



ADAPTATION FUND

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Adaptation Fund Board
Project and Programme Review Committee
Thirty-fourth Meeting
Bonn, Germany, 10-11 October 2024

Agenda item 8

PROJECT POST APPROVAL POLICIES GAP ASSESSMENT AND OPTIONS FOR POLICIES AMENDMENT

I. Background

1. Implementing concrete adaptation projects and programs requires the application of a logical framework and operational policies for effective monitoring and reporting, ensuring that resources are used appropriately in line with stated objectives. In this context, the Adaptation Fund Board (the Board) approved a Results-Based Management Framework and two subsequent policies to ensure that approved projects and programs are implemented effectively and can adapt to the dynamic nature of portfolio management. These policies, integrated into the Fund's Operational Policies and Guidelines, include the "Policy for Project and Programme Implementation" (Annex 7) and the "Policy for Project and Programme Delays", approved in October 2017 (Decision B.30/39) and last updated in October 2019 (updated through Decision B.34-35/12), respectively. Together, these policies provide essential guidance to Implementing Entities (IEs) and the secretariat in identifying, assessing, and addressing post-approval issues related to all funded projects and programmes.

2. Of note, the "Policy for Project and Programme Implementation" was developed in response to numerous requests from IEs seeking adjustments to approved project budgets and material changes to results frameworks. These requests underscored the need for clear definitions, particularly regarding what constitutes a "material change" under the standard legal agreement between the Board and IEs, as amended in October 2015. The Board's decision clarified that a material change involves any cumulative budget adjustment at the output level amounting to ten percent (10%) or more of the total project/programme budget (Decision B.29/31). Additionally, it established procedures for handling changes to project activities, outputs, and outcomes, requiring IEs to obtain prior approval from the Board through the secretariat (see table 2).

3. Similarly, the "Policy for Project and Programme Delays" outlines the approach to addressing delays in project implementation. It specifies procedures for communicating delays in project inception (defined as a delay of more than six months from the first cash transfer) and requests for extensions of project completion dates. These provisions were intended to ensure timely and effective project execution, with clear guidance on when and how the secretariat may intervene. These measures were further refined under Decision B.36/35 to enhance clarity and responsiveness to project implementation challenges.

4. Despite the existence of these policies including their subsequent updates, the Fund's growing portfolio has revealed certain limitations and gaps that require Board consideration. For instance, the existing policies, even with recent amendments, do not fully address the complexities of modern project management, particularly in a rapidly evolving global environment. Issues such as the permissible extent of delays before project inception and the criteria for triggering project cancellation remain inadequately defined. Moreover, the policies do not include provisions for innovation and locally led adaptation (LLA) projects, which necessitate more flexible adaptive management regimes. Finally, an increasing number of projects and programmes being implemented in Fragile, Conflict, and Vulnerable states (FCVs) which unstable political systems continue to impact local implementing partners and the broader institutional frameworks within

which funded activities are carried out. These issues and their impact on project implementation are self-evident in the growing volume of post-approval change requests and significant delays in project inception. Meanwhile, the current policies do not fully address these issues.

5. Since the approval of the Policy for Project Implementation (OPG Annex 7) and the Policy for Project/Programme Delays, the Fund has evolved significantly and introduced new funding windows. As the Fund's portfolio expanded, the number of project post-approval requests for changes submitted to the secretariat also grew. Some of these requests did not align with the provisions outlined in Annex 7 of the OPG or the Policy for Project/Programme Delays. While the secretariat has historically addressed such requests on a case-by-case basis, the increasing volume of requests now necessitates greater clarity on the types of changes that might be acceptable, as well as the issuance of corresponding guidance for Implementing Entities (IEs).

6. To address the growing complexity and frequency of post-approval requests, the secretariat conducted an analysis of the project post-approval changes received since the Fund's operationalization. This analysis has been prepared for the Ethics and Finance Committee's consideration at its thirty-third meeting to provide insights and recommendations on improving the process for handling such requests.

7. Having considered document AFB/EFC.33/8 and the comments and recommendation of the EFC, the Board at its forty-second meeting decided to request the secretariat:

- (a) To prepare a gap analysis of the current policies pertaining to project post-approval requests for changes, namely the policy on project/programme implementation (annex 7 to the Operational Policies and Guidelines) and the policy on project/programme delays (AFB/B.34-35/6);*
- (b) To develop options for addressing the gaps identified, including, as necessary, suggestions for amendments to the policies;*
- (c) To present the results of (a) and (b) above to the Ethics and Finance Committee for its consideration at its thirty-fourth meeting.*

(Decision B.42/49)

8. Against this background, and in response to decision B.42/49, the secretariat presents a comprehensive analysis of the Fund's current two portfolio management policies. This includes a stress testing of the portfolio, a comparative analysis of portfolio management policies and practices of analogous climate funds, and the identification of gaps and areas for improvement within the Fund's existing policies, with associated proposed options to address the identified gaps. The proposed options, if approved by the Board, shall be further developed by the secretariat through specific guidance, templates, and policy amendments.

II. Overview of the post-approval policies across other climate funds

a. *The Global Environmental Facility*

9. In the Global Environmental Facility (GEF), the project and program cycle¹ starts with the Project Identification Form (PIF) submission by a GEF Agency. The actual approval of a project/program takes place in the form of the Chief Executive Officer (CEO) endorsement. After CEO endorsement, the Agency approves the project following its own internal procedures and begins project implementation. Implementation begins following CEO endorsement and Agency approval. Each Agency is responsible for project implementation and is directly accountable to the Council. Agencies conduct project-level monitoring and evaluation activities in accordance with the Agency systems and consistent with the GEF Monitoring² and Evaluation Policies³. The GEF Cancellation Policy⁴ sets out principles, rules, and procedures to cancel or suspend projects and programs at different stages in the GEF project cycle. As per this policy, GEF Agencies have up to 18 months after Council approval of the Work Program to submit the CEO Endorsement package for Full-Size Projects and up to 12 months for Medium-Size Projects.

10. The GEF guidelines on the Project and Program Cycle policy⁵ states that during project preparation or implementation, changes to the project design, implementation modality, or timeline for the project may be required to allow the project to continue preparation or implementation. Such changes can either be a major or minor amendment. Major amendment means a change in project design or implementation that has a significant impact on the project's objectives or scope or an increase of the GEF project financing of more than 5%, while Minor amendments are changes to the project design or implementation that do not have significant impact on the project objectives or scope, or an increase of the GEF project financing up to 5%.

b. *The Green Climate Fund*

11. The Green Climate Fund (GCF)'s project and programme cycle, was adopted by the GCF Board in May 2014 (decision B.07/03) and updated in July 2017 (B.17/09)⁶. The approval of a funding proposal by the Board is followed by three stages of the post-approval process: the first step in project implementation is an agreement between the GCF and the implementing Accredited Entity (AE) on the necessary legal arrangements for disbursement, called a Funded Activity Agreement (FAA). Following the FAA signing (stage 1), the GCF will take steps to ensure FAA effectiveness. For instance, FAAs covering the GCF's transfer of grant payments will stipulate

¹ https://www.thegef.org/sites/default/files/documents/Project_Program_Cycle_Policy.pdf

² https://www.thegef.org/sites/default/files/documents/gef_monitoring_policy_2019.pdf

³ <https://www.gefio.org/sites/default/files/documents/council-documents/c-59-e-05.pdf>

⁴ https://www.thegef.org/sites/default/files/documents/Project_Cancellation_Policy_20181220.pdf

⁵ https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF_C.59_Inf.03_Guidelines%20on%20the%20Project%20and%20Program%20Cycle%20Policy.pdf

⁶ <https://www.greenclimate.fund/sites/default/files/document/updated-project-programme-cycle.pdf>

conditions ensuring the grant or loan is effective. Once the FAA has reached effectiveness (stage 2), the project moves to disbursement under FAA (stage 3) and implementation. During project/programme implementation, AEs are primarily responsible for the monitoring and evaluation of the funded activities they carry out, they are also required to report regularly to GCF, including through inception reports, annual performance report and mid-term evaluation reports. 180 days are generally granted from Board approval to FAA execution and 90 days from FAA execution to implementation.

12. In February 2019, the GCF Board adopted a Policy on Restructuring and Cancellation (decision B.22/14)⁷, which sets out the mechanism for canceling an approved funding proposal in situations where there has been one or a combination of certain circumstances described in annex 2 of this document. The policy also describes the extent to which restructuring may take place after FAA execution. A change will be deemed to be a Major Change under certain circumstances described in annex 2 of this document.

c. The Climate Investment Funds

13. The two trust funds that comprise the CIF, the Clean Technology Fund (CTF) and Strategic Climate Fund (SCF), are each governed by a committee that oversees and decides on operations and activities. The first two processes of the project cycle, i.e. endorsing investment plans and approving funds for projects/programs, involve the Trust Fund Committee (TFC), and they take place prior to MDB Board approval. Once a project/sub-project has reached MDB Board approval, the subsequent processes follow the applicable Multilateral Development Bank (MDB) procedures and standards, except for certain provisions, such as results reporting. Reliance on MDB procedures and standards during post-MDB-approval processes is a fundamental principle of the CIF.

14. The Pilot Program for Climate Resilience (PPCR) pipeline management and cancellation policy⁸ delineates the process for the CIF Committees to consider MDB requests such as extending specific milestones and restructuring projects and funding. It also includes procedures related to cancellation of funds, as necessary, when the Policy is not adhered to. It further clarifies that if a program/project/sub-project is restructured, the principle of relying on MDBs' policies, procedures, and standards will apply. If the changes make a new MDB approval necessary, then they will also need a new approval from the relevant CIF governing body.

d. Review of post-approval policies among climate funds

15. As highlighted in the EFC document AFB/EFC.33/8 "Observations on Project Post-Approval Requests for Changes Received by the Secretariat", the Fund has received various post-approval

⁷ <https://www.greenclimate.fund/sites/default/files/document/policy-restructuring-cancellation.pdf>

⁸ https://www.cif.org/sites/cif_enc/files/meeting-documents/joint_ctf-scf_tfc.23_4_cif_pipeline_management_and_cancellation_policy.pdf

requests from IEs since it started its operations. While some of these requests fall within the provisions of the Annex 7 of the OPG or those of the Policy for Project/Programme Delays (namely extension of project completion date, revision of the original target indicators for activities, outputs or outcomes, direct project services, material change), others did not fall within provisions of either document (namely change in project sites, revision of implementation arrangements, revision of disbursement schedule), prompting the Board to request the secretariat to develop the present document.

16. While annex 2 of this document presents a comprehensive analysis of other climate funds' policies and procedures for handling requests for changes, paragraphs 9-14 provide an overview of these policies, further summarized in the table below. This analysis indicates that approaches from other multilateral climate funds are generally less granular and less streamlined than the approach taken by the AF.

17. Instead of the detailed approach used by the AF, other funds tend to differentiate between minor and major changes. Major changes, such as "Major Amendments" for the GEF, "Major Changes" for the GCF, and "Strategic Changes" for the CIF/PPCR, require review and approval from the governing bodies of the respective funds (e.g., GEF Council, GCF Board, Trust Fund Committee, or Multilateral Development Banks (MDBs)).

