



ADAPTATION FUND

AFB/PPRC.32/23  
2 October 2023

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Adaptation Fund Board  
Project and Programme Review Committee  
Thirty-second Meeting  
Bonn, Germany, 10-11 October 2023

Agenda item 12)

**PROGRESS REPORT ON THE IMPLEMENTATION OF THE  
PILOT ROLLING BASIS SUBMISSION PROCESS AND  
PROPOSALS FOR UPDATING THE OPERATIONAL POLICIES  
AND GUIDELINES FOR PARTIES TO ACCESS RESOURCES  
FROM THE ADAPTATION FUND**

## Introduction

1. At the thirty-fourth meeting of the Adaptation Fund Board (the Board), having considered document AFB/B.34/10, the Board decided to:

- (a) *Request the Project and Programme Review Committee (PPRC) to pilot discussing technically-recommended pre-concepts, concepts and fully-developed project proposals for concrete adaptation projects only, with the understanding that the Board members may request discussion at the PPRC meeting on any proposal that has not been technically recommended;*
- (b) *Request the PPRC to continue discussing innovation grants, project scale-up grants and learning grants, and other proposals from any new funding windows; and*
- (c) *Request the secretariat to prepare a document which contains options for further supporting the work of the PPRC and present it to the twenty-seventh meeting of the PPRC for consideration.*

*(Decision B.34/50)*

2. At the thirty-eighth meeting of the Board, having considered the recommendation of the Project and Programme Review Committee, the Adaptation Fund Board decided:

- (a) *To defer consideration of document AFB/PPRC.29/48 by the Project and Programme Review Committee until after further discussion of staffing of the secretariat project review team by the Board;*
- (b) *To request the secretariat to prepare an updated document, to be considered intersessionally, as needed, taking into account the outcome of the discussion in the subparagraph (a), above.*

*(Decision B.38/44)*

3. At the thirty-ninth meeting of the Board, having considered the recommendations of the Project and Programme Review Committee, the Adaptation Fund Board decided:

- (a) *To invite the implementing entities of the Adaptation Fund to submit, on a rolling basis as described under option 3 in document AFB/PPRC.30/55, proposals for projects or programmes under the innovation, enhanced direct access, learning and scale-up grants funding windows, on a pilot basis;*
- (b) *To request the secretariat to prepare a report on the pilot phase to-date, with a view to considering potential changes to the Operational Policies and Guidelines (OPG), as appropriate, and taking into consideration the developments related to the new Medium-Term Strategy (2023-2027), as well as any other relevant developments;*
- (c) *To request the secretariat to present the report at the thirty-first meeting of the PPRC with a recommendation concerning the next decision regarding the pilot phase.*

*(Decision B.39/53)*

4. At the fortieth meeting of the Board, having considered the recommendations of the Project and Programme Review Committee, the Adaptation Fund Board decided:

- (a) *To extend the piloting of the rolling-basis submissions, in line with the elements described and improvements suggested under paragraph 18 of document AFB/PPRC.31/60, to concrete adaptation projects under the action pillar of the Adaptation Fund's medium-term strategy for 2023–2027 (single country and regional projects);*
- (b) *To invite the implementing entities of the Adaptation Fund to submit, on a rolling basis, proposals for projects or programmes under all funding windows;*
- (c) *To request the secretariat:*
  - (i) *To prepare a progress report on the implementation of the pilot with further recommendations for improvement, as appropriate, taking into consideration the developments related to the new medium-term strategy (2023–2027), as well as any other relevant developments;*
  - (ii) *To develop proposals for updating the Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund, as well as any other policies or guidance that may be affected by the new review process;*
  - (iii) *To present the documents referred to under subparagraphs (c) (i) and (ii) above, to the Project and Programme Review Committee at its thirty-second meeting.*

*(Decision B.40/59)*

5. This document presents the progress report on the implementation of the pilot of the rolling basis process (the pilot process) with further recommendations for improvement, as well as proposals for updating the OPG pursuant to Decision B.40/59, subparagraph (c) above.

### **Overview of the rolling submission process pursuant to Decision B.40/59**

6. As mandated by Decision B.40/59, the Secretariat initiated the pilot process for all funding windows following the fortieth Board meeting and communicated the details on the submission process in a notification sent to the IEs on 17 April 2023 by the Head of the Adaptation Fund Board Secretariat, and subsequent reminders sent by the Secretariat in May and July 2023. In these communications, the Secretariat invited IEs to submit proposals projects for all funding windows, at any time. The secretariat also invited IEs to attend webinars explaining the changes in the pilot process. These webinars were held on May 19, May 25 and June 1, 2023, with language support in French and Spanish in addition to English. The Secretariat has also taken advantage of all bilateral meetings with IEs and UNFCCC Parties (particularly those that took place during the Subsidiary Bodies in June 2023) to explain the pilot process.

7. To maintain the current levels of transparency, the Secretariat posted each received proposal on the Fund's website. The Adaption Fund CSO network was alerted, as per normal practice, about where proposals under review can be found and by which deadline any comments should be sent to the secretariat. Similarly, as per agreed practice, a notification will have been

sent to the Board members as well once the project documents will have been posted, three weeks prior to the Board meeting under the pilot process.

