

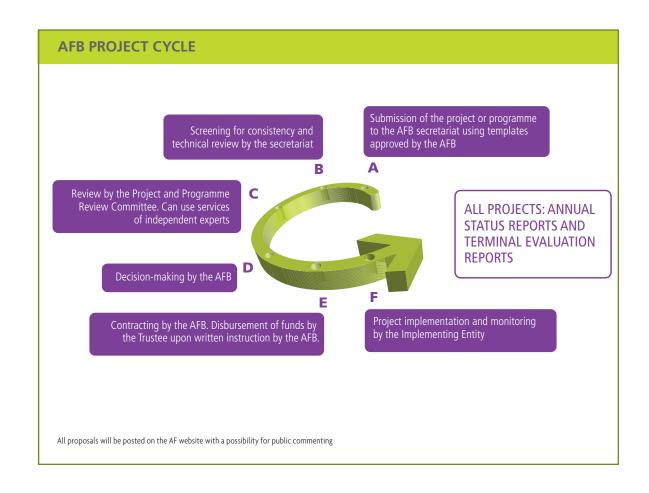
39. The project cycle of the Adaptation Fund for any project or programme size begins with a proposal submission to the Secretariat by the NIE/MIE chosen by the government of the recipient country/ies. The submission is followed by an initial screening, project review and approval.<sup>13</sup>

# Review and Approval of Small-size Projects and Programmes

- 40. In order to expedite the process of approving projects and reduce unnecessary bureaucracy, it is proposed that small-size projects undergo a one-step approval process by the Board. The proposed project cycle steps are as follows:
  - (a) The project proponent submits a fully developed project document <sup>14</sup> based on a template approved by the Board (Annex 3 for the case of projects; template for programmes will be made available on-line in the near future). Proposals can be submitted to the Board through the Secretariat three times per year or as may be decided at any time by the Board depending on the flow of requests and the available resources. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board to the extent possible.
  - (b) The Secretariat will screen all proposals for consistency and provide a technical review. It will then forward the proposals with the technical reviews to the Projects and Programmes Review Committee for review, based on the criteria approved by the Board (Annex 3). Screening by the Secretariat will be conducted as soon as possible, and within fifteen (15) working days.
  - (c) The Secretariat will send all project proposals received with technical reviews to the Project and Programmes Review Committee four weeks prior to the Adaptation Fund Board meeting. The Project and Programmes Review Committee will review the proposals and give its recommendation to the Board for a decision

<sup>13.</sup> The designated authority referred to in paragraph 21 above shall endorse the proposal submission.

<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.



- at the Meeting. The Committee may use services of independent adaptation experts to provide input into the review process if needed. The Board can approve or reject a proposal with a clear explanation to the implementing entities. Rejected proposals can be resubmitted after consideration of the reasons for rejection.
- (d) The proposals approved by the Board will be posted on the Adaptation Fund website. The Secretariat in writing will notify the proponent of the decision of the Board.

# Review and Approval of Regular Projects and Programmes

- 41. Regular adaptation projects are those that request funding exceeding \$1 million. It is proposed that these proposals undergo either a one-step or a two-step 15 approval process. To reduce the time needed to get a project funded, proponents are encouraged to submit a fully-developed project document 16 for a one-step approval. The proposed project cycle steps for a one-step approval are as follows:
  - (a) The project proponent submits a fully-developed project document based on a template approved by the Board (Annex 3, Appendix A for the case of projects and Appendix B for the case of programmes<sup>17</sup>). Proposals can be submitted to the Board through the Secretariat three times per year or in any other schedule to be decided by the Board. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board as much as possible.
  - (b) The Secretariat will screen all proposals for consistency and provide a technical review. It will forward the proposals and the technical reviews to the Projects and Programmes Review Committee for review based on the criteria approved by the Board (Annex 3). Screening by the Secretariat will be conducted

- as soon as possible, and within fifteen (15) working days.
- (c) The Secretariat will send all project proposals with technical reviews to the Project and Programmes Review Committee four weeks before the Adaptation Fund Board meeting. The Project and Programme Review Committee will review the proposals and give its recommendation to the Board for a decision at the Meeting. The Committee may use services of independent adaptation experts to provide input into the review process if needed. The Board can approve or reject a proposal with a clear explanation to the implementing entities. Rejected proposals can be resubmitted after consideration of the reasons for rejection.
- (d) All proposals approved by the Board will be posted on the Adaptation Fund website. The Secretariat in writing will notify the proponent of the decision of the Board.