18. On the other hand, minor changes are typically left to the discretion of secretariat. For instance, in the case of the GCF, the Executive Director (ED) handles minor changes, the CEO oversees them for the GEF, and the Administrative Management Unit (AMU) manages them for the CIF. However, the relevant sub-committees are kept informed of these minor changes.

Table 1 – Summary of post-approval policies among all climate funds

Climate Fund		
AF		
Policy on cancellation/delays Policy for project/programme delays	Scope and circumstances of cancellation/delays policy	<u>Post approval.</u> <u>Includes</u> provisions for project inception extension and delay for reporting milestones <u>Missing:</u> No policy on cancellation procedure. No reference of applicability to small grants (innovation and learning).
Policy on requests for changes Policy for project/programme delays	Scope and circumstances of policy on requests for changes	<u>Post approval.</u> <u>Includes</u> requests for Direct Project Services; Extension of project completion date; Revision of the original target indicators for activities, outputs or outcome; Budget changes. <u>Missing:</u> Other cases such as revision in implementation

and OPG Annex 7		arrangements, in disbursement schedule, and change in target sites, among others. In addition, no reference of applicability to small grants (innovation and learning). All requests for changes (with the exception of COVID-19 related requests) are approved by the Board.
GEF		
Policy on cancellation/delays Project cancellation policy.	Scope and circumstances of cancellation/delays policy	<u>Pre and post approval.</u> Failure to meet Project and Program Cycle timelines (18 months after Work Program approval for FSPs; 12 months for MSPs).
Policy on requests for changes Guidelines on the project and programme cycle policy.	Scope and circumstances of policy on requests for changes	<u>Pre and post approval.</u> <u>Includes</u> cases of Agency requesting the provision of execution services; an increase in GEF project financing; and cases of drop/suspension/cancellation ⁹ . For all other cases, it <u>distinguishes Major amendments</u> (“a change in project design or implementation that has a significant impact on the project’s objectives or scope or an increase of the GEF project financing of more than 5%”) from <u>Minor ones</u> . Amendments are approved either by the GEF Council or the GEF CEO, depending on the project size (EA/MSP/FSP) and the type of amendment (Major/Minor).
CIF		
Policy on cancellation/delays Pipeline Management and Cancellation Policy.	Scope and circumstances of cancellation/delays policy	<u>Pre-approval:</u> when a project/programme passes the allowed deadline (9 months after approval from the CIF governing body for public and private sector projects; 36 months for private sector programs with sub-projects). <u>Post-approval</u> (after approval of the Fund’s governing body): CIF relies on each MDBs’ existing policies in terms of requests for changes which may be undertaken during implementation.

⁹ According to the Guidelines on Project and Programme Cycle Policy: Dropping refers to the termination of further preparation of a project concept when no GEF project financing as been set aside; Suspension refers to a temporary stoppage or interruption of project implementation or disbursement of funds, upon advice of the GEF Agency, the Secretariat or the country, and as warranted by special circumstances; Cancellation refers to the cessation of project preparation (pre-approval/pipeline stage) or implementation (post-approval)

<p>Policy on requests for changes</p> <p>Pipeline Management and Cancellation Policy.</p>	<p>Scope and circumstances of policy on requests for changes</p>	<p><u>Pre and post approval.</u></p> <p>Its core principle is to <u>rely on MDBs' policies, procedures and standards</u> in cases of project/program restructuring.</p> <p>If the changes make a new MDB approval necessary, then they will also need a new approval from the relevant CIF governing body.</p>
GCF		
<p>Policy on cancellation/delays</p> <p>Policy on Restructuring and Cancellation</p>	<p>Scope and circumstances of cancellation/delays policy</p>	<p><u>Post approval.</u></p> <p>Failure to fulfil conditions set before FAA execution (conditions and required period are both established in the Accreditation Master Agreement, specific to each AE).</p>
<p>Policy on requests for changes</p> <p>Policy on Restructuring and Cancellation</p>	<p>Scope and circumstances of policy on requests for changes</p>	<p><u>Post approval.</u></p> <p>It distinguishes cases of <u>Major changes</u> (listed in para 16 of the policy - e.g.; changes which would result in a material and adverse deviation; assignment or transfer of all or a material part of its responsibilities to another AE; change of an executing entity that would have a material effect; change that would have a material and adverse impact on the ability of the executing entity to operate; material and adverse change in the pricing and financial structure of the project/programme; delay in the completion of the project/programme or its major components) which should be reviewed/approved by the Board; from <u>Minor changes</u> which are reviewed/approved by the secretariat.</p> <p>The determination of whether a change is deemed to be a Major Change is made by the Secretariat, taking into account circumstances and the nature of the project.</p>

III. Portfolio analysis

a. Trend and average of project inception delays

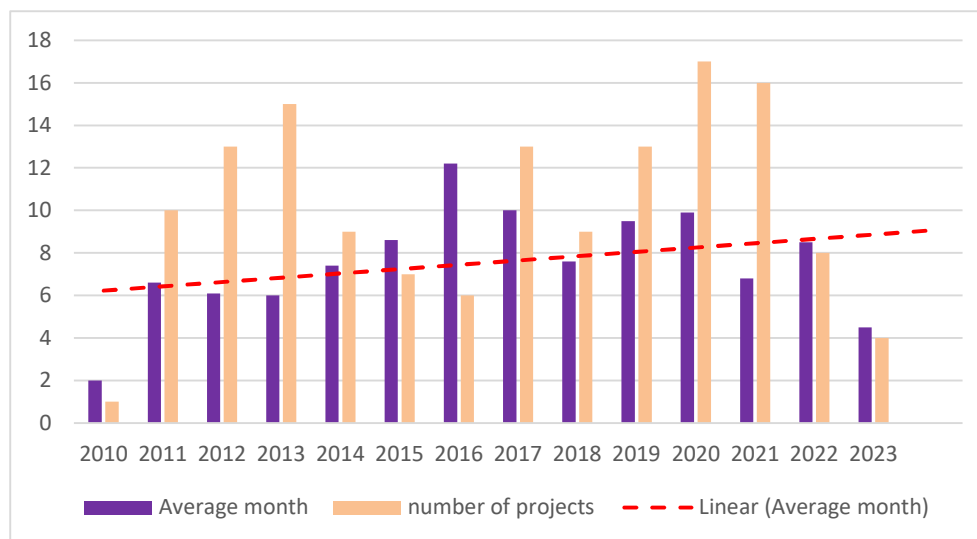
19. As of June 30, 2024, the Fund has approved 176 concrete adaptation projects and programs, including regional, innovation and locally led adaptation projects. Of these, 139 are at various stages of implementation: 42 have been completed, and 97 are under implementation. The remaining 37 have not yet started. The Board has set a target of six months from the first cash

transfer to the start of project/programme implementation. For concrete adaptation projects/programmes, the Board has defined the start date as the first day of the project/programme's inception workshop (Decision B.18/29) and all the IEs must comply with the project start date as defined by the Fund's OPG.

20. For project formulation grants (PFGs), the start date is the date of the first disbursement towards an activity related to the grant. For projects funded through readiness grants for technical assistance and project formulation assistance (PFA), the start date is either the date when the first contract with a consultant or service provider was signed or the date of the first disbursement related to the grant, whichever occurs first. For projects funded through readiness grants for South-South cooperation, the start date is the date of the project inception meeting with the recipient of peer support.

21. Analysis of the 139 concrete projects that have started implementation shows that most have not met the Board's six-month target. As illustrated in Figure 1, since 2011, the average time for projects to start after the first cash transfer is 8.5 months. Specifically, 65 out of 139 projects at the various stages of implementation had an inception delay, with updates provided through various means. Guidelines for inception delays have evolved from requiring Board approval to merely notifying the secretariat, as per Decision 36/35.

Figure 1: Average delays in project inception after first cash transfer



b. Trend and average for no-cost extensions of project completion date

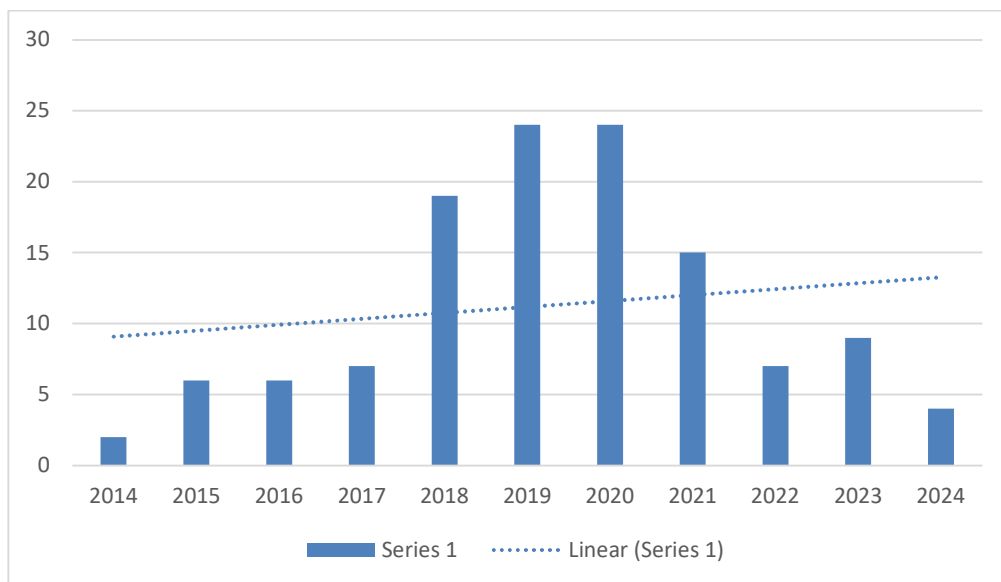
22. As detailed in fire 2 below the secretariat has received 71 post-approval requests from Implementing Entities since the Fund began operations. Some projects/programmes submitted multiple requests, totaling 131. Out of these, 116 requests involved a single change category (e.g.,

extension of completion date), while 15 involved multiple changes (e.g., extension plus direct project services), amounting to 33 individual requests. In total, 149 changes were processed. Of these changes, 128 were in line with Annex 7 of the OPG or the Policy for Project/Programme Delays, including:

- 91 requests for no-cost extensions for 52 projects/programmes
- 15 requests for revisions of original target indicators for 12 projects/programmes
- 12 requests for direct project services for 12 projects/programmes
- 10 requests for material changes for 10 projects/programmes
- Most requests were for extending project/programme completion dates, followed by changes in target indicators.

23. Meanwhile, 21 requests for changes fell outside Annex 7 or the Policy for Project/Programme Delays, including 10 requests each for revisions in project implementation arrangements and disbursement schedules, and one request for a change in target sites. This highlights the need to update the Policy for Project/Programme Delays reflecting new inception delay criteria and explore options for project suspension or cancellation and the OPG Annex 7.

Figure 2: Post-approval requests for changes received by the secretariat



c. Observed challenges after project approval for different type of projects**i. Readiness grants**

24. As of June 30, 2024, the Fund has approved 49 readiness projects which include 25 technical assistance grants (technical assistance grants for the environmental and social policy and gender policy; technical assistance grants for the environmental policy; and technical assistance grants for the gender policy) 17 South-South cooperation grants, six readiness package grants, and one project scale up grant. 39 grants have been completed and 10 are under implementation. All approved readiness grants have started within the six-month project start target outlined in the policy for project delays.