## **Observations from the pilot rolling submission process**

### *Number of submissions received*

8. Under the pilot process that was implemented in April 2023, the secretariat received 39 proposals, including thirteen (13) single country fully-developed proposals, eight (8) single country concepts, two (2) regional fully-developed proposals, two (2) regional concepts, three (3) regional pre-concepts, one (1) innovation small grant proposal, two (2) enhanced direct access fully-developed proposals and two (2) enhanced direct access concepts, and 6 proposals for the Adaptation Fund Climate Innovation Accelerator (AFCIA).

9. Noting that sixteen (16) proposals were submitted only a few days before the start of the review intermission period, or even on the day that the review intermission started. Eight (8) proposals were submitted with a sufficient time between the submission date and the start of the review intermission to undergo at least two (2) technical reviews.

10. The complete list of the proposals submitted with information on the number of technical reviews they received is available in document AFB/PPRC.32/3 “Report of the secretariat on initial screening/technical review of project and programme proposals”. All proposals that are not technically recommended are presented to the PPRC and the Board as information documents.

### *Implications on the quality of proposals*

11. The general observation on the pilot process, when it was adopted for MTS grants at AFB39, which noted that the duration of three weeks for resubmission following a technical review markedly enhanced the technical quality of the proposals resubmitted, also held true for the most recent cycle. Some proponents requested additional time to resubmit the revised proposals; these are generally proposals for which the review highlighted the need to undertake enhanced consultations with the stakeholders and communities. In general, IEs have expressed appreciation that the period of three weeks is a good amount of time to comprehensively address the clarification requests, especially when compared to the normal tight deadline of approximately one week. A substantial number of IEs have also taken the opportunity to schedule calls to seek clarifications from the secretariat between submissions.

### *Process for receiving comments from the civil society and other stakeholders*

12. A longer review period between the Board meetings combined with the fact that new proposals or resubmissions will be added to the projects-under-review pipeline at any time during that period has changed the way that the Fund will solicit comments from the civil society and other stakeholders during the public commenting period. One advantage expected under the rolling-basis submission process is that the commenting period will be open for longer than it commonly has been before. The secretariat will continue to make adjustments in order to adapt the current approach to better suit the rolling-basis submission process in consultation with the CSO network.

### **Initial conclusions for extending the rolling submission process to regular proposals**

13. This first cycle of pilot process was atypical in that several IEs have expressed that the planning and timelines for project preparation and submission had already been developed for this cycle based on the old deadlines, which explains the relatively large number of submission close to the onset of the review intermission. In addition, some IEs seem to have interpreted the start of the review intermission period as a deadline for submission of a proposal for the consideration of the upcoming Board meeting, and it is expected that IEs will continue to need sustained support in terms of proactively clarifying the process to them and responding to queries in the first year, until all stakeholders become familiar with the process. The Secretariat stands ready to continue providing such support.

14. During this review cycle, the secretariat found that the review process was more efficient, particularly thanks to a number of proposals received early in the cycle, which reduced the issue of bottlenecks and logjams during the quality control and clearance of reviews and document preparation by the Secretariat. Most importantly, the IEs that submitted early had an increased number of opportunities for technical review and feedback.

15. The secretariat has not perceived major unforeseen challenges during this pilot period of the rolling submission for all funding windows. The implementation of the pilot process is expected to continue to improve with the enhanced familiarity of the IEs with the details of the process and is expected to result in overall improvements in the quality of proposals, as well as increasing the rate of approval, thereby enhancing the effectiveness of the Fund in serving the most vulnerable countries in their adaptation efforts to address climate change.

### **Proposal for revising the Operational Policies and Guidelines**

16. Considering the positive results emerging from this experience the secretariat proposes to continue piloting the rolling-basis submission for another cycle, until AFB42, at which point the Board may decide to end the pilot and adopt the process on a permanent basis. This would allow to observe any additional challenges that may be experienced by the IEs, the secretariat or the Board.

17. In the meantime, the secretariat has completed a review with respect to Decision B.40/59, para (ii), *“to develop proposals for updating the Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund, as well as any other policies or guidance that may be affected by the new review process”* and has developed proposals for updating the OPG. These mainly concern paragraphs 46-49 of the OPG and are available in Annex 1.

18. However, in reviewing the OPG to reflect the changes for the pilot process, the secretariat took note of the fact that the OPG would require additional changes already as well as upon soon-anticipated changes in the Fund policies. This is due to the fact that the Fund has recently undergone, and is still undergoing, various changes in its policies, and, furthermore, progress in the implementation of the second Medium-Term Strategy 2023-2027 is expected to require additional adjustment to the OPG in the near term as well, particularly with the planned additions of new windows and with the additional focus on certain priorities (such as LLA, scaling up, etc). Therefore, it may be prudent to undertake a more holistic exercise of reviewing and revising the OPG to reflect the key changes in the Fund’s policies and operation is warranted no sooner than the conclusion of the rolling-basis submission pilot (i.e. no earlier than AFB42). In revising the OPG, given the dynamic evolution of adaptation needs, it may be useful to consider what level of

detail should be included in the OPG as well as the level of flexibility in order to accommodate future changes in the Fund's operations and policies.

