USAID
FROM THE AMERICAN PEOPLE

GUIDE TO CLIMATE CHANGE ADAPTATION PROJECT PREPARATION

GUIDE TO CLIMATE CHANGE ADAPTATION PROJECT PREPARATION

AUGUST 2017

All photos in this publication are credited to USAID Adapt Asia-Pacific.

This guide is a publication of the USAID Climate Change Adaptation Project Preparation Facility for Asia and the Pacific (USAID Adapt Asia-Pacific), and was developed to assist government and non-government agencies at all scales in preparing bankable climate change adaptation proposals to access various sources of financing.

For further information, contact:

USAID Regional Development Mission for Asia
info-rdma@usaid.gov
https://www.usaid.gov/

USAID Adapt Asia-Pacific
Mr. Bikram Ghosh, Chief-of-Party
bghosh@adapt-asia.org
http://www.adaptasiapacific.org/

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

ACRONYMS

ADB	Asian Development Bank
AF	Adaptation Fund
AusAID	Australian Agency for International Development
BCR	Benefit Cost Ratio
CBA	Cost-Benefit Analysis
CCA	Climate Change Adaptation
CEA	Cost-Effectiveness Analysis
CPEIR	Climate Public Expenditure and Institutional Review
ENSO	El Nino Southern Oscillation
GAP	Gender Action Plan
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
ICCTF	Indonesian Climate Change Trust Fund
IOD	Indian Ocean Dipole
IPCC	Intergovernmental Panel on Climate Change
IRR	Internal Rate of Return
LDCF	Least Developed Countries Fund
M&E	Monitoring and Evaluation
NAP	National Adaptation Plan
NAPA	National Adaptation Programme of Action
NASA	National Aeronautics and Space Administration
NDA	National Designated Authority
NDC	Nationally Determined Contributions
NGO	Non-Governmental Organization
NIE	National Implementing Entity
NOAA	National Oceanic and Atmospheric Administration
NPV	Net Present Value
PPCR	Pilot Program for Climate Resilience
SPCR	Strategic Program for Climate Resilience
ToR	Terms of Reference
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
USAID	United States Agency for International Development

INDIA: A Gujarati woman in traditional dress. The government of Gujarat has taken significant steps to enhance the climate resilience of the state.

1

INTRODUCTION

Moving from a concept to a funded project is a technical process that requires specific skills and a careful structuring of data and information. The USAID Adapt Asia-Pacific project has mentored many government and non-government agencies at all levels (national, provincial, regional, and local) in preparing and appraising climate change adaptation (CCA) projects. This experience has revealed a number of capacity gaps in developing viable adaptation projects. In response to these capacity gaps, USAID Adapt Asia-Pacific has developed a range of capacity building tools and has implemented project proposal workshops and other mentoring and support activities with partners throughout Asia and the Pacific.

This guide distills lessons learned from these experiences and will help you identify and structure the information you need for your adaptation project proposal. Bear in mind that different financiers have separate application procedures, and their templates are structured and phrased differently. However, their general information requirements are similar, and so this guide is applicable to all of them. In other words, this guide will help you begin thinking from a project perspective. Developing a project proposal is a significant undertaking, and there is a great deal of competition for funds. Organizing your information and developing a list of what you need for your proposal will not only facilitate the proposal development process, but will help you create a more bankable application that is more likely to be funded.

Figure 1: USAID Adapt Asia-Pacific Target Countries

Before you begin this procedure, you should already have an idea of general problems your project seeks to address, or even a **project concept note**[1]. This might come from a vulnerability assessment, a strategy document, or some other source. Common sources of project concepts include:

- National and subnational adaptation strategies;
- City resilience plans;
- Completed pilot projects; and
- Request for proposals

This guide is designed to help you plot a course to move from idea or concept to bankable project proposal. The guide can be used by itself, or as part of a training program or workshop. It is applicable to large proposals prepared for submission to multilateral funds, and also for small grants awarded by national governments and donor organizations. This guide refers to material that is described in the USAID Adapt Asia-Pacific program's Project Preparation and Finance Course. By the time you complete the steps laid out in this guide, you should have a blueprint for completing a project document for submission to a financier. We recognize that in many cases the project will be prepared by a consulting team[2]. But it is important to go through a worked example so that you can understand the role you can play in ensuring quality and rigor in the preparation process.

The guide is accompanied by an extensive collection of excerpts from approved adaptation projects, including examples from the Green Climate Fund (GCF), the Adaptation Fund (AF), the Asian Development Bank (ADB), the Least Developed Countries Fund (LDCF), the Indonesian Climate Change Trust Fund (ICCTF), and others.