25. Once a readiness grant project is approved by the Board and implementation begins, the implementing entity (IE) is required to submit a monitoring report to the Board through the secretariat. The initial monitoring report is due six months after the project start date, with subsequent reports required every six months thereafter. In case of project delays, the IE must inform the secretariat through the monitoring report, outlining the reasons for the delay and providing revised completion dates. Additionally, the Fund's legal agreements stipulate that project completion reports must be submitted within six months after project completion.

26. Despite all readiness grants starting within stipulated time, there is evidence of delays in project implementation, as well as in submitting required monitoring and completion reports, which have largely been caused by internal factors within the IEs. A significant issue is the high rate of non-compliance by IEs in meeting reporting deadlines. In some cases, reports have been overdue for more than two years. Analysis of the readiness grant portfolio reveals that 37% (or 17 projects) have faced implementation delays. Of these, 53% are now complete but have outstanding completion reports, while 47% are still under implementation with overdue monitoring reports.

27. A contributing factor to these delays is the disbursement of grants in a single tranche after project approval, which may reduce the incentive for IEs to submit timely reports. Paragraph 21 of the Adaptation Fund Policy for Project/Programme Delays (as amended in 2019) stipulates that an IE that fails to submit reports on time becomes temporarily ineligible for future funding. However, this provision has not been enforced, as the Fund has preferred to maintain flexibility in alignment with its broader mandate. A potential revision could include incentivizing IEs by adopting a tranche-based disbursement system rather than suspending eligibility for future funding.

28. The secretariat has continued to follow up with the IEs regarding project delays and the submission of monitoring and completion reports via regular automated reminders, phone calls and bilateral discussions at the Fund's readiness seminars.

ii. Innovation and locally led adaptation project and programmes

29. To date, 15 innovation projects have been approved, including two large innovation grants and eight small innovation grants. Among these, three innovation small grants have submitted Extension Requests (ERs). All these requests were processed for intersessional Board's consideration through two-week non-objection process.

30. Two Adaptation Fund Climate Innovation Accelerator (AFCIA) programmes, led by the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP), have also submitted ERs. Given the global scale of these programmes and the higher risk tolerance associated with innovation large projects (as outlined in the Fund's Medium-term Strategy (MTSII)), as well as locally led adaptation projects—which often include Unidentified Sub-Projects (USPs) that may require unexpected extensions and more flexible adaptive management options—current policies do not provide specific guidance on post-approval requests or the allowed thresholds for material change for these types of projects.

31. This gap in policy creates uncertainty regarding the appropriate level of flexibility in managing these projects, particularly in terms of handling changes. Developing specific guidelines for post-approval requests and establishing thresholds for changes to innovation and locally led adaptation projects, especially those with USPs, would enable more responsive and efficient project management, while maintaining the Fund's oversight and accountability mechanisms.

iii. Learning grants

32. As of August 27, 2024, the Fund has approved five learning grant projects, all of which are still under implementation. All approved learning grants have started within the six-month project start target outlined in the policy for project delays.

33. For projects implemented through learning grants, once a project is approved by the Board and project implementation starts, the implementing entity is required to submit a monitoring report to the Board through the secretariat¹⁰. The monitoring report is due six months from the project start date, and every six months thereafter from the date of the previous monitoring report. In the event of a delay in project completion, the IE is expected to notify the secretariat by capturing the reasons for project delay in the project monitoring report due at the time of the delay and stating the revised expected project completion dates in that report. The Fund's legal agreements for learning grants stipulate that project completion reports should be submitted within six months of completion of the project.

34. Delays in learning grant implementation, and subsequent IE delays in submitting monitoring and completion reports have been mostly due to IE internal factors. Analysis of the learning grant portfolio shows that three of the five approved grants have provided consistent monitoring reports,

¹⁰ AFB decision B.29/42

one is at the start of its implementation, and one has not provided any reporting. Of the three learning grants under implementation, two have requested an extension of five months due to internal factors related to staff turnover and lack of capacity within the IE and the need to change activities related to unforeseen increased cost. The secretariat has continued to follow up with the IEs regarding project delays and the submission of monitoring and completion reports via regular automated reminders, phone calls and bilateral discussions at the Fund's different events.

35. Small grants, such as readiness and learning grants, as well as those under the innovation funding window, face unique challenges related to delays in the submission of monitoring and completion reports and implementation. Since project funds for these grants are typically disbursed in a single tranche due to their smaller size, such delays can significantly affect project oversight and accountability. The one-time disbursement structure limits the opportunity to incentivize timely reporting through phased funding releases. Therefore, it is essential to address these challenges with tailored strategies that ensure effective monitoring and timely submission of completion reports. These strategies could include clearer guidance on reporting requirements, enhanced capacity-building for IEs, and the delegation of approval for project post approval revisions to the secretariat.

IV. Findings gathered from the Implementing Entities through a survey

36. In July 2024, the secretariat conducted a survey among all its IEs (see Annex 1) to gather their views on current policies related to project post-approval matters and any challenges encountered during the project inception and implementation phases. The survey had a response rate of 47%. The following section provides a summary on the findings and the secretariat analysis.

37. *Challenges during project implementation:* The IEs identified several main challenges for projects under implementation, including natural disasters including health epidemics/pandemics, sharp increase in the cost of project inputs, high turnover within the project management unit and political instability.

38. *Views on Fund's guidance for readiness grants:* The survey also collected feedback on the Fund's guidance for readiness project reporting and completion reports. An overwhelming 96% of IEs confirmed that the guidance is clear and easy to follow. Despite this, the delays in project implementation and reporting persist, and some IEs mentioned that increased awareness of reporting requirements after the grant agreement is signed would help ensure timely report submissions. Many IEs reported delays in submitting readiness grant monitoring reports, primarily due to staff turnover and capacity limitations (e.g., workload and technical expertise).

39. *Inception delays:* The policy for project delays requires projects to start within six months of the first cash transfer. However, 63% of respondents indicated that their projects experienced delays during the inception phase. The primary reasons for these delays include: Changes in the enabling environment, including the intensity of hazards, sociopolitical instability and institutional

turnover, the lengthy process of negotiating subsidiary agreements with executing entities and implementing partners, delays in recruiting key project management unit staff and, the need to revise implementation arrangements due to changes in government structures between project approval and inception. Most of these delays are beyond the control of the IEs, leading to extensive negotiations with governments or requests for changes to the Adaptation Fund, resulting in lengthy re-approval processes and further delays.

40. As suggestions to streamline the project inception, IEs identified a need to clarify the process for requesting extensions due to inception delays, including maximum timelines allowed and additional requirements for exceptional extension requests.

41. *Implementation delays and no-cost extensions:* The policy allows for a maximum of an 18-month no-cost extension for project completion dates, with longer extensions granted only under exceptional circumstances. While 85% of respondents agreed that the 18-month limit is appropriate, nearly 20% believe this limit should be revised, and the definition of “exceptional circumstances” should be more flexible depending on the project type. For instance, locally-led adaptation (LLA) and innovation projects may face unique challenges during implementation that warrant different considerations. Additionally, 78% of respondents suggested increasing the percentage cap for material changes, particularly for innovation and LLA projects, which often involve trial and testing phases, research and development approaches, and may face unpredictable challenges with cost implications.

42. *Post-approval requests for changes:* To streamline post-approval requests for changes, 93% of respondents supported delegating the clearance of no-cost extension requests up to 18 months to the secretariat to expedite the approval process. Requests for extensions beyond 18 months, which are permitted only under exceptional circumstances, would remain under the Board's consideration. Similarly, the delegation of activity/output adjustments to the secretariat was favored, while major changes, such as those at the outcome level, should remain with the Board.

43. Some IEs also suggested that the secretariat develop standardized templates for different types of post-approval requests, such as direct project services provided by the IE and revisions of the project results framework. They recommended clarifying criteria, timelines for evaluating proposed revisions, and facilitating online submissions to improve tracking.

44. *Training and capacity building:* The majority of IEs prefer in-person training sessions and webinars to receive more guidance from the secretariat. They also welcome the development of recorded training materials, such as e-courses, to be made available on the Fund's website. These resources would help IEs build institutional capacity, particularly in light of personnel turnover.

45. This comprehensive feedback from the IEs highlights the need for refined guidance, increased flexibility, and improved support mechanisms to better address the challenges faced during project inception and implementation phases.

V. Identified policies gaps

a. Policy for project delays

46. The last policy update occurred in October 2019 following Board decision B.34/35. However, it was not updated after Board decision B.36/35. This decision allowed for a maximum extension of 12 months for the inception of projects and programmes and required any Implementing Entity (IE) facing significant delays in project or programme inception—defined as exceeding 12 months from the standard inception target of six months after the first cash transfer due to exceptional circumstances—to submit a "Request for revision of the project implementation schedule, including a revised inception date" to the Board, through the Adaptation Fund Board secretariat, for intersessional consideration.

47. Given this, there is a need to incorporate all provisions stemming from the most recent policy update. Additionally, the current policy primarily focuses on regular projects and readiness grants but does not explicitly clarify its applicability to other project types and small grants. To ensure comprehensive coverage and consistency, it is important to explicitly address the policy's applicability to all project types, including innovation and learning grants,

48. The current policy does not include any provisions for projects that experience a considerable delay in inception exceeding 12 months, beyond requiring the resubmission of a new project implementation plan and milestones. The Board has mandated the secretariat to conduct an analysis and propose options for handling considerably delayed project inceptions, which would serve as the basis for a cancellation policy (as referenced in Decision B.36/35 and Option 4 in document AFB/EFC.27/3).

49. It seems prudent to provide clear guidance to Implementing Entities (IEs) regarding the requirements that must be met if a project encounters a considerable delay in its inception. As previously noted, the average time for the Fund's projects to start after the first cash transfer is 8.5 months. However, there are instances where significant delays have occurred, raising the question of whether new consultations and an updated environmental and social risk screening might be necessary.

50. While it is important to avoid being overly prescriptive about what constitutes "significant" delays, as this may have its drawbacks, IEs may also value some flexibility in defining such delays. Nevertheless, offering guidance on the potential requirements that could arise from these delays seems essential. Striking a balance between flexibility and clarity will help ensure that IEs understand their obligations while allowing for the adaptive management needed to address the unique challenges of delayed project inceptions.

51. The Fund's policies offer a fair degree of flexibility to accommodate delays during project implementation, allowing Implementing Entities (IEs) to deploy adaptive management practices. To

address accumulated delays, IEs have often requested revisions to the project disbursement schedule or no-cost extensions for the project/programme completion date. The Board decided to link the disbursement schedule to the submission of the Project Performance Report (PPR) through Decision B.16/21. Once the PPR is submitted, the secretariat reviews the report and, upon clearance, requests the Board Chair to authorize the transfer of additional funds according to the project/programme's disbursement schedule.