### **Recommendation**

19. The PPRC may wish, having considered document AFB/PPRC.32/23, to recommend to the Board to decide to:

- (a) Maintain the piloting of the rolling-basis submissions process for all funding windows, as described in document AFB/PPRC.31/60 and approved by decision B.40/59;
- (b) Request the Secretariat:
  - i. To present to the PPRC at its thirty-third meeting a final report on the implementation of the pilot with any recommendations for improvement, as appropriate;
  - ii. To undertake a comprehensive revision of the OPG to reflect all necessary changes due to the revision of the Fund's policies to-date, and with a view of better accommodating future changes of the policies of the Fund;
  - iii. To present the proposed draft revisions under the paragraph (b)(ii) above for consideration by the Board in its forty-second meeting.

**ANNEX I**  
**PROPOSED AMENDMENT OF OPERATIONAL POLICIES AND GUIDELINES FOR PARTIES TO ACCESS RESOURCES FROM THE ADAPTATION FUND (OPG)**

**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.”<sup>1</sup> This is the legal basis for the establishment of the Adaptation Fund.
2. At the seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), held in Marrakech, Morocco, from October 29 to November 10, 2001 (COP7), the Parties agreed to the establishment of the Adaptation Fund (the Fund).<sup>2</sup>
3. In Montreal, Canada in November 2005<sup>3</sup> and in Nairobi, Kenya in December 2006,<sup>4</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.<sup>5</sup> Parties invited the Global Environment Facility to provide secretariat services to the Board (the Secretariat), and the World Bank to serve as the trustee (the trustee) of the Fund, both on an interim basis.
5. In particular, Decision 1/CMP.3, paragraph 5(b), lists among the functions of the Board to develop and decide on specific operational policies and guidelines, including programming guidance and administrative and financial management guidelines, in accordance with Decision 5/CMP.2, and to report to the CMP.
6. In Poznan, Poland, in December 2008, through Decision 1/CMP.4, the Parties adopted:
  - (a) the *Rules of Procedures of the Adaptation Fund Board*;
  - (b) the *Memorandum of Understanding between the Conference of the Parties serving as the meeting of the Parties of the Kyoto Protocol and Council of the Global*

<sup>1</sup> See FCCC/KP/Kyoto Protocol.

<sup>2</sup> See Decision 10/CP.7, “Funding under the Kyoto Protocol”.

<sup>3</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>4</sup> See Decision 5/CMP.2, “Adaptation Fund”, in Annex I to this document.

<sup>5</sup> See Decision 1/CMP.3, “Adaptation Fund”, in Annex I to this document.

- Environmental Facility regarding secretariat services to the Adaptation Fund Board, on an interim basis;*
- (c) *the Terms and Conditions of Services to be Provided by the International Bank for Reconstruction and Development (the World Bank) as Trustee for the Adaptation Fund, on an interim basis; and*
- (d) *the Strategic Priorities, Policies and Guidelines of the Adaptation Fund (see Annex 1).*
7. In Decision 1/CMP.4, paragraph 11, the CMP decided that the Adaptation Fund Board be conferred such legal capacity as necessary for the execution of its functions with regard to direct access by eligible developing country Parties. Further, in Decision 4/CMP.4, paragraph 1, the Parties endorsed the Board decision to accept the offer of Germany to confer legal capacity on the Board. The German Act of Parliament which conferred legal capacity to the Board entered into force on February 8, 2011.
8. In Decision 13/CMA.1, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) decided that the Adaptation Fund shall serve the Paris Agreement under the guidance of, and be accountable to, the CMA with respect to all matters relating to the Paris Agreement, effective 1 January 2019, subject to the decision on this matter made by the CMP. In Decision 1/CMP.14, paragraph 2, the CMP decided that the Adaptation Fund shall exclusively serve the Paris Agreement and shall no longer serve the Kyoto Protocol once the share of proceeds under Article 6, paragraph 4, of the Paris Agreement becomes available.
9. This document (hereafter “the operational policies and guidelines”), in response to the above CMP decisions, outlines operational policies and guidelines for eligible developing country Parties to access resources from the Fund. The operational policies and guidelines are expected to evolve further based on experience acquired through the operationalization of the Fund, subsequent decisions of the Board and future guidance from the CMP.

## **DEFINITIONS OF ADAPTATION PROJECTS AND PROGRAMMES**

10. The Adaptation Fund established under Decision 10/CP.7 shall finance concrete adaptation projects and programmes.
11. A concrete adaptation project/programme is defined as a set of activities aimed at addressing the adverse impacts of and risks posed by climate change. The activities shall aim at producing visible and tangible results on the ground by reducing vulnerability and increasing the adaptive capacity and resilience of human and natural systems to respond to the impacts of climate change, including climate variability. Adaptation projects/programmes can be implemented at the community, national, regional and transboundary level. Projects/programmes concern activities with a specific objective(s) and concrete outcome(s) and output(s) that are measurable, monitorable, and verifiable.
12. 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**



13. The overall goal of all adaptation projects and programmes financed under the Fund will be to support concrete adaptation activities that reduce vulnerability and increase adaptive capacity and resilience to respond to the impacts of climate change, including variability at local and national levels.
14. Provision of funding under the Fund will be based on, and in accordance with, the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund*, attached as Annex 1.
15. Funding will be provided on full adaptation cost basis of projects and programmes to address *the adverse effects of climate change*.<sup>6</sup> *Full cost of adaptation* means the costs associated with implementing concrete adaptation activities that address the adverse effects of climate change. The Fund will finance projects and programmes whose principal and explicit aim is to adapt and increase climate resilience. The project/programme proponent is to provide justification of the extent to which the project contributes to adaptation and climate resilience. The Board may provide further guidance on financing priorities, including through the integration of information based on further research on the full costs of adaptation and on lessons learned.
16. 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 the Adaptation Committee, and information generated under the Nairobi Work Programme (NWP) on Impacts, Vulnerability and Adaptation to Climate Change,<sup>7</sup> the Cancun Adaptation Framework, the Executive committee of the Warsaw International Mechanism for Loss and Damage (WIM ExCom) and, where applicable, Least Developed Countries Expert Group (LEG).
17. 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*, 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.
18. Resource allocation decisions will be guided by paragraphs 9 and 10 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund*.