1. A concept note is a short summary (often 1-4 pages) and is used to communicate to potential donors/financiers why the project should be supported, the urgency of the project, and how it is consistent with the objectives of the financier. In some cases, project concept notes can be used to secure project development funds from the financier (e.g., Green Climate Fund).
2. Large project proposals for financiers such as the Asian Development Bank and Green Climate Fund are generally prepared by consulting teams. However, there are an increasing number of national funds (e.g., the Indonesian Climate Change Trust Fund, the National Adaptation Fund of India) which offer small grants to subnational project proponents. In these cases, most if not all of the preparation work is done in-house by the organization or agency applying for funds.

CAMBODIA: As a result of a thorough vulnerability and adaptation assessment conducted by USAID Adapt Asia-Pacific, in close partnership with Cambodia Ministry of Rural Development and the Asian Development Bank, the Ministry implemented an adaptation measure recommended by USAID Adapt Asia-Pacific, i.e. to protect the dikes from erosion by installing geotextile liners that stabilize the exposed edges of the ponds.

These excerpts represent a range of financiers from multilateral development banks to dedicated climate funds to national level funds, and will provide the reader with a general idea of what goes into a successful project proposal. One of the best ways to prepare a good project proposal is to read the design documents of projects that have been approved by your chosen financier. These are generally available on their websites.

2

KEY MESSAGES TO BEAR IN MIND THROUGHOUT THE PROCESS, AND FINDING YOUR FINANCIER

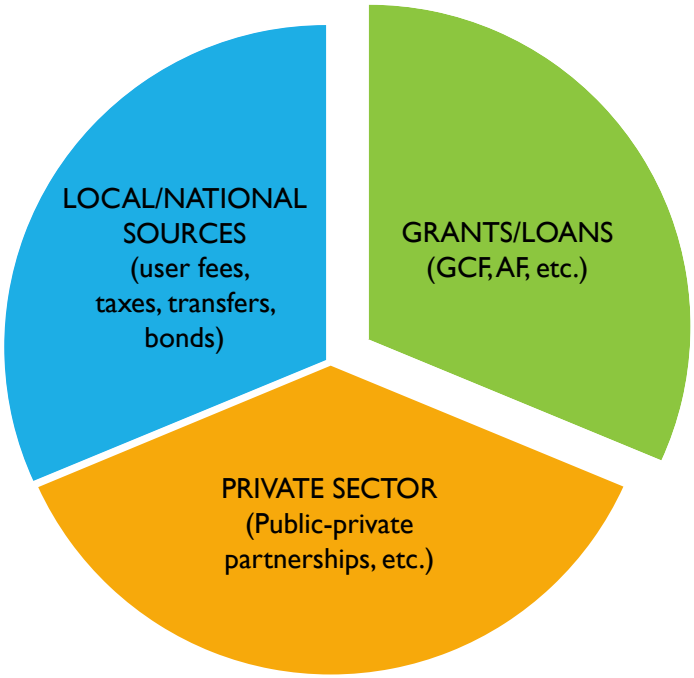
Before you begin preparation of your project document, there are some initial steps you should complete. There are also some important things to bear in mind throughout the process. These up-front considerations are covered in the first module of USAID Adapt Asia-Pacific's Project Preparation and Finance course mentioned in module 1.

- Public funds, including grants and concessional loans, are scarce. Remember that you are a steward of public funds, and so the justification for the use of public funds for your project should be clear. If loan financing is included, the administrative arrangements for repayment need to be considered. Most countries prefer grants for CCA projects—smaller size projects are more likely to be funded by grants from the various international climate funds. Larger projects may be financed by concessional loans, grants and Government funds—the financing plan can be worked out with the staff of the agencies providing the finance.

- Also remember that adaptation projects do not exist in a vacuum. Throughout the process of designing a project and developing the proposal, it is critical that your project align with existing national and subnational strategies, and with your government's overall approach to addressing climate change. The project proposal should also reference other initiatives/projects that have been completed or are currently underway, and describe how the project complements those efforts. Therefore, before you begin, it is a good idea to familiarize yourself with your country's policy landscape as well as projects and initiatives related to climate change adaptation/mitigation, resilience building, economic and social development, and disaster risk reduction, as these are the areas that most commonly overlap with adaptation projects. This policy and project landscape should inform project identification and selection.