52. In cases where project implementation delays are also associated with low disbursement, some IEs have requested revisions to the disbursement schedule, which is outlined in the project proposal and attached as an Annex to the grant agreement between the Board and the IE. However, neither the Policy for Project Delays nor the Operational Policies and Guidelines (OPG) Annex 7 currently include provisions for such requests. Despite this policy gap, the secretariat has adopted a consistent process for reviewing and submitting these requests for a two-week non-objection approval process during the Board's intersessional period. This process requires IEs to provide the original and revised disbursement schedules, along with a formal letter from the IE addressed to the secretariat and an endorsement letter from the Designated Authority. After Board approval, the secretariat, as mandated by the Board, issues an amendment letter to the legal agreement to reflect the revisions in the project disbursement schedule. While this process has generally been consistent, it would be beneficial to incorporate relevant provisions into the Fund's post-approval policies to formalize the procedure.

53. In terms of no-cost extension of the project completion date, the policy states that an implementing entity may request for a project/programme extension beyond the original completion date for up to 18 months for a concrete adaptation project/programme if (i) no additional funds are required; (ii) the project/programme's originally approved scope will not change; and (iii) the entity provides reasons and justifications for the extension. The DA must be notified of an extension request. Additional time beyond the 18 months stated above may be granted under exceptional circumstances. The policy further specifies that all project/programme extensions must be approved by the Board. Given the considerable number of no-cost extension requests received (91 requests for no-cost extensions for 52 projects/programmes), the Board might want to consider whether just those no-cost extension requests above 18 months, granted under exceptional circumstances, should be submitted for the Board's consideration and approval, while delegating clearance of the others to the secretariat.

b. Policy for project under implementation

54. The Policy on Project/Programme Implementation (Annex 7 to the OPG) was approved in October 2017, before the approval of the Fund's 1st Medium-Term Strategy (MTS I), therefore does not refer to nor accommodate specific provisions for the different types of projects, such as innovation, learning grants and locally led adaptation (LLA) projects and programmes.

55. This policy provides guidance for Implementing Entities (IEs) that seek to make revisions to

the originally approved project results framework at the activity, output, or outcome level. However, it does not define what constitutes an outcome or an output, which is critical for ensuring clarity and consistency. It is essential to specify that IEs should use standardized, internationally recognized results framework terminology, such as that provided by the OECD, which is widely regarded as accurate and reliable. For instance, in one case, a request for revision of the project results framework mislabeled an "output" as "activity," leading to challenges in interpretation and the related approval process.

56. Furthermore, the policy lacks timelines for the approval of such changes, creating uncertainty for IEs. For example, while the policy requires IEs to obtain prior approval from the Board for changes to outputs, it does not specify the timeline for this approval process. This omission raises questions among IEs regarding the expected duration for processing such requests and when they can proceed with the proposed changes. Clearly defining these timelines is crucial to ensure a smooth and predictable process for revisions to the project results framework.

57. The OPG Annex 7, includes also other types of project revisions, for instance the process to be followed in case of a request for the provision of direct project services (DPS), and defines a material change as "any cumulative total budget change at output-level between the revised budget and the original budget that involves ten per cent (10%) or more of the total budget of the project/programme". The material change is related just to budgetary variations but does not refer to any other type of project revision. Accordingly, albeit the secretariat has received seven requests for a change in project target sites and for revision of project and programme implementation arrangements, there is no mention and guidance to IEs on the supporting documents to be provided to the Board, through its secretariat, and the process to be followed for approval. The secretariat has been processing these requests on a case-by-case basis depending on the scope of revisions requested, in absence of guidance. For instance, if there is a change in project sites, it is paramount to understand if this implies a revision in the environmental and social risks and project targets, or not necessarily if the area is in a neighboring community. For project implementation arrangements revisions, if there is a change in executing entity, the process to follow should be different from a change in an executing partner and it is recommended that the Board, through its secretariat, provides guidance to its IEs.

58. Finally, the 10% threshold established for the material change was approved prior to the approval and operationalization of new funding windows and it seems sensible, to further explore the implications of adjusting this threshold, according to the type of project. For instance, innovation and locally-led adaptation projects and programmes, might require a higher degree of flexibility to put in place adaptive management practices during implementation as evidenced by the feedback from the Fund's IEs. Finally, the material change definition is not clarifying whether the project fees need to be included as part of the material change calculation.

VI. Proposed options to address policy gaps and areas for improvement on post approval matters

59. The secretariat, after conducting a comprehensive analysis of the current portfolio of projects and programmes, of the policies and practices followed by other climate funds, and after receiving feedback from all its IEs on the project post approval policies, recommends that the Board consider one the three proposed options to address the policies gaps and areas for improvement as identified above.

a. Option 1: Status quo approach

60. Under Option 1, the Ethics and Finance Committee (EFC) may recommend that the Board continue applying the existing policies for project and programme delays as well as for project and programme implementation. This option would maintain the current modus operandi of the Fund without introducing any changes, leaving certain areas uncovered.

61. Given the feedback from Implementing Entities (IEs) and the need for enhanced or new guidance in areas not currently addressed by the existing policies, this option does not sufficiently encourage the avoidance of significant inception delays, which negatively impacts the Fund's overall portfolio implementation. Furthermore, it does not support the development of improved guidance for different types of project post-approval matters, which remain unaddressed in the current policies.

b. Option 2: Revision of policies including option for project cancellation

62. Under option 2, the EFC may recommend that the Board request the secretariat to further develop the proposed options, including suggested policy amendments related to project cancellation. These amendments would address the gaps and areas for improvement identified in relation to extensive delays and major changes that undermine the project objective and Fund's mandate. Such approach will be aligned with standard best practices and with other climate funds.

63. As part of this option, the secretariat could develop a comprehensive, one-stop operational document to guide IEs through all post-approval processes including options and requirements for project cancellation to be considered by the Board. Such policy would streamline the process, making it easier for IEs to implement approved projects effectively and in accordance with the Adaptation Fund's policies. The updated policies would include detailed guidance on the various types of change requests the secretariat has received to date, along with related templates.

64. The table below summarizes the identified gaps or areas for improvement within the current policies and outlines corresponding proposed options, categorizing them in whether these would imply new guidance, a revision or clarification of current provisions. These options will require further development in the form of guidance and policy amendments to ensure a comprehensive

and cohesive approach to project implementation and management.

Table 2: Proposed policy amendments under Option 2

	Gaps/Areas for Improvement Identified	Proposed options
<i>RBM policies (applicable to both policy for project and programme delays and policy for project and programme implementation)</i>	Lack of clear definitions for major and minor changes	<u><i>New Guidance</i></u> Provide clear definitions and thresholds for what constitutes major and minor changes and specify approval processes for each.
	No centralized guidance document for post-approval processes	<u><i>Revision</i></u> Develop a one-stop operational manual that consolidates all post-approval processes, including project revisions and extension requests.
	Vague timeline for approval of changes	<u><i>Clarification</i></u> Establish clear timelines for the processing and approval of change requests, especially for small grants and minor changes.
	Lack of standardized templates for different types of change requests	<u><i>New guidance</i></u> Create standardized templates for all types of change requests, ensuring consistency and clarity for IEs.
<i>Policy for project/programme delays</i>	Policy applicability remains unclear	<u><i>Clarification</i></u> Clarify the policy by explicitly referencing the types of projects it applies to, including specific provisions for small grants.
	Lacks provisions for projects that experience a considerable delay in inception (exceeding 12 months) beyond requiring submission of a new project	<u><i>New guidance</i></u> Provide new guidance that includes criteria for triggering project/programme cancellation in cases of significant delays (in line with decision B.36/35), similar to practices in other climate funds. Revise the policy to establish procedures for the Board/Secretariat to initiate the cancellation process.

	implementation plan and milestones	<p>Alternative to cancellation for projects facing major delays, where there could be implication for achieving the intended results if the project is allowed to start without re-examinations of key variables. The proposed option is to revise the policy to allow for project restructuring when delays may hinder the intended results. Provide clarity on what constitutes major versus minor restructuring and outline the roles of the Board and Secretariat in the process.</p> <p>In addition, clarify whether projects experiencing significant delays should undergo, among others, updated consultations or environmental and social risk screenings.</p>
	No-cost extensions of project completion's date. There is clear guidance but given the considerable number of requests and diversified portfolio, the Board might want to consider delegating the approval to the secretariat.	<p><u>Revision</u></p> <p>Given the high number of no-cost extension requests received (91 requests for 52 projects/programmes), consider delegating the approval of requests under 18 months to the secretariat, while requests for extensions over 18 months, granted only under exceptional circumstances, should be reviewed by the Board.</p>
<i>Policy for project/programme under implementation</i>	Policy applicability remains unclear	<p><u>Clarification</u></p> <p>Clarify the policy's applicability by explicitly referencing the types of projects it covers and including specific provisions for small grants.</p>
	Lack of guidance for revising the project	<p><u>New guidance</u></p> <p>Provide new guidance on when revisions to the project</p>

	disbursement schedule.	disbursement schedule are permissible, specifying whether they can be made at any stage of implementation or only up to the mid-term review or mid-point of project implementation. Incorporate specific provisions for these requests, including a checklist with required supporting documents and a related template.
	No definition of what constitutes an outcome or output, and unclear timelines for revising the project results framework.	<u>Clarification</u> Require IEs to use standardized, internationally recognized results framework terminology, such as the OECD's. Clarify processes and timelines for revising the project results framework and simplify approval processes by clearly distinguishing between minor and major changes. Define the corresponding approval processes for each.
	Lack of guidance for change project/programme sites.	<u>New guidance</u> Develop specific provisions for requesting site changes, including a checklist of required documents and a related template.
	Lack of guidance for revising project/programme implementation arrangements.	<u>New guidance</u> Provide clear guidance on how to request changes to implementation arrangements, including a checklist of required documents and a related template.
	Definition of material change (10% threshold) may not be adequate for all project types.	<u>Revision</u> The definition for the material change was approved through decision B.29/31, prior to the approval and operationalization of new funding windows. Review whether the current 10% threshold for material changes remains appropriate for all project types. The secretariat could

		consider increasing the threshold for certain types of projects and programmes which might include unidentified sub-projects (USPs) (e.g., innovation, Enhanced Direct Access (EDA)) to support adaptive management practices during implementation. Additionally, provide guidance on calculating material changes, clarifying whether project fees should be included in the calculation.
<i>Policy for project cancelation</i>	Currently the Fund does not have a policy on project cancelation including for project which objectives and outcomes are significantly revised/undermined	<u>Revision</u> The secretariat could develop a policy on project cancelation including requirements, milestones, process and approval process.

c. Option 3: Revision of policies including specific items delegation to secretariat

65. In addition to items described under Option 2, the EFC could recommend to the Board to consider matters under Options 2 that could be delegated to the secretariat for review and approval. By delegating these responsibilities to the secretariat, the Fund would increase efficiency in handling minor amendments while ensuring that critical decisions remain under the Board's purview, freeing up the Board's capacity for strategic decision-making and allowing the secretariat to handle routine operational adjustments.

66. The secretariat would report regularly to the Board on all items that have been processed and approved in relation to project implementation as part of its Report on the Activities of the Secretariat and the Annual Performance Report, as relevant.

67. The table below highlights a set of items that can be delegated to the secretariat for approval as part of the project implementation matters.