### Disbursement

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

<sup>16.</sup> A brief project concept is approved in the first step followed by the review and approval of a fully-developed project/document in the second-step. A two-step process, while time consuming minimizes the risk that a proponent does not invest time and energy in fully developing a project or program document that fails to meet the criteria of the Fund. Funding will only be reserved for a project after the approval of a fully-developed project document in the second step.

<sup>16.</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>17.</sup> To be completed

45. The Board may instruct the Trustee to disburse funds for programmes in tranches based on time specific milestones, and may require a progress review from the Implementing Entity prior to each tranche disbursement.

### Monitoring, Evaluation and Review

- 46. The Board is responsible for the strategic oversight of projects and programmes implemented with resources from the Fund. The Ethics and Finance Committee, with support of the Secretariat, will monitor the Adaptation Fund portfolio of projects and programmes.
- 47. The Adaptation Fund Board will develop a results framework to support the Strategic Priorities, Policies, and Guidelines of the Adaptation Fund. The framework will take into consideration existing good practices and lay out an approach that: (i) incorporates measuring results with widely recognized tools; (ii) assesses risk on an ongoing basis; and (iii) incorporates learning into strategies, projects, and programmes.
- 48. The Board will oversee results at the fund-level. Implementing entities shall ensure that capacity exists to measure and monitor results of the Executing Entities at the country-level. The Board requires that projects and programmes under implementation submit annual status reports to the Ethics and Finance Committee. The Committee, with the support of the Secretariat, shall provide an annual report to the Board on the overall status of the portfolio and progress towards results.
- 49. All regular projects and programmes that complete implementation will be subject to terminal evaluation by an independent evaluator

- selected by the Implementing Entity. The Board reserves the right to submit small projects and programmes to terminal evaluation when deemed appropriate. Terminal evaluation reports will be submitted to the Board within a reasonable time after project termination, as stipulated in the project agreement.
- 50. The Adaptation Fund Board will consider the process for developing a results framework to support projects and programmes and outline its main components with the aim of ensuring that the framework is in place before projects are approved.
- 51. The Adaptation Fund Board reserves the right to carry out independent reviews or evaluations of the projects and programmes as and when deemed necessary. The costs for such activities will be covered by the Adaptation Fund.
- 52. This project cycle will be kept under review by the Board.

### **Procurement**

- 53. 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.
- 54. The project proposal submitted to the Board shall contain adequate and effective means to punish and prevent malpractices. The Implementing Entities should promptly inform the Board of any instances of such malpractices.

### **Project Suspensions and Cancellations**

- 55. At any stage of the project cycle, either at its discretion or following an independent review-evaluation, the Ethics and Finance Committee may recommend to the Board to suspend or cancel a project for several reasons, notably:
  - (a) financial irregularities in the implementation of the project; and/or
  - (b) material breach and poor implementation performance leading to a conclusion that the project can no longer meet its objectives.
- 56. Before the Board makes its final decision whether to suspend or cancel a project or a programme, the concerned implementing entity will be given a fair chance to present its views to the Board.
- 57. In accordance with their respective obligations, Implementing Entities suspending or cancelling projects and programmes must notify and send detailed justification to the Board for information.
- 58. 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

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

### Dispute Settlement

60. In case of a dispute as to the interpretation, application, or implementation of the project/

- programme, the implementing entity shall first approach the Secretariat with a written request seeking clarification. In case the issue is not resolved to the satisfaction of the implementing entity, the case may be put before the Board at its next meeting, to which a representative of the implementing entity could also be invited.
- 61. Subject to development on the legal status of the Board, the Board will draw more comprehensive dispute settlement provisions.

### Management Fees

62. Every project proposal submitted to the Board shall state the management fee requested by the Implementing Entity, if any. The reasonability of the fee will be reviewed on a case by case basis.

### Where to send a Request for Funding

63 All requests shall be sent to:

### The Adaptation Fund Board Secretariat

Tel: +1 202 473 0508 Fax: +1 202 522 3240/5

Email: secretariat@adaptation-fund.org

64. 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

65. 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

- 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:** There are two approval processes under the Adaptation Fund project<sup>18</sup> cycle: (i) a one-step approval process; and (ii) a two-step approval process. Eligible developing country Parties to the Kyoto Protocol may submit project proposals directly to the Adaptation Fund Board Secretariat (AFBS) 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. All small-size projects will follow the one-step approval process, while regular projects may follow either the one-step approval or the two-step approval process, depending on the stage of project preparation, and at the discretion of the project 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 or regular projects with proposals that are already fully-prepared.