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<sup>6</sup> Decision 5/CMP.2, paragraph 1 (d).

<sup>7</sup> IPCC Assessment Reports, see <https://www.ipcc.ch/reports/> and for NWP, see <https://unfccc.int/topics/adaptation-and-resilience/workstreams/nairobi-work-programme-nwp/overview-of-the-nairobi-work-programme> .

19. 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**

20. 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*<sup>8</sup> and using the relevant templates (templates attached as Annex 5<sup>9</sup>).

## **DESIGNATED AUTHORITY**

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

## **FINANCING WINDOWS**

24. 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**

25. The Fund shall finance concrete adaptation projects and programmes in developing country Parties to the Kyoto Protocol or the Paris Agreement that are particularly vulnerable to the adverse effects of climate change.

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<sup>8</sup> Available at <https://www.adaptation-fund.org/documents-publications/operational-policies-guidelines/>.

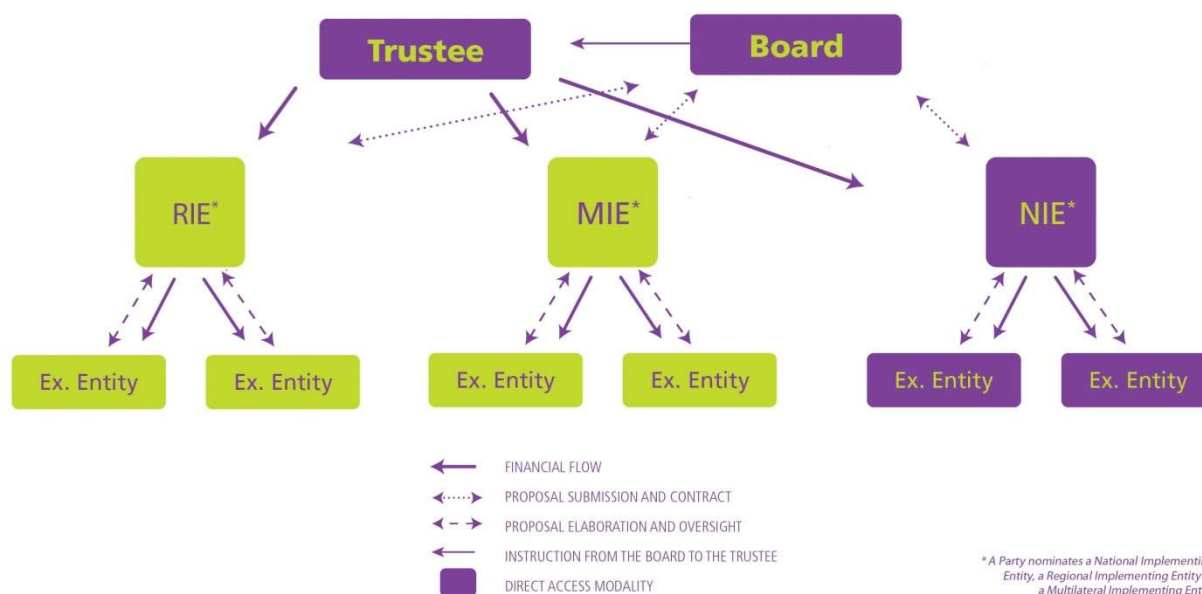
<sup>9</sup> Available at <https://www.adaptation-fund.org/document/opg-annex-5/>

26. Paragraph 12 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* provides the country eligibility criteria.
27. A cap in resource allocation per eligible host country, project and programme<sup>10</sup> will be agreed by the Board based on a periodic assessment of the overall status of resources in the Adaptation Fund Trust Fund and with a view to ensuring equitable distribution.

### Implementing and Executing Entities

28. Eligible Parties who seek financial resources from the Adaptation Fund shall submit proposals directly through their nominated National Implementing Entity (NIE).<sup>11</sup> They may, if they so wish, use the services of Multilateral Implementing Entities (MIE) or Regional Implementing Entities (RIE). The implementing entities shall obtain an endorsement from the government through the Designated Authority referred to in paragraph 21 above. The options of submitting different projects/programmes through an NIE and through a RIE or an MIE are not mutually exclusive. The modalities for accessing resources of the Adaptation Fund are outlined in Figure 1.

FIGURE 1: MODALITIES FOR ACCESSING RESOURCES OF THE ADAPTATION FUND



29. National Implementing Entities (NIE) are those national legal entities nominated by Parties that are recognized by the Board as meeting the fiduciary standards and demonstrating ability to comply, as a minimum, with the environmental and social policy and the gender policy approved by the Board. The NIEs will bear the full responsibility for the overall

<sup>10</sup> Decision B.36/41, available at <https://www.adaptation-fund.org/wp-content/uploads/2021/06/AFB.B.36.10-Report-of-the-thirty-sixth-meeting-of-AFB-4-1.pdf>.