Table 3: Proposed policy amendments under Option 3

Policy amendment	Items to be delegated to the secretariat for approval
<i>Policy for project and programme delays</i>	All project inception delays, if the delay does not imply a project major change
	Requests of no-cost extension of project completion date up to 18 months
	Reporting requirements delay of up to 12 months delay
<i>Policy for project/programme under implementation</i>	Requests for minor change (e.g. revisions in the project results framework)
	Requests for change of disbursement schedule associated with project inception delay or extension of project completion date
	Requests of project budget reallocation up to 20%
	Requests for EE change that do not imply material change of project outcomes

VII. Conclusion

68. Based on feedback gathered from the survey administered to the IEs, and to streamline the Fund's process, the secretariat would like to recommend the third option. This option would help close the Fund's policy gaps while enhancing efficiency by delegating the approval of minor amendments to the secretariat. This delegation would enable faster decision-making for less significant changes, allowing the Fund to operate more efficiently without compromising oversight.

69. The secretariat should also enhance the guidance provided for submitting, reviewing, and processing project post-approval requests for changes. Developing standardized templates, clear indications on the review process, and criteria for evaluating proposed revisions would ensure timely and consistent assessments. Additionally, providing detailed support resources, such as a comprehensive manual or an online learning course on project post-approval policies and IEs' compliance, would help IEs better understand and navigate the revision process effectively.

70. The Board might consider requesting the secretariat to explore further whether the provisions included in the policies for project post-approval revisions and delays should apply uniformly to all project types (such as regular single-country and regional projects, innovation small and large grants, and learning grants), or if the policies should contain specific provisions applicable to each project type. This would ensure that the policies are tailored appropriately to the unique characteristics of each project type.

71. Finally, it would be prudent to provide clearer guidance on the degree of project revisions by

categorizing them into minor and major changes, following the approach used by other climate funds. Each category should have a specific approval process, including a list of required documents, detailed instructions on the approval process, and defined timeframes, whenever feasible. This categorization would streamline the process, ensuring that revisions are handled with the appropriate level of scrutiny and efficiency.

72. A centralized, one-stop operational document to guide Implementing Entities (IEs) through all post-approval processes would also make it easier for implementing entities to effectively implement approved projects in accordance with AF policies. Such an operational manual could be transformed into a digital resource accessible on the AF website.

VIII. Recommendation


73. Having considered document AFB/EFC.34/8, the Ethics and Finance Committee (EFC) may want to recommend that the Board decides to:

- (a) Take note of the review and analysis conducted by the secretariat as contained in document AFB/EFC.34/8;
- (b) Approve the [option 1] [option 2] [option 3] as contained in document AFB/EFC.34/8 in relation to project post approval policies amendments;
- (c) [Request the secretariat to further develop the proposed [option 2] [option 3] for revisions of the policies pertaining to project post-approval requests for changes, namely the Policy for Project Implementation (OPG Annex 7) and the Policy for Project/Programme Delays, in order to address the gaps identified in document AFB/EFC.34/8;
- (d) Present to the EFC the proposed policy amendment for its consideration at the thirty-fifth meeting.]

Annexes

Annex I – Survey on Post Approval Project Processes Administered to IEs

Results Summary

 View results

...

1. Do you have one or more projects/programmes under implementation with the AF?

[More Details](#)

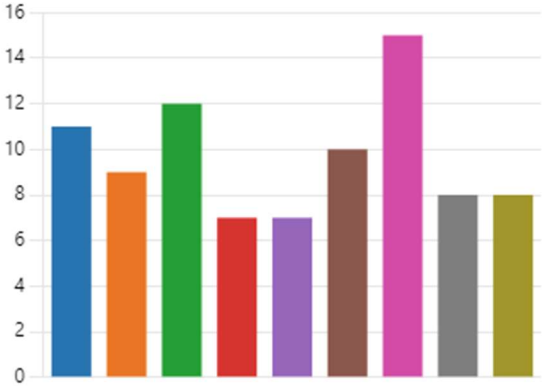
 Yes	26
 No	1



2. If yes to the previous question, can you please select the main unexpected challenges applicable to your project(s) faced during project(s)/programme(s) implementation?

[More Details](#)

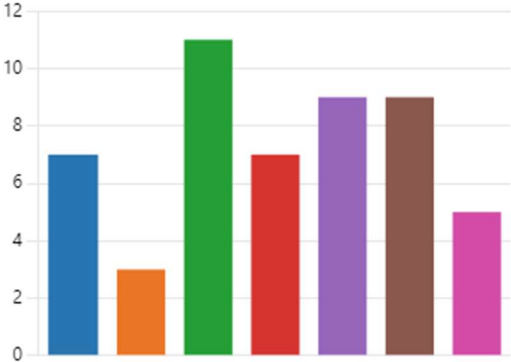
 High turnover (resignation) fro...	11
 Changes in project sites due to ...	9
 Sharp increase in the cost of pro...	12
 Changes in the legal and regula...	7
 Cumbersome local procurement...	7
 Political instability	10
 Natural disasters including healt...	15
 Limited skilled labour to suppor...	8
 Other	8



3. We understand that some Implementing Entities (IEs) have experienced delays in submitting readiness grant monitoring and completion reports. The Adaptation Fund requires these reports to ensure efficient project implementation and track progress. To help us improve support for IEs, please select all reasons that contributed to delays in your organization's readiness grant report submissions (Select all that apply):

[More Details](#)

- Lack of clarity on reporting requ... 7
- Difficulty collecting data for the ... 3
- Staff capacity limitations (e.g., w... 11
- Delays in project implementatio... 7
- Unforeseen circumstances (e.g., ... 9
- N/A we have not accessed a rea... 9
- Other 5

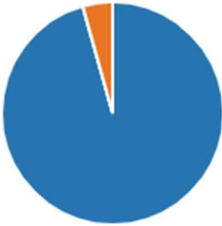


4. Do you find the Adaptation Fund's guidance on readiness project monitoring and completion reports clear and easy to follow?

[More Details](#)

[Insights](#)

- Yes 22
- No 1



5. If you answered “No” to question above, what specific changes to the reporting requirements would make it easier for you to submit reports on time?

[More Details](#)

[Insights](#)

8
Responses

Latest Responses

"In general they are clear (The usual thing in CAF is to ask questions during t...

[Update](#)

2 respondents (29%) answered **PPR platform** for this question.



6. The Board has set a target of six months from the first cash transfer to project/programme start. If a project/programme does not start within six months, the IE must send a notification to the secretariat. If a project cannot start within 12 months from the first cash transfer, the IE must inform the secretariat by submitting a notification for inception delay along with a revised implementation plan.

Have any of your projects experienced delays in inception (starting implementation) before?

[More Details](#)

[Insights](#)

● Yes	17
● No	10



7. If you answered yes to the above question, indicating that your project has experienced delays in starting, please list the causes of these delays.

[More Details](#)

[Insights](#)

18

Responses

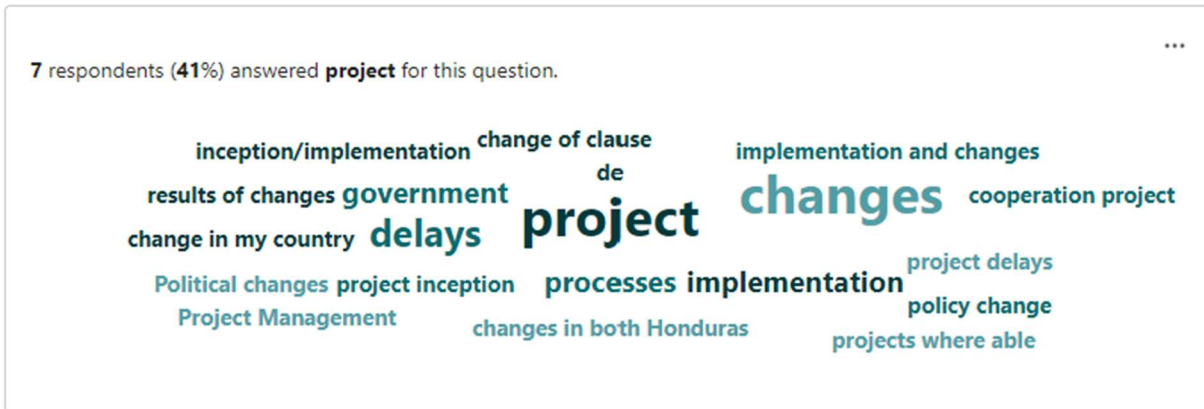
Latest Responses

"Ad hoc execution arrangement between CAF, FAO y Environmental Ministry o...

"The unique situation of COVID19 related restrictions which affected the impl...

"Political situation is one issue, such as changing of leadership at sub-nation...

[Update](#)



8. Would you have any suggestions on how the Board and the secretariat could further facilitate this process?

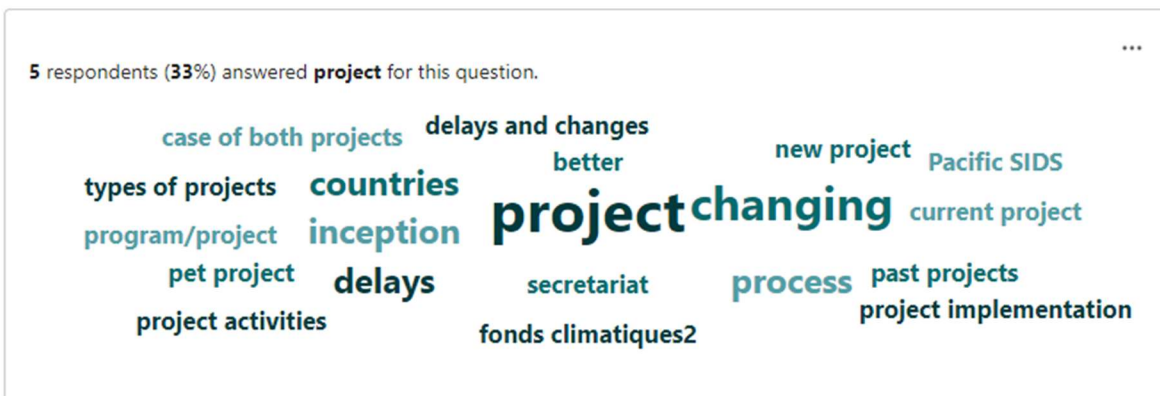
[More Details](#)

[Insights](#)

15

Responses

Latest Responses



9. Unlike normal project grants, the AF policy requires IEs to notify the secretariat on the start of the project formulation grant (PFG) not more than one month after the project start date.

Please indicate if you have received PFG before?

[More Details](#)

 Insights

- Yes 12
- No 15



10. If you have received "Project Formulation Grants" before and you experienced delays in starting the project within one month after the cash transfer, please indicate the causes of these delay below

[More Details](#)

 Insights

11
Responses

Latest Responses

"So far, we never have experienced delays to start with PFG."

3 respondents (27%) answered **delays** for this question.

...



11. For "Project Formulation Grants", if there is a delay in completion of work, a revised completion date, including the reasons why the implementing entity could not submit a full proposal to the Board, should be submitted to the secretariat. Would you have any suggestions on how to further facilitate this process?

[More Details](#)

[Insights](#)

11
Responses

Latest Responses

"It is reasonable to notify the board on the delay."

3 respondents (27%) answered **delay** for this question.



12. The AF policy sets a maximum of 18 months for no-cost extension of the project completion date. Extensions beyond 18 months can be granted just under exceptional circumstances. Do you believe that this limit is appropriate?