- If you are working for a government agency, you should be aware of the procedures for submitting projects to international partners in your country. The primary consideration is to make sure that your agency follows your country's requirements in interacting with international partners at all stages of the project cycle.

Figure 2: Main Sources of Climate Financing. There are many sources of financing for climate change adaptation. Your project should fit within a broader policy and financial framework.



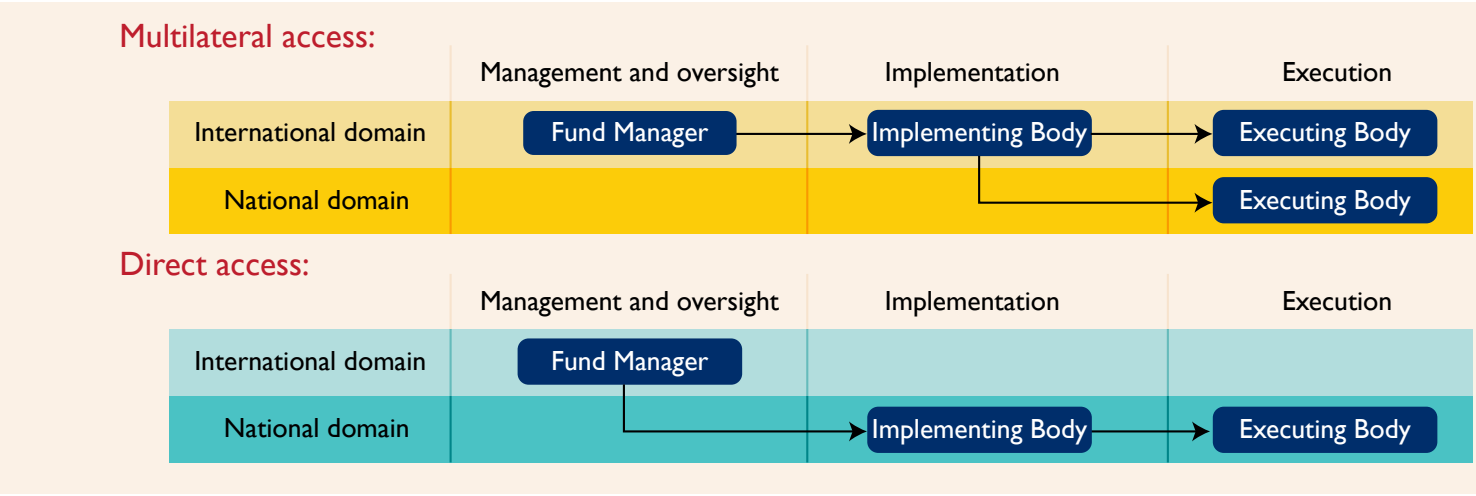
- As donors have strengthened their overall commitment to gender equality, they have increased expectations that their development partners will become more aware of gender issues and write proposals that meaningfully incorporate gender-related actions and strategies. Many financiers require screenings for gender-specific climate impacts as well as potential negative project impacts on women. These will be discussed in section 4.5 of this guide. However, gender mainstreaming goes beyond the preparation of a gender action plan (GAP) or similar document and requires attention to gender considerations in every step of project preparation. For this reason, this guide draws from USAID Adapt Asia-Pacific's Online Sourcebook for Integrating Gender in Climate Change Adaptation Proposals.

- Allow yourself plenty of time to develop the proposal, and make sure that you have adequate human and financial resources to support project preparation. Project proposals prepared in a hurry are rarely funded. Grants for preparing CCA project proposals are available from international sources but are highly competitive; domestic sources may also be available.

- Be familiar with the procedures and requirements of your chosen financier. This information is generally available on the internet. READ THE RULES CAREFULLY. Following the rules and the required format of your financier will reduce delays in the review and approval process, and will speed up the implementation of your project. Pay attention to the following:

    - *Eligibility requirements.* Make sure that your agency or organization is eligible to apply for support from the target financier.
    - *Application format.* What types of information are required, and how is it to be structured? It may help you to develop an outline of your proposal at an early stage. You can use this outline to track things that you already know, and things that you need to know.
    - *Specific goals of the financier.* For example, the Adaptation Fund seeks to finance projects that help the most vulnerable countries and communities, whereas the Green Climate Fund seeks to support a "paradigm shift" to low-emission and climate-resilient development. Thus, you will need to make sure that your project proposal clearly explains how the project meets these requirements.

Figure 3: Access Modalities. Two main access modalities for international climate finance.
Source: Direct access to experiences and lessons learnt, ODI Discussion Paper, 2011 climate finance