<sup>11</sup> They may include *inter alia*, ministries, inter-ministerial commissions, government cooperation agencies.

management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring and reporting responsibilities.

30. A group of Parties may also nominate regional entities as implementing entities (RIE), and thereby provisions of paragraph 29 will apply. In addition to the nomination of an NIE an eligible Party may also nominate a RIE and may submit project/programme proposals through an accredited RIE that is operating in their region or sub-region. The application for accreditation shall be endorsed by at least two country members of the organization. The RIE 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.
31. Multilateral Implementing Entities (MIE) are those Multilateral Institutions and Regional Development Banks invited by the Board that meet the fiduciary standards and demonstrate commitment and ability to comply, as a minimum, with the environmental and social policy and the gender policy approved by the Board. The MIEs, chosen by eligible Parties to submit proposals to the Board, will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring and reporting responsibilities.
32. 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.
33. Executing Entities are organizations that execute adaptation projects and programmes supported by the Fund under the oversight of Implementing Entities.

## **ACCREDITATION OF IMPLEMENTING ENTITIES**

### **Fiduciary Standards**

34. Among principles established for the 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;
- (iv) Legal status to contract with the Fund and third parties

#### **(b) Institutional Capacity:**

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

### **Environmental and Social Policy**

35. All applicant implementing entities shall demonstrate commitment and ability to comply, as a minimum, with the most recent environmental and social policy approved by the Board (refer to Annex 3 for details) in any projects/programmes supported by the Fund. The environmental and social policy shall be applied throughout all the project/programme implementation phases, including design, execution, monitoring, and evaluation.

### **Gender Policy**

36. All applicant implementing entities shall demonstrate commitment and ability to comply, as a minimum, with the most recent gender policy approved by the Board (refer to Annex 4 for details) in any projects/programmes supported by the Fund. The gender policy shall be applied throughout all the project/programme implementation phases, including design, execution, monitoring, and evaluation.

### **Accreditation Process**

37. Accreditation for the implementing entities would follow a transparent and systematic process through an Adaptation Fund Accreditation Panel (the Panel) supported by the Secretariat. The Panel will consist of two Board Members and four experts. The different steps for accreditation are as follows:
- (a) The Board will invite Parties<sup>12</sup> to each nominate up to two National Implementing Entities (NIE); the Board will issue a call to potential Multilateral Implementing Entities (MIE) to express interest in serving as an MIE;
  - (b) Potential implementing entities (NIEs, RIEs, or MIEs), will submit their accreditation applications to the Secretariat together with the required supporting documentation to verify how they meet the fiduciary standards and their commitment and ability to comply with the environmental and social policy and gender policy;

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<sup>12</sup> The Designated Authority referred to in paragraph 21 above shall endorse the application for accreditation on behalf of the Party.

- (c) The Secretariat will screen the documentation to ensure that all the necessary information is provided, and will follow-up with the potential implementing entities to ensure that the application package is complete. The Secretariat will forward the complete package to the Panel within 15 (fifteen) working days following receipt of a candidate implementing entity's submission;
  - (d) The Panel will undertake a desk-review of the application and forward its recommendation to the Board; should the Panel require additional information prior to making its recommendation, a mission and/or a teleconference may be undertaken with regard to the country concerned.<sup>13</sup>
  - (e) The Board may provide further guidance on the required information in the future on the basis of lessons learned; and
  - (f) The Board will make a decision and in writing will notify the entity of the outcome, which could fall into one of the following categories:
    - (i) Applicant meets requirements and accreditation is approved; or
    - (ii) Applicant needs to address certain requirements prior to full accreditation.
38. In case a nominated NIE does not meet the criteria, an eligible Party may resubmit its application after addressing the requirements of the Board or submit an application nominating a new NIE. In the meantime, eligible Parties are encouraged to use the services of their already accredited NIE, if any, or an accredited RIE or MIE, if they so wish, to submit project/programme proposals for funding. An applicant RIE or MIE that does not meet the criteria for accreditation may also resubmit its application after addressing the requirements of the Board.
39. Accreditation will be valid for a period of 5 (five) years with the possibility of renewal. The Board will develop guidelines for renewal of an implementing entity's accreditation based on simplified procedures that will be established at a later date.<sup>14</sup>
40. The Board reserves the right to review or evaluate the performance of implementing entities at any time during an implementing entity's accreditation period. A minimum notification of 3 (three) months will be given to an implementing entity if they have been identified by the Board as being the object of a review or evaluation.
41. If there is any allegation or evidence of misuse of funds, the implementing entity will investigate the alleged misuse using its own internal investigators or hire investigator(s) acceptable to the Board. All investigations would be consistent with the general principles and guidelines for investigation based on the International Financial Institutions Principles and Guidelines for Investigation.<sup>15</sup>

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<sup>13</sup> The Panel will specify areas requiring further work to meet the requirements and may provide technical advice to address such areas. In exceptional circumstances, an external assessor may be used to help resolve especially difficult/contentious issues.

<sup>14</sup> Re-accreditation process (approved in Oct.2013; amended in Oct. 2019), available at <https://www.adaptation-fund.org/document/re-accreditation-process/>.