[More Details](#)

[Insights](#)

- Yes 23
- No 4



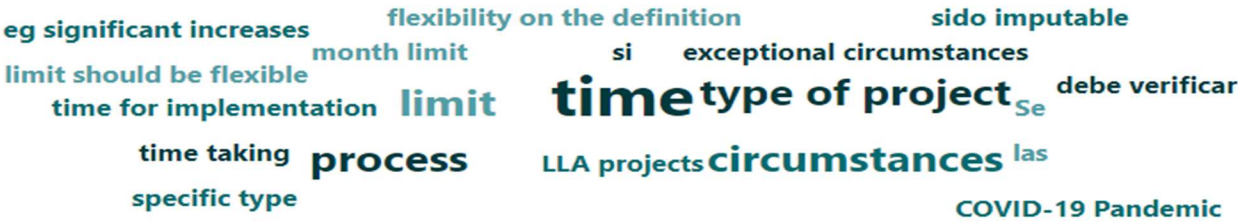
13. If you answered "no" above, please explain the reasons why you think that 18 month limit is not appropriate.

[More Details](#) [Insights](#)

7
Responses

Latest Responses

3 respondents (43%) answered **time** for this question.



14. Do you think that this limit should be revised according to the type of project? For example, innovation projects or locally-led adaptation projects might faces different type of challenges during implementation. Do you think that the secretariat should be setting different limits in project extension?

[More Details](#) [Insights](#)

● Yes 21
● No 6



15. Would you agree with the suggestion of having the Board delegating the approval of extension requests to the secretariat for those under 18 months, while having the Board approving only those beyond 18 months?

[More Details](#) [Insights](#)

● Yes 25
● No 2



16. Is your project still facing the effects of the COVID-19 pandemic?

[More Details](#)

[Insights](#)

- Yes 16
- No 11



17. Explain your answer above, if YES, why and if NO, why

[More Details](#)

[Insights](#)

27
Responses

Latest Responses

- "The atrasos assign the coordinates to start the activities in the projects. Thes...
- "Residual impact of the delays brought about by COVID-19 restrictions."
- "All our ongoing projects is currently back to normal routine and currently th..."

14 respondents (52%) answered **projects** for this question.



18. If yes to question to the the COVID-19 question above is your project planning to apply to a covid-19 no-cost extension request?

[More Details](#)

[Insights](#)

- Yes 11
- No 15



19. For PFGs, if there is a delay in completion of work, a revised completion date, including the reasons why the implementing entity could not submit a full proposal to the Board should be submitted to the secretariat. Would you have any suggestions on how to further facilitate this process?

[More Details](#)

[Insights](#)

13 Responses

Latest Responses
"N.A."

"This seems to be repetition of the question #11"

2 respondents (15%) answered **process** for this question.



20. Execution services may only be provided by Implementing Entities on an exceptional basis, and at the written request by the recipient country. Would you have any suggestions on how the Fund could streamline the process of implementing entities requesting to provide execution services?

[More Details](#)

 Insights

19
Responses

Latest Responses

"N.A."

"Justification and the written request by the recipient country are a reasonabl...

"Each country has different scheme on the eligibility of Executing Entity. So, st...

7 respondents (37%) answered **country** for this question.



21. The Adaptation Fund Board currently defines a material change as “any cumulative total budget change at output-level between the revised budget and the original budget that involves ten per cent (10%) or more of the total budget of the project/programme” excluding the project fees. Implementing entities wishing to submit a request for a material change shall do so through the secretariat prior to the implementation of the change described in the request. Would you have any suggestions on how the Fund could streamline the process of budget changes throughout project/programme implementation?

[More Details](#)

 Insights

20
Responses

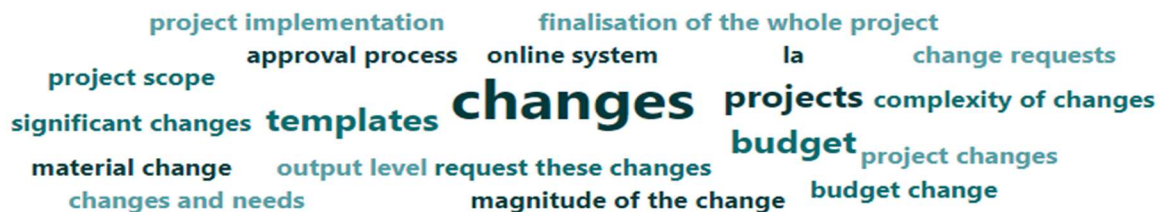
Latest Responses

"There could be very exceptional situations for which the secretary evaluates ...

"Current process is acceptable"

"The approval process of material change is quite long and lead to delay of t...

5 respondents (25%) answered **changes** for this question.



22. Given the unique nature and challenges of Innovation projects and Locally Led Adaptation projects, we are considering whether the percentage cap for material changes should be increased for such projects.

Do you think the current percentage cap of 10% for material changes should be increased for Innovation projects and Locally Led Adaptation projects? Select one of the below options.

[More Details](#)


 Insights

- Yes, to 15% 8
- Yes, to 20% 13
- No, the current 10% cap is suffic... 6



23. Please provide any additional comments or reasoning for your prior response

[More Details](#)

 Insights

19
Responses

Latest Responses

"The execution of activities with local entities that receive donations is crucial..."
"For small scale innovation and LLA, 10% is sufficient since these projects are..."

10 respondents (53%) answered **projects** for this question.

...



24. The policy for project implementation gives guidance to Implementing Entities in case they wish to revise outcome/outputs/activities indicators and/or associated targets. Would you have any suggestions and how the Fund could improve the procedures to revise such indicators and/or targets?

[More Details](#)

[Insights](#)

18
Responses

Latest Responses

"The challenges we have presented are: long times in reviewing requests by t...

"So far the guidance is reasonable, just the approval could proceed in a quite ...

5 respondents (28%) answered **project** for this question.



25. Did you submit a request for project post-approval revision which was not included in the AF Policies and Guidelines?

[More Details](#)

[Insights](#)

- Yes 2
- No 25



26. If YES above, please explain/list the type of revision(s) not included in the policies

[More Details](#)

3
Responses

[Latest Responses](#)

27. There might be issues not covered by the policies, would you like a particular aspect to be included, and if yes which one?

[More Details](#)

 Insights

13
Responses

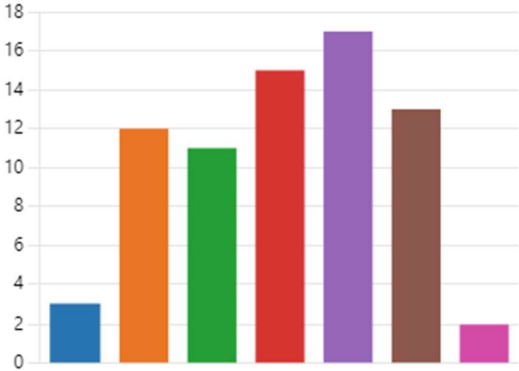
[Latest Responses](#)



28. Please share any further suggestions you may have that could help the secretariat improving its guidance to Implementing Entities and processes for dealing with project post approval issues. For example, would you like to receive more guidance on any project post approval matter?

[More Details](#)

N/A additional guidance is not ...	3
Project no-cost extension	12
Project inception delay	11
Revision of project results frame...	15
Budget revisions (material chan...	17
Direct project services	13
Other	2



29. If yes to above question, which method would you prefer to receive more guidance?

[More Details](#)

E-courses	3
Webinars	4
In person trainings	14
Other	2



Annex 2 - Comprehensive review of for post-approval policies and procedures across other climate funds

a. *The Global Environmental Facility*

1. In the Global Environmental Facility (GEF), the project and program cycle¹¹ starts with the Project Identification Form (PIF) submission by a GEF Agency. The actual approval of a project/program takes place in the form of the CEO endorsement. After CEO Endorsement, the Agency approves the project following its own internal procedures and begins project implementation. Implementation begins following CEO Endorsement and Agency approval. Each Agency is responsible for project implementation and is directly accountable to the Council. Agencies conduct project-level monitoring and evaluation activities in accordance with the Agency systems and consistent with the GEF Monitoring¹² and Evaluation Policies¹³. The GEF Cancellation Policy¹⁴ sets out principles, rules, and procedures to cancel or suspend projects and programs at different stages in the GEF project cycle. As per this policy, GEF Agencies have up to 18 months after Council approval of the Work Program to submit the CEO Endorsement package for Full-Size Projects and up to 12 months for Medium-Size Projects.

2. The GEF guidelines on the Project and Program Cycle policy¹⁵ states that during project preparation or implementation, changes to the project design, implementation modality, or timeline for the project may be required to allow the project to continue preparation or implementation. Such changes can either be a major or minor amendment. Major amendment means a change in project design or implementation that has a significant impact on the project's objectives or scope or an increase of the GEF project financing of more than 5%, while Minor amendments are changes to the project design or implementation that do not have significant impact on the project objectives or scope, or an increase of the GEF project financing up to 5%.

3. If the reason for the amendment includes an increase of the GEF project financing (regardless of whether this is a major or minor amendment), the GEF Agency needs to confirm with the Secretariat whether the requested additional funds are available in the respective focal area(s). If funds are available, such an increase requires Secretariat approval. The increases in the GEF project financing can only be accessed within the same replenishment period.

¹¹ https://www.thegef.org/sites/default/files/documents/Project_Program_Cycle_Policy.pdf

¹² https://www.thegef.org/sites/default/files/documents/gef_monitoring_policy_2019.pdf

¹³ <https://www.gefio.org/sites/default/files/documents/council-documents/c-59-e-05.pdf>

¹⁴ https://www.thegef.org/sites/default/files/documents/Project_Cancellation_Policy_20181220.pdf

¹⁵ https://www.thegef.org/sites/default/files/council-meeting_documents/EN_GEF_C.59_Inf.03_Guidelines%20on%20the%20Project%20and%20Program%20Cycle%20Policy.pdf

4. Procedures for major amendment made for Full-Size Projects (FSPs) are as follows:

- (i) If the amendment includes an increase of the GEF project financing, the Secretariat needs to confirm and approve resource availability (Countries need to express their willingness to allocate the additional funds through a new Letter of Endorsement signed by the GEF Operational Focal Point(s)). The GEF Agency then submits a project proposal and project document requests for CEO endorsement (or re-endorsement, if the project is under implementation). This must include the GEF Agency amended notification justifying the changes.
- (ii) If the changes do not include an increase in GEF financing, but significant changes in project objectives or scope, the amendment follows the Agencies' policies before sending the amendment to the Secretariat. Once received, the Secretariat reviews the amended project proposal. If it concurs, it circulates the amended proposal to the Council for four weeks for its comments and approval.
- (iii) If Council comments are received, the GEF Agency must respond directly to the Council member with a copy to the Secretariat. The Secretariat assesses whether the answers provided by the GEF Agency address the Council member's comments (If requested by the Secretariat, the Agency communicates directly with the Council Member to clarify or resolve any issues, with a copy to the Secretariat). On that basis, the CEO conveys the Council approval with an endorsement (or re-endorsement) letter.
- (iv) If four or more Council Members raise an objection because in their view the proposed amendment to the project is not consistent with the GEF Instrument or GEF policies or procedures, the CEO endorsement (or re-endorsement) will be withheld, and the project will be resubmitted to a subsequent Council meeting. The CEO endorses/re-endorses the project if the Council finds that the project is consistent with the Instrument and GEF policies and procedures.
- (v) If there are no Council comments, at the expiration of the circulation period the CEO conveys Council approval with an endorsement (or re-endorsement, if the project is under implementation) letter. If the reason for the amendment includes an increase of the GEF project financing, the Trustee will be informed through the CEO endorsement (or re-endorsement) letter.