  Approval process includes the following steps:
  - (a) Eligible Parties submit a fully-prepared project document to the AFBS seven weeks before the next AFB meeting.
  - (b) The AFBS will screen all proposals and prepare a **Technical Review** for each project/programme. The AFBS will submit a collection of proposals consisting of technical reviews for all projects to the Project and Program Review Committee (PPRC) 4 weeks prior to the next AFB meeting.

- (c) The PPRC will review and prepare recommendations for the Board using a Recommendation Template. The PPRC will convene back-to-back to the Adaptation Fund Board (AFB) meeting to finalize its recommendation and submit its recommendation the next day to the AFB.
- (d) AFB approves/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 if it is so decided by the proponent Party: (i) project concept approval; and (ii) final project document approval. Each of these steps is subject to the same approval process as the single approval process, i.e., the project 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 Concept. (b) 2<sup>nd</sup> step: Regular Project Final Project Document.
- 4. Documentation required in the submission:
  - (a) Regular Project Concept: used for the first step of the two-step approval process (only for regular projects that have not been fully developed);
  - (b) Small-sized Project/Programme Document Template: for use when submitting small-sized projects;

<sup>18.</sup> In what follows the term project will refer to both programmes and projects unless otherwise stated.

- (c) Regular Project/Programme Document Template: for use when submitting regular projects (for regular projects that have been fully developed);
- (d) Full Project/Programme Document prepared by NIEs/MIEs for both small-sized and regular projects;
- (e) Endorsement Template endorsed by the country's designated authority for Adaptation Fund.19

# 5. Categories of projects under the Adaptation

- (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 impacts of and risks posed by climate change.
- (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 accompanying the templates.

### 7. Financing and Disbursement:

- (a) Financing: funding for projects and programs will be on a full adaptation cost basis to address the adverse effects of climate change.<sup>20</sup>
- (b) Disbursement: The Trustee will disburse funds on the written instruction of the Board, signed by the Chair and the Vice-Chair, or any other Board Member designated by the Chair and the Vice-Chair, and report to the Board on the disbursement of funds.

<sup>19.</sup> The designated authority referred to in paragraph 21 of the operational guidelines.

<sup>20.</sup> Para. 14 of the "Provisional Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund," 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 are applicable to both the small-size projects and regular projects under the single-approval process. For regular projects using the two-step approval process, only the first four criteria will be applied when reviewing the 1st step for regular project concept. In addition, the information provided in the 1st step approval process with respect to the review criteria for the regular project concept could be less detailed than the information in the request for approval template submitted at the 2nd step approval process. Furthermore, a final project document is required for regular projects for the 2nd step approval, in addition to the approval template.

### Review Criteria

COUNTRY ELIGIBILITY	Is the country party to the Kyoto Protocol?  Is the country a developing country particularly vulnerable to the adverse effects of climate change? <sup>21</sup>
PROJECT ELIGIBILITY	Has the government endorsed the project? <sup>22</sup> Does the project support concrete adaptation actions to assist the country in addressing the adverse effects of climate change?  Does the project provide economic, social and environmental benefits, with particular reference to the most vulnerable communities?  Is the project cost-effective?  Is the project 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 meet the relevant national technical standards, where applicable?  Is there duplication of project with other funding sources?  Does the project have a learning and knowledge management component to capture and feedback lessons?  Has the project provided justification for the funding requested on the basis of the full cost of adaptation?
RESOURCE AVAILABILITY	Is the requested project funding within the cap of the country?
ELIGIBILITY OF NIE/MIE	Is the project submitted through an eligible NIE/MIE that has been accredited by the Board?
IMPLEMENTATION ARRANGEMENT	Is there adequate arrangement for project?management?  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?

Attached with this note are the following:

Appendix A: Request for Project Funding from Adaptation Fund

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

<sup>21.</sup> Further reference to the eligibility of country can be found in the document: "Strategic Priorities, Policies, and Guidelines of the Adaptation Fund"

<sup>22.</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 1818 H Street NW MSN G6-602 Washington, DC. 20433 U.S.A

Fax: +1 (202) 522-3240/5

Email: secretariat@adaptation-fund.org



DATE OF RECEIPT:
ADAPTATION FUND PROJECT ID:
(For Adaptation Fund Board Secretariat Use Only)

### PROJECT/PROGRAMME PROPOSAL

### PART I: PROJECT/PROGRAMME INFORMATION

PROJECT/PROGRAMME CATEGORY:

COUNTRY/IFS:

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 the economic social, development and environmental context in which the project would operate.