<sup>15</sup> [https://oios.un.org/sites/oios.un.org/files/general/investigations\\_manual.pdf](https://oios.un.org/sites/oios.un.org/files/general/investigations_manual.pdf).

42. The Board may consider suspending or cancelling the accreditation of an implementing entity for reasons that include, but are not limited to:
- (a) Misrepresentation or intentional provision of false information to the Board;
  - (b) Substantive changes of the implementing entity's fiduciary standards and/or capacity and/or commitment to comply with the environmental and social policy and gender policy as determined by a review in accordance with paragraph 40 above; or
  - (c) Misuse of project/programme resources as determined by the Ethics and Finance Committee (EFC) or by the implementing entity's investigative function.
43. A decision to suspend or cancel the accreditation of an implementing entity may be made at the recommendation by the EFC following a review by the Accreditation Panel in accordance with paragraph 40. A decision to suspend includes the necessary corrective actions for achieving compliance by a certain date and identifying the relevant fiduciary standards and/or environmental and social policy and/or gender policy requirements, which is reviewed by the Accreditation Panel and the EFC as appropriate. The Board makes the final decision on the removal of suspension for the implementing entity to resume its accreditation status. Before the Board makes its final decision on whether to suspend or cancel the accreditation of an implementing entity, the implementing entity concerned is given a fair chance to present its views to the Board.
44. Each existing implementing entity will be subject to the most recent Operational Policies and Guidelines during any re accreditation process.

## PROJECT/PROGRAMME CYCLE

45. The project/programme cycle of the Adaptation Fund for any project or programme begins with a proposal submission to the Secretariat by the NIE/RIE/MIE chosen by the Party/ies. The Designated Authority referred to in paragraph 21 above shall endorse the proposal submission. The submission is followed by an initial screening, project/programme review and approval.<sup>16</sup>

### Review and Approval of Concrete Adaptation Projects and Programmes

46. ~~Both small size and regular~~ **Single-country** proposals may undergo either a one-step or a two-step<sup>17</sup> approval process. In the one-step approval process the proponent shall submit a fully-developed project/programme document. In the two-step approval process a brief project/programme concept shall be submitted as first step followed by a fully-developed project/document<sup>18</sup>. **Multi-country (regional) project proposals may also undergo a one-step, a two-step or a three-step approval process. In the three-step approval process, a pre-concept should be submitted as the first step, followed by a concept and then a fully-developed project proposal. Small grants undergo a single step approval process.** Funding will only be reserved

<sup>16</sup> The Designated Authority referred to in paragraph 21 above shall endorse the proposal submission.

<sup>17</sup> A two-step process, while time consuming minimizes the risk that a proponent does not invest time and energy in fully developing a project or program document that fails to meet the criteria of the Fund.

<sup>18</sup> A fully developed project/programme is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation.

for a project/programme after the approval of a fully-developed project document in ~~the second step.~~

47. The project/programme cycle steps for both concept and fully-developed project document are as follows:
- (a) The project/programme proponent submits a **pre-concept**/concept/fully-developed project document, **on a rolling basis**, based on a template approved by the Board (templates attached as Annex 5). A disbursement schedule with time-bound milestones will be submitted together with the fully developed project/programme document.
  - (b) Proposals shall be submitted to the Board through the Secretariat. ~~The timetable for the submission and review of proposals will be synchronized with the meetings of the Board as much as possible, in addition to which there will be opportunities to submit proposals for intersessional consideration. Project/programme proposals shall be submitted at least 9 (nine) weeks before each regular Board meeting in order to be considered by the Board at its next regular meeting.~~
    - (i) ~~Intersessional project/programme review cycle takes place during an intersessional period of 24 (twenty four) weeks or more between two consecutive regular Board meetings. For intersessional approval, the Board will consider first submissions of fully developed project/programme documents for which the concepts had already been considered in regular meetings of the PPRC and subsequently endorsed by the Board; and resubmissions of project/programme concepts and resubmissions of fully developed project/programme documents. For the intersessional period, the cutoff date for implementing entities to submit project/programme proposals for review and decision by the Board shall be made available on the Adaptation Fund website.~~
  - (c) ~~The Secretariat shall make the calendar of upcoming regular and intersessional review cycles available on the Adaptation Fund website.<sup>19</sup>~~
  - (d) The Secretariat will screen all proposals for consistency and provide a technical review based on the criteria approved by the Board (Annex 5). ~~It will then forward the proposals and the technical reviews to the PPRC for review.~~ The Secretariat will forward **send to the implementing entity a technical review including** comments on the project/programme proposals and requests for clarification or further information ~~to the implementing entities, as appropriate. The inputs received and the conclusions of the technical review by the secretariat will be incorporated in the review template.~~ **Implementing entities can resubmit revised versions of the proposal, as needed, until a proposal is technically cleared by the Secretariat.**
  - (e) ~~For project/programme proposals submitted for consideration at regular Board meetings,~~ The Secretariat will send all project/programme proposals **that are technically cleared or recommended for rejections** with technical reviews to the PPRC

<sup>19</sup> <https://www.adaptation-fund.org/apply-funding/project-funding/>.