5. Procedures for Minor Amendment made for FSPs are as follows:

- (i) If the changes occur before the CEO endorsement and include an increase of the GEF project financing up to 5%, the Secretariat needs to confirm and approve resource availability (Countries need to express their willingness to allocate the additional funds through a new Letter of Endorsement signed by the GEF Operational Focal Point(s)). Once approved, the GEF Agency submits the CEO endorsement request template reflecting the minor changes. The Secretariat

reviews and if it concurs with the minor amendment, the CEO issues an endorsement letter to the GEF Agency with the revised project financing amount. The Trustee will be copied accordingly.

- (ii) If the changes occur after the CEO endorsement and do not include a change in the GEF project financing or significant changes in project scope or objectives, the Agencies act on the amendment at their discretion. However, it should be reported in the annual Project Implementation Review (PIR) submitted to the Secretariat after the Agency approves the project changes.
- (iii) If the changes occur after the CEO endorsement and do include an increase in the GEF project financing up to 5%, the Secretariat needs to confirm and approve resource availability (Countries need to express their willingness to allocate the additional funds through a new Letter of Endorsement signed by the GEF Operational Focal Point(s)). Once approved, the GEF Agency submits the CEO endorsement request template reflecting the minor changes. Upon CEO concurrence, a CEO re-endorsement letter with the revised project financing amount will be issued to the GEF Agency and communicated to the Trustee accordingly.

6. Procedures for Major Amendment made for Medium-Size Projects (MSPs) are as follows:

- (i) If the amendment includes an increase of the GEF project financing, the Secretariat needs to confirm and approve resource availability (countries need to express their willingness to allocate the additional funds through a new Letter of Endorsement signed by the GEF Operational Focal Point(s)). Once approved, the GEF Agency resubmits an amended MSP or amended EA proposal for CEO approval (or re-approval, if under implementation). This must include a cover note (Via email or brief (e.g. one page) explanation) justifying the changes and reflecting these changes, with the associated documentation for CEO re-approval.
- (ii) If the changes do not include an increase in GEF financing, but significant changes in project objectives or scope the amendment follows the Agencies' policies before being submitted to the Secretariat. Once received, the Secretariat reviews the amended project proposal. If the Secretariat concurs, the CEO issues an approval (or re-approval) letter. If the reason includes an increase of the GEF project financing, the Trustee will be informed through the CEO approval (or re-approval) letter.

7. Procedures for Minor Amendment made to MSPs are as follows:

- (i) If the changes do not include an increase in GEF project financing, changes for MSPs and EAs proposed after the CEO has approved a project are made at the discretion of the responsible GEF Agency. They are reported to the GEF Secretariat as part of the annual Project Implementation Review (PIR) after agency approval.
- (ii) If the changes involve an increase up to 5% in the GEF project financing amount,

the Secretariat needs to confirm and approve resource availability (Countries need to express their willingness to allocate the additional funds through a new Letter of Endorsement signed by the GEF Operational Focal Point(s)). Once approved, the GEF Agency submits an amended MSP approval request to the Secretariat. Upon CEO concurrence, a CEO re-approval letter with the revised project financing amount will be issued to the GEF Agency and communicated to the Trustee accordingly.

8. Starting with GEF-8, the GEF Secretariat will introduce a proactive implementation index, or “Proactivity Index” to gauge progress for those projects rated in the unsatisfactory range or those having persistent low disbursement, for which proactive implementation is required. Such an index will allow checking if a year after they have either updated project ratings, held a mid-term review or conducted changes to the project structure, either minor or major ones. This indicator is currently used in Agencies such as the World Bank and IFAD.

9. The separation of implementation functions performed by GEF Agencies and execution functions performed by Project Executing Entities (EAs) is a key feature of the governance of the GEF Partnership and an important aspect of the GEF Minimum Fiduciary Standards. GEF Agencies are the only legal entities accountable to the GEF Council for the operational use of GEF financing. As such, GEF Agencies are responsible for the implementation of the project/program, which “entails oversight of project execution to ensure that the project is being carried out in accordance with agreed standards and requirements”. The project Executing Entity is an organization that executes a GEF Project or Program, or portions of it, under the supervision of a GEF Agency. Execution generally includes the management and administration of the day-to-day activities of projects in accordance with specific project requirements in an agreement with the GEF Partner Agency responsible for implementation. Execution implies accountability for intended and appropriate use of funds, procurement and contracting.

10. The GEF Minimum Fiduciary Standards Policy establishes the responsibilities of the GEF Agencies to oversee EAs and ensure the latter have adequate capacities and controls in place. The GEF Agency Fee Policy also explicitly precludes the merging or crossing over of the implementing functions of the GEF Agencies and the execution functions undertaken by EAs. However, in exceptional cases and as required by the Agency in accordance with its policy requirements, per the request of the beneficiary country/countries, and with the appropriate justification, the same GEF Agency may carry out both functions, under conditions described below. The request for such exceptions should be clearly specified and included in a letter of support from all the relevant OFPs, submitted before or by the time of CEO Endorsement/Approval at the latest. The specific roles and responsibilities of all partners, including any execution activities provided by the GEF Agency would be clearly described in the letter of support. A template letter will be made available on the GEF website. As noted in the OFP Letter of Endorsement, the LoE should not include reference to an exception for implementation and execution by the same GEF Agency, without prior consultation with the GEF Secretariat on the feasibility of such an exception. Upstream consultation with the GEF Secretariat on the proposed execution arrangements is strongly encouraged. The Secretariat

assesses the request and decides whether to approve it; the GEF Agency is informed of the decision in the review sheet.

11. In the exceptional cases where a GEF Agency carries out both implementation and execution functions of projects, the GEF Agency must separate its project implementation and execution duties and establish each of the following:

- (i) A satisfactory institutional arrangement for the separation of implementation and executing functions in different departments of the GEF Agency; and
- (ii) Clear lines of responsibility, reporting, monitoring and evaluation and accountability within the GEF Agency between the project implementation and execution functions.

12. This separation helps ensure the segregation of accountability and financial management roles, in light of the accountability of the GEF Agency to supervise the entity carrying out project/program execution. Segregation of duties is to be maintained in the following areas, at a minimum: settlement processing, procurement processing, risk management/reconciliations and accounting. Related roles and duties of the separate responsible units within the Agency are subject to a regular review by Agency management and action by the Agency is required when discrepancies and exceptions are noted.

b. The Green Climate Fund

13. The Green Climate Fund (GCF)'s project and programme cycle, was adopted by the GCF Board in May 2014 (decision B.07/03) and updated in July 2017 (B.17/09)¹⁶. The approval of a funding proposal by the Board is followed by three stages of the post-approval process: the first step in project implementation is an agreement between the GCF and the implementing Accredited Entity (AE) on the necessary legal arrangements for disbursement, called a Funded Activity Agreement (FAA). Following the FAA signing (stage 1), the GCF will take steps to ensure FAA effectiveness. For instance, FAAs covering the GCF's transfer of grant payments will stipulate conditions ensuring the grant or loan is effective. Once the FAA has reached effectiveness (stage 2), the project moves to disbursement under FAA (stage 3) and implementation. During project/programme implementation, AEs are primarily responsible for the monitoring and evaluation of the funded activities they carry out, they are also required to report regularly to GCF, including through inception reports, annual performance report and mid-term evaluation reports.

14. 180 days are generally granted from Board approval to FAA execution and 90 days from FAA execution to implementation. In February 2019, the GCF Board adopted a Policy on Restructuring and Cancellation (decision B.22/14)¹⁷. It sets out the mechanism for decision-making in respect of an approved funding proposal in situations where there has been one or a combination of the

¹⁶ <https://www.greenclimate.fund/sites/default/files/document/updated-project-programme-cycle.pdf>

¹⁷ <https://www.greenclimate.fund/sites/default/files/document/policy-restructuring-cancellation.pdf>

circumstances set out below:

- (i) Failure to fulfil the conditions to be met prior to the execution of the funded activity agreement within the time frame established by the accreditation master agreement or the Approval Decision, as appropriate;
- (ii) A request for an extension of the time frame established by the accreditation master agreement or the Approval Decision to fulfil the conditions to be met prior to the execution of the FAA;
- (iii) A request for a waiver of a condition imposed in the Approval Decision; and
- (iv) A request for a change to an approved funding proposal or restructuring of a funded activity

15. If an AE fails to meet a condition that is required to be fulfilled before FAA execution within the required Period, the approval of the relevant funding proposal shall no longer be valid. An AE may request an extension of the Period to fulfil the conditions required to be met prior to the execution of the FAA.

16. The policy also describes the extent to which restructuring may take place after FAA execution. If the AE, in consultation with the National Designated Authority/Focal Point (NDA/FP), proposed a restructuring, the following procedures apply.

17. If the AE, in consultation with the NDA/FP, proposed a change that is likely to constitute:

- (i) A Major Change; or
- (ii) A change (other than a Major Change) that would otherwise require:
 - The consent of GCF pursuant to the terms of the relevant accreditation master agreement, funded activity agreement or relevant agreement to which the GCF is a part of;
 - The consent of the GCF under the AE's own policies; the AE shall notify the Secretariat in writing of the relevant change, and such notification shall include written evidence of the consultation with the NDA/FP.

18. If the proposed change falls within the categories described in para, the Secretariat shall request the AE to provide a restructuring paper, in a form and substance satisfactory to GCF, and supporting documentation describing the rationale of the proposed change and the analysis of associated benefits and risks to the implementation of the Full Proposal (FP) as approved.

19. Upon receipt, the Secretariat will, in consultation with the AE, assess the restructuring proposal and determine whether the change falls within a minor or major change. The Secretariat will determine within 14 calendar days, or a longer period as maybe required to gather additional

information and engage with the AE and other stakeholders as appropriate, whether the proposed change fulfils the requirements to be considered a Major Change within the scope of this Policy, as set out below.

20. Without limiting the relevant provisions in the relevant legal agreements, a change will be deemed to be a Major Change if any of the following are proposed:

- (i) Any changes that would render the project/programme inconsistent with the GCF mandate and business model;
- (ii) A change in the scope of the project/programme which would result in a material and adverse deviation from the intended objectives or outcomes that the AE seeks to achieve from the implementation of the relevant project/programme, in particular its climate and/or environmental outcomes as set out in the funding proposal or FAA;
- (iii) The assignment or transfer of all or a material part of its responsibilities to another AE;
- (iv) A change of an executing entity that would have a material effect on the implementation of the project/programme;
- (v) Any change that would have a material and adverse impact on the ability of the executing entity to operate the relevant project/programme, including a material and adverse change in the legal status of an executing entity which has a material and adverse impact on the implementation of the project/programme;
- (vi) Any change to the pricing of the GCF proceeds for the project/programme that deviates from the Board-approved parameters;
- (vii) Any material and adverse change in the pricing and financial structure of the project/programme;
- (viii) Any change in a project/programme that results in a change in the environmental and social safeguards category from a lower to a higher category, or changes within a category that would trigger additional safeguards standards to be applied or require additional due diligence;
- (ix) A delay in the completion of the project/programme or its major components that materially and adversely affect the achievement of the intended outcomes;
- (x) Other changes such as may be expressly set out as a Major Change in the Approval Decision; and
- (xi) Any other event or proposed modification that constitutes a 'major change' in the relevant legal agreements.