### ■ PROJECT / PROGRAMME OBJECTIVES:

List the main objectives of the project.

### ■ PROJECT / PROGRAMME COMPONENTS AND FINANCING:

Fill in the table presenting the relationships among project 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 COMPONENTS	EXPECTED CONCRETE OUTPUTS	EXPECTED OUTCOMES	AMOUNT (US\$)
	00119015		(034)
1.			
2.			
3.			
4.			
5.			
6. Project/Programme Execution cost			
7. Total Project/Programme Cost			
8. Project 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.
- 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, 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.
- **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.
- Provide justification for funding requested, focusing on the full cost of adaptation reasoning.

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

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

A. RECORD OF ENDORSEMENT ON BEHALF OF THE GOVERNMENT<sup>1</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)

**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 prepared in accordance with guidelines provided by the Adaptation Fund Board, and prevailing National Development and Adaptation Plans (.....list here.....) and subject to the approval by the Adaptation Fund Board, understands that the Implementing Entity will be fully (legally and financially) responsible for the implementation of this project/programme.

Name & Signature
Implementing Entity Coordinator

Date: (Month, Day, Year)

Tel. and email:

Project Contact Person:
Tel. And Email:

<sup>&</sup>lt;sup>1.</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.

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

Project and programme applications must be clear on the problem 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. 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 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 cross borders. Programmes usually engage multiple partners / stakeholders.

**COUNTRY/IES:** Please insert the name of the country requesting the grant. Please note that regional projects / programmes should mention all the participating countries.

**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 will be managed by. The two options are:

- A) NATIONAL IMPLEMENTING ENTITY
- B) MULTILATERAL 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(s) the project 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 is aiming to solve. Outline the economic, environmental and social development context in which the project would operate. For the case of a programme, the analysis will be more complex, focusing on how climate change is expected to affect multiple stakeholders, sectoral and/or economic activities within a well defined region.

**PROJECT / PROGRAMME OBJECTIVES.** List the main objectives of the project. 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 relationships among project components, activities, expected concrete outputs, and their corresponding budgets to accomplish them. 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 likely 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.

**INDICATORS –** What is going to be measured?

**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.** 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.** 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 and disbursement can be requested. This is also the trigger date for the Adaptation Fund Trustee to allow the Implementing Entities to request for disbursement

**MID-TERM REVIEW.** The date on which the Implementing Entity completes its mid-term review of the project.

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

**TERMINAL EVALUATION.** The date on which the Implementing Entity completes the terminal evaluation report, normally two months after project completion but in any case, no later than twelve months after project completion.

### PART II: PROJECT / PROGRAMME JUSTIFICATION

- **A.** Describe the project / programme components, including details of activities in each component, regarding how the components will meet project objectives. 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
- **B.** Describe how the outputs and outcomes of the project / programme will provide economic, social and environmental benefits, particularly to the most vulnerable communities in the targeted area.
- **C.** How is the project / programme cost-effective. Compare to other possible interventions that could have been taken to achieve similar project objectives.
- **D.** Describe how the project / programme is located in the framework of national development strategies, plans, action plans, etc.

- **E.** Describe how the project / programme design meets national technical standards.
- **F.** Describe if the project / programme overlaps or duplicates similar activities from other funding sources.
- **G.** Describe the activities included in the project / programme to gather lessons learned from project design and implementation and for their dissemination.
- **H.** Describe the consultative process undertaken during project design. List the stakeholders consulted and the methods of consultation.
- **I.** Provide the full cost of adaptation reasoning for the funding requested for the project / programme.

**PART III: IMPLEMENTATION ARRANGEMENTS.** Describe the various elements of project implementation as enumerated below:

- **A.** Adequacy of project / programme management arrangements. For the case of a programme, explain how the programme strategy will be managed and evaluated, and how individual projects will be identified, designed, appraised, approved, implemented and evaluated against programme's strategic objectives. Provide a full organogramme of the executing agents and how they report to each other.
- **B.** Measures for financial and project / programme risk management. For the case of a programme, provide detailed information to illustrate how risk will be managed.
- **C.** Monitoring and evaluation arrangements including budgeted M&E plan.
- **D.** Procurement arrangements including standards and safeguards.
- **E.** Results framework. Guidance and a template for a Results Framework will be provided.