- at least 7 3 (seven three) days weeks before the meeting. The PPRC will review the proposals and give its recommendation to the Board for a decision at the meeting.
- (f) For all projects/programmes, the PPRC may use services of independent adaptation experts to provide input into the review process if needed. In the case of **pre-concepts and** concepts, the Board can endorse, not endorse, or reject a proposal with a clear explanation to the implementing entities. In the case of fully-developed proposals, the Board can approve, not approve, or reject a proposal with a clear explanation to the implementing entities. Rejected proposals cannot be resubmitted.
48. Proponents with endorsed **pre-concepts or** concepts are expected to submit a **concept or** fully developed proposal at subsequent Board meetings for **endorsement or** approval and funding, following the steps described in paragraph 47-46 above.
49. All proposals approved for funding by the Board will be posted on the Adaptation Fund website.<sup>20</sup> Upon the decision, the Secretariat will notify the proponent of the Board decision in writing.

### **Review and Approval of Project/Programme Formulation Grants**

50. NIE project/programme proponents are eligible to submit a request for a Project/Programme Formulation Grant (PFG) together with a project/programme concept, using the PFG form approved by the Board. The secretariat will review the request and forward it to the PPRC for a final recommendation to the Board. A PFG can only be awarded when a project/programme concept is presented and endorsed.
51. Small-size project/programme proposals are eligible for PFG, at the time of endorsement of the concept for such proposal, provided that the total budget of the proposed concept is not less than US\$ 500,000.
52. Only activities related to country costs are eligible for funding through a PFG.
53. The project/programme proponent shall return any unused funds to the Trust Fund through the trustee.
54. The project/programme proponent shall submit a fully developed project/programme document within 12 (twelve) months of the disbursement of the PFG. No PFG for other projects/programmes can be awarded until the fully developed project/programme document has been submitted.

### **Review and Approval of Project/Programme Grants under the Readiness Programme**

#### **Readiness Grants for Technical Assistance and Readiness Package Grant**

55. Accredited NIEs are eligible to submit a request for a Technical Assistance Grant for the Environmental and Social Policy and Gender Policy and for the Readiness Package Grant. Funding will only be reserved for a readiness grant after the approval of a grant proposal/project document.
56. The project cycle steps for the readiness grants are as follows:

<sup>20</sup> <https://www.adaptation-fund.org/projects-programmes/>.

- (a) The implementing entity submits a project proposal document based on a template approved by the Board. The project document will include a proposed project timeframe, activities, and the budget requested. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board as much as possible, and project proposals may be reviewed for intersessional approval by the Board or for approval at regular meetings of the Board. A call for project proposals specifying the application deadline shall be launched by the secretariat for each financial year that the Board approves readiness grants. The secretariat shall make the call for project proposals available on the Adaptation Fund website.
  - (b) The secretariat will screen all proposals for consistency and provide a technical review based on the criteria approved by the Board (Annex 5<sup>21</sup>). It will then forward the proposals and the technical reviews to the PPRC for review. The secretariat will forward comments on the project proposals and request for clarification or further information to the implementing entities, as appropriate. The inputs received and the conclusions of the technical review by the secretariat will be incorporated in the review template.
  - (c) The secretariat will send all project proposals with technical reviews to the PPRC at least 7 (seven) days before the Board meeting. The secretariat may also send project proposals with technical reviews to the PPRC intersessionally between regular Board meetings. The PPRC will review the proposals and give its recommendation to the Board for a decision at the regular Board meeting or intersessionally. The PPRC may use services of independent adaptation experts to provide input into the review process if needed. The Board can approve, not approve, or reject a proposal with a clear explanation to the NIE. Rejected proposals cannot be resubmitted.
57. All proposals approved for funding by the Board will be posted on the Adaptation Fund website. Upon the decision, the secretariat will notify the proponent of the Board decision in writing.

### **Transfer of funds**

- 58. The Secretariat will draft a standard legal agreement between the Board and implementing entities using the template approved by the Board, and any other documents deemed necessary. The secretariat will provide these documents for signature by the Chair or any other Member designated to sign. The Board may, at its discretion, review any of the proposed agreements.
- 59. The Trustee will transfer funds on the written instruction of the Board, signed by the Chair, or any other Board Member designated by the Chair, and report to the Board on the transfer of funds.
- 60. The Board will ensure a separation of functions between the review and verification of transfer requests, and the issuance of instructions to the Trustee to transfer funds.
- 61. The Board will instruct the Trustee to transfer funds in tranches, based on the disbursement schedule with time bound milestones submitted with the fully developed project/programme document. The Board may require a progress review from the

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<sup>21</sup> Available at <https://www.adaptation-fund.org/document/opg-annex-5/>.

Implementing Entity prior to each tranche transfer. The Board may also suspend the transfer of funds if there is evidence that funds have been misappropriated.

62. Additionally, for projects and grants approved under the Readiness Programme, the Board may instruct the Trustee to transfer funds in a single tranche. The decision by the Board may consider the duration of the project, the size of the project budget, and the disbursement schedule with time bound milestones that would have been submitted with the project proposal.
63. If an implementing entity does not sign the standard legal agreement within 4 (four) months from the date of notification of the approval of the project/programme proposal, the funds committed for that project/programme will be cancelled and retained in the Trust Fund for new commitments.