21. The determination of whether a change shall be deemed to be a Major Change shall be made by the Secretariat, considering the relevant circumstances and the nature of the project/programme.

22. If the proposed change is determined by the Secretariat not to be a Major Change, the Executive Director (ED) shall have the authority to approve such a change, and the Secretariat will then require the AE to undertake appropriate actions.

23. Upon determination by the Secretariat of a change as a major change:

- (i) The AE shall consult with the NDA/FP and seek written confirmation from the NDA/FP whether the restructuring proposal affects the status of the funding proposal no-objection letter;
- (ii) If the NDA/FP confirms that the restructuring proposal affects the status of the funding proposal no-objection letter, the AE shall seek a new no-objection letter from the NDA/FP in respect of the restructuring proposal and submit a copy of the new no-objection letter to the Secretariat;
- (iii) If the NDA/FP confirms that the restructuring proposal does not affect the status of the funding proposal no-objection letter, the AE shall submit a copy of such confirmation to the Secretariat;
- (iv) If the NDA/FP does not confirm whether the restructuring proposal affects the status of the funding proposal no-objection letter within 30 calendar days of the date on which the AE presented the restructuring proposal to the NDA/FP, the NDA/FP shall be deemed to have confirmed that the restructuring proposal does not affect the status of the funding proposal no-objection letter (unless, prior to the end of such 30 day period, the NDA/FP has informed the AE of the need for additional time, in which case such period shall be extended by up to an additional 30 calendar days), and the AE shall confirm the same to the Secretariat in writing; and
- (v) Following receipt of a new no-objection letter or a confirmation pursuant to above paragraph 28 (ii), (iii) or (iv), the Secretariat shall within 30 calendar days prepare a Board document, annexing the restructuring proposal that may include any updates of the environmental and social due diligence pursuant to the GCF Environmental and Social Policy, the new no-objection letter or relevant confirmation, together with its assessment and recommendation for the Board's action either through a decision taken at the next Board meeting, or through a decision between meetings in accordance with the Rules of Procedure of the Board.

24. If the proposed restructuring is approved by the ED or the Board, as appropriate, the Secretariat will take the necessary measures to enter into appropriate legal arrangements with the AE to give effect to such approval. If the proposed restructuring is not approved by the ED or the Board, as appropriate, the Secretariat will take the necessary measures under the relevant legal agreement with the AF. The Secretariat shall promptly inform the relevant NDA/FP of an approval or non-approval of a restructuring.

25. The GCF Accreditation Master Agreement template confirms that AEs may also carry out the functions of an Executing Entity.

c. The Climate Investment Funds

26. The two trust funds that comprise the CIF, the Clean Technology Fund (CTF) and Strategic Climate Fund (SCF), are each governed by a committee that oversees and decides on operations and activities. The first two processes of the project cycle, i.e. endorsing investment plans and approving funds for projects/programs, involve the Trust Fund Committee (TFC), and they take place prior to MDB Board approval. Once a project/sub-project has reached MDB Board approval, the subsequent processes follow the applicable Multilateral Development Bank (MDB) procedures and standards, with the exception of certain provisions, such as results reporting. Reliance on MDB procedures and standards during post-MDB-approval processes is a fundamental principle of the CIF.

27. The Pilot Program for Climate Resilience (PPCR) pipeline management and cancellation policy¹⁸ delineates the process for the CIF Committees to consider MDB requests such as extending specific milestones and restructuring projects and funding. It also includes procedures related to cancellation of funds, as necessary, when the Policy is not adhered to.

28. It recognizes that, based on the operational experience gained by CIF to date, it is evident that program/project development and expectations are constantly evolving for many reasons, including changes in country priorities, financing structure of the projects, or new information and technologies that become available. This may require modifications to the investment plans endorsed by the relevant CIF governing body. An investment plan should be considered a dynamic document, with the flexibility to reflect changing circumstances and new opportunities.

29. All changes to investment plans must follow CIF participatory approach and involve relevant stakeholders before submission to the CIF governing body through the MDBs.

30. Changes to an investment plan deemed necessary by the country or the MDBs must be presented to the relevant CIF governing body for review and endorsement through a decision by mail, especially in the case of substantial changes in objectives, design, and/or financing. In particular, guidance and endorsement from the relevant CIF governing body will be sought, for the following types of change to an investment plan:

- (i) shifting resources between endorsed projects, programs and/or sectors by more than 10% of the total investment plan envelope,
- (ii) replacing an already endorsed project concept,
- (iii) changing financial instruments.

31. Countries wishing to submit a revised investment plan must notify this to the CIF Administrative Unit before the deadline for the approval of the programs/projects proposals included in the original investment plan. Preparation of an updated investment plan should take no more

¹⁸ https://www.cif.org/sites/cif_enc/files/meeting-documents/joint_ctf-scf_tfc.23_4_cif_pipeline_management_and_cancellation_policy.pdf

than 6 months.

32. When the proposed changes to an investment plan require endorsement by the relevant CIF governing body, a request from the country's government should be submitted to the relevant CIF governing body for review and approval. The updated investment plan should include the following:

- (i) Review of the status of the implementation of the original investment plan
- (ii) Explanation of the circumstances and rationale for revising the investment plan and making changes to the projects or programs
- (iii) Description of the proposed changes
- (iv) Assessment of the potential impact of the proposed changes on achieving the objectives and targets of the original investment plan, including an update on relevant project timelines
- (v) Details of in-country consultations carried out to communicate and agree on such changes.

33. The relevant CIF governing body will review the revised investment plan and consider whether or not to endorse the proposed changes. If the proposed changes are endorsed, the revised pipeline and its approval deadlines will be updated accordingly. If the proposed changes are not endorsed, the relevant CIF governing body may propose an alternative way forward, in consultation with the concerned country and MDBs, or decide how these resources will be re-allocated.

34. Any other amendments to the investment plan will be communicated to the relevant CIF governing body through periodic updates, which will include information on the status of each program and project in the pipeline.

35. It further clarifies that if a program/project/sub-project is restructured, the principle of relying on MDBs' policies, procedures, and standards will apply. If the changes make a new MDB approval necessary, then they will also need a new approval from the relevant CIF governing body.

Adaptation Fund policy on project delays

The AF has a policy on project delays which briefly touches on cancellation on two main grounds.

- a. **Failure to execute legal agreement:** AF's project could be cancelled if an implementing entity does not sign the standard legal agreement within four (4) months from the date of notification of the approval of the project/programme proposal (OPG para 58).
- b. **Significant delays to start a project:** The AF Board may decide, on a case-by-case basis to cancel a project/programme if start-up delays are significant.

Project start/inception date

- The Board has also set a target of six months from the first cash transfer to project/programme start.
- For concrete adaptation projects/programmes the Board decided to consider the start date to be the first day of the project/programme's inception workshop (Decision B.18/29).

The OPG - Operational Policies and Guidelines

The OPG has a section on Project/Programme Suspensions and Cancellations. This section provides further guidelines on projects cancellation.

The OPG states that 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.

Limitations regarding AF's policy on project delays

Unlike GCF, CIF, and GEF policies on project cancellations/delays, that of AF does not:

1. provide clear basis on what constitute significant delays in project start-up.
2. provide the procedure for the Board to make the cancellation decision.
3. clarify what constitute exceptional circumstances under which additional time beyond the 18 months extension period allowance could be granted.
4. provide opportunities for project revision/restructuring in cases where there are significant delays, but the entities may have the capacity to implement, and the project remains relevant despite the need to review performance indicators including other relevant variables.

Proposal/way forward

1. The policy should be revised to include clarification on what constitute significant delays in project start up.
2. The policy should be revised to include procedure for the Board/Secretariat to initiate cancellation process.
3. The Policy should be revised to include what constitute exceptional circumstances.
4. Alternative to cancellation, and in situations where are project has delayed so much, there could be implication for achieving the intended results if the project is allowed to start without re-examinations of key variables. In such situation restructuring of the project becomes apparent. As such, AF's policy on delays should be revised to include opportunity for project

restructuring including clarity on what constitute major and minor restructuring and the role of the Board vs. the Secretariat.

High level summary of AF, GEF, CIF, and GCF policy on project delays/cancellation

Climate Fund	Existence of policy on cancellation/delays	Scope of policy	Applicability of policy	Circumstances for cancellation, restructuring or extension	Existence/clarity on procedure to initiate cancellation
AF	Yes Title: Policy for project/programme delays, 2019	Post approval (portfolio)	<ul style="list-style-type: none"> All funded projects Readiness grant 	Yes, despite lack of clarity on procedure: <ul style="list-style-type: none"> Failure to sign legal agreement within 4 months of Board approval (OPG para 58). Significant delays in project start-up 	No: For example, Board decision to cancel projects that have significant delays lacks clarity – what constitute significant delays? Also, does the Secretariat make recommendation to the Board or the Board will deliberate on the APR and make the decision?
GEF	Yes, Title: Project cancellation, 2018	<ul style="list-style-type: none"> Pre-approval (pipeline) and post approval (portfolio) 	All funded activities	Yes, Failure to meet project cycle timelines	Yes: Provides a detailed guidance on what grounds a project in the pipeline could be canceled and the responsible institution within the fund that should trigger the process.

<p>CIF</p>	<p>Yes Title: CIF Pipeline Management and Cancellation Policy, 2020</p>	<ul style="list-style-type: none"> • Only pre-approval (pipeline) • Post - approval (portfolio) cancellation is initiated by AEs and use of internal policies 	<p>All CIF action areas or programs</p>	<p>Yes,</p> <ul style="list-style-type: none"> • When a program or project passes the allowed deadline • Extension is not granted by the relevant CIF governing body 	<p>Yes</p>
<p>GCF</p>	<p>Yes Title: Policy on Restructuring and Cancellation</p>	<ul style="list-style-type: none"> • Post approval (portfolio) 	<ul style="list-style-type: none"> • All funding proposals approved by the GCF Board • Does not apply to Readiness and Preparatory Support Programme • Does not apply to Project Preparation Facility. • Does not address the GCF decision-making process in connection with breaches of legal agreements. 	<ul style="list-style-type: none"> • Failure to fulfil the conditions to be met prior to the execution of Funded Activity Agreement (FAA) • A request for a waiver of a condition imposed at approval • A change to or restructuring of the approved funding proposal prior to or after the execution of the FAA 	<p>Yes: There is clear information on the project timeline and at what point a project should be considered for cancellation and detailed guidance on the various remedial actions that could be taking before cancellation inclusion extension and restructuring. It also distinguishes restructuring into major and minor and how each should be addressed.</p>