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

- 9. 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, 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 proposal.
- **10. IMPLEMENTING ENTITY CERTIFICATION.** Provide the name and signature of the Implementing Entity Coordinator and the date of signature. Provide also the project contact person's name, telephone number and email address.

## ANNEX 4 ACCREDITATION APPLICATION FOR IMPLEMENTING ENTITIES

# **Accreditation Application Form - Example**

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

**SECTION I: Background/Contact** 

Nominated Entity (if NIE):
Invited Entity (if MIE):
Address:
Country:
Postal Code:
Telephone:
Fax:
Web Address:
Contact Person:
Telephone:
Email:

# SECTION II: Financial Management and Integrity

### Specific Capability Required

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

## ■ Description of how entity meets capabilities required

Document References

## Examples of Supporting Documentation

Required Competency	Verification	Supporting documentation that may be provided
Financial Management and Integrity		

ਲੰ	Production of reliable financial statements that are prepared in accordance with internationally recognized accounting standards	Audited Financial Statements
	Production of annual external audited accounts that are consistent with recognized international auditing standards	i) Audit Committee's Terms of Reference and ii) External Auditor Reports (if possible)
Ö	Production of detailed departmental accounts	Sample of departmental account
d.	Demonstration of use of accounting packages that are recognised and familiar to accounting procedures in developing countries	Description of accounting package used
φ	Demonstration of capability for functionally independent internal auditing in accordance with internationally recognized standards	Policy or other published document that outlines the entity's internal auditing function
4-1	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
9.	Production of financial projections demonstrating financial solvency	Business plan/corporate budgets for the next fiscal year
.h	Demonstration of proven payment/disbursement systems	Procedures describing the payment/disbursement system
.1	Evidence of preparation of corporate, project or departmental/ministry budgets	(same documentation as for g will provide the necessary verification)
į	Demonstration of ability to spend against budgets	End of calendar year/fiscal year budget report
Х	Demonstration of necessary legal personality if not government department/institution	Documentation of legal status

(same documentation as for k will provide the necessary verification)	
Demonstration of legal capacity/authority and the ability to directly receive funds	
-:	

## SECTION III: Requisite Institutional Capacity

### Specific Capability Required

- a) Ability to manage procurement procedures which provide for transparent practices, including in competition
- b) Capacity to undertake monitoring and evaluation
- c) Ability to identify, develop and appraise projects
- d) Competency to manage or oversee the execution of projects/programmes, including ability to manage sub-recipients and to support project/programme delivery and implementation

## Description of how entity meets capabilities required

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## **Examples of Supporting Documentation**

Required Competency	Verification	provided
Requisite Institutional		
	a. Evidence of procurement policies and procedures at the national level that are consistent with recognized international practice (including dispute resolution procedures)	: Procurement policy, procedures, or guidelines

b.	Demonstration of existing capacities for monitoring and independent evaluation that are consistent with the requirements of the Adaptation Fund	Policy or other published document that outlines monitoring and evaluation requirements
Ö	Evidence of a process or system, such as a project-at-risk system, that is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond to redress the problems	Procedures for project-at-risk system or similar process/system
d.	Demonstration of availability of/access to resources for and track records of conducting appraisal activities	Sample of appraisals undertaken
Φ	Evidence of institutional system for balanced review of projects, particularly for quality-at-entry during design phase	Operational manual or written procedures for project review system
<b></b>	Evidence of risk assessment procedures in place	Policy or other published document that outlines the risk assessment procedures
Ġ	Demonstration of an understanding of and capacity to oversee the technical, financial, economic, social, environmental, and legal aspects of projects and their implications	Sample of project documents and criteria used to monitor project implementation
	Demonstration of competence to execute or oversee execution of projects/programmes	Independent evaluation reports of completed projects/programmes

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

Required
pability
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a) Competence to deal with financial mis-management and other forms of malpractice

Description of how entity meets capabilities required

Examples of Supporting Documentation

Required Competency	Verification	Supporting documentation that may be provided
Requisite Institutional Capacity		
a.	Demonstration of capacity and	Documentation, if existing, supporting avenues for
	procedures to deal with financial	reporting compliance/other business conduct
	mismanagement and other forms of	concerns
	malpractice	
.d	Evidence of an objective investigation	Procedures describing the role and authority of the
	function for allegations of fraud and	ethics or related administrative support function
	corruption	

### 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>
- 2. 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

17. 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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