### **Monitoring, Evaluation and Review**

64. The Board is responsible for strategic oversight of projects and programmes implemented with resources from the Fund, in accordance with its overarching strategic results framework, a *Strategic Results Framework for the Adaptation Fund* and the *Adaptation Fund Level Effectiveness and Efficiency Results Framework*<sup>22</sup>, to support the *Strategic Priorities, Policies, and Guidelines of the Adaptation Fund*. The EFC, with support of the Secretariat, will monitor the Fund portfolio of projects and programmes, and the PPRC, with support of the Secretariat, will address issues identified in the implementation of individual projects and programmes.
65. 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 concrete projects and programmes under implementation submit annual status reports to the secretariat and that projects approved under the Readiness Programme submit bi-annual status reports to the secretariat. The EFC with the support of the Secretariat shall provide an annual report to the Board on the overall status of the portfolio of projects/programmes and progress towards results.
66. All regular size concrete projects and programmes that complete implementation will be subject to terminal evaluation by an independent evaluator selected by the implementing entity. All small size concrete projects and programmes, as well as readiness grant projects, shall be subject to terminal evaluation if deemed appropriate by the Board and shall follow an evaluation process as decided by the Board using templates approved by the Board. Terminal evaluation reports will be submitted to the Board as stipulated in the project agreement.
67. The Board requires that all concrete projects' and programmes' objectives and indicators align with the Fund's Strategic Results Framework. Each project/programme will embed relevant indicators from the strategic framework into its own results framework. Not all indicators will be applicable to all projects/programmes but at least one of the core outcome indicators should be embedded.

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<sup>22</sup> Available at <https://www.adaptation-fund.org/document/strategic-results-framework-of-the-adaptation-fund-amended-in-march-2019/>. For Results Tracker Guidance document, see [https://www.adaptation-fund.org/wp-content/uploads/2019/10/Results-Tracker-Guidance-Document-Updated\\_July-2019.pdf](https://www.adaptation-fund.org/wp-content/uploads/2019/10/Results-Tracker-Guidance-Document-Updated_July-2019.pdf).

68. The Board reserves the right to carry out independent reviews, evaluations of all projects and programmes as and when deemed necessary. The costs for such activities will be covered by the Fund. Lessons from evaluations will be considered by the PPRC when reviewing project/programme proposals.
69. The Board has approved *Guidelines for project/programme final evaluations*.<sup>23</sup> These guidelines describe how final evaluations should be conducted for all projects/programmes funded by the Adaptation Fund, as a minimum, to ensure sufficient accountability and learning in the Fund. They should be complementary to the implementing entities' own guidelines on final evaluation.
70. If the Board becomes aware of any allegation or evidence of misuse of funds, it will notify the implementing entity of such allegation or evidence so that the implementing entity can handle in accordance with paragraph 41 above.
71. The implementing entity will provide regular updates to the Board on any investigation and a final report on the conclusions of the investigation as well as provide regular up-dates on actions taken to address any illegal or corrupt practice involving the Fund's funds.
72. The Fund's project cycle will be reviewed on an on-going basis and as deemed necessary by the Board.

### **Procurement**

73. 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 all projects/programmes funded by the Fund.
74. Concrete project/programme proposals 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/Programme Suspensions and Cancellations**

75. At any stage of the project/programme cycle, either at its discretion or following an independent review-evaluation or investigation, the EFC may recommend to the Board to suspend or cancel a project/programme for several reasons, notably:
  - (a) financial irregularities in the implementation of the project/programme; and/or
  - (b) material breach of the legal agreement, and poor implementation performance leading to a conclusion that the project/programme can no longer meet its objectives.
76. Before the Board makes its final decision whether to suspend or cancel a project/programme, the concerned implementing entity and the DA will be given a fair chance to present its views to the Board.

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<sup>23</sup> <https://www.adaptation-fund.org/document/guidelines-for-projectprogramme-final-evaluations/>.

77. In accordance with their respective obligations, implementing entities suspending or cancelling projects/programmes, after consulting with the DA, must send detailed justification to the Board for the Board's information.
78. 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**

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

### **Dispute Settlement**

80. In case of a dispute as to the interpretation, application or implementation of the project/programme, the implementing entity or the DA shall first approach the EFC through the Secretariat with a written request seeking clarification. In case the issue is not resolved to the satisfaction of the implementing entity, the case may be put before the Board at its next meeting, to which a representative of the implementing entity or the DA could also be invited.
81. The provisions of the standard legal agreement between the Board and implementing entity/DA on settlement of disputes shall apply to any disputes that may arise with regard to approved projects/programmes under implementation.

### **Administrative costs**

82. Every project/programme proposal submitted to the Board shall state the management fee requested by the Implementing Entity if any and shall include a budget on fee use. The reasonability of the fee will be reviewed on a case by case basis. The requested fee shall not exceed the cap established by the Board.<sup>24</sup>
83. Every project/programme proposal submitted to the Board shall include an explanation and a breakdown of all administrative costs associated with the project/programme, including the execution costs, if any.

### **Where to send a Request for Funding**

84. All requests shall be sent to:

Adaptation Fund Board Secretariat  
 Tel: +1 202 473 0508  
 Fax: +1 202 522 3240/5  
 Email: [afbsec@adaptation-fund.org](mailto:afbsec@adaptation-fund.org)

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<sup>24</sup> For IE management fee and execution cost, see [Document AFB/PPRC.29/43](#), paragraph 10, Table 1 and [Decision B.38/42](#)). [AFB Decision B.38/42](#).

85. 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. The Secretariat will provide facilities that will enable interested stakeholders to publicly submit comments about proposals.

**Review of the Operational Policies and Guidelines**

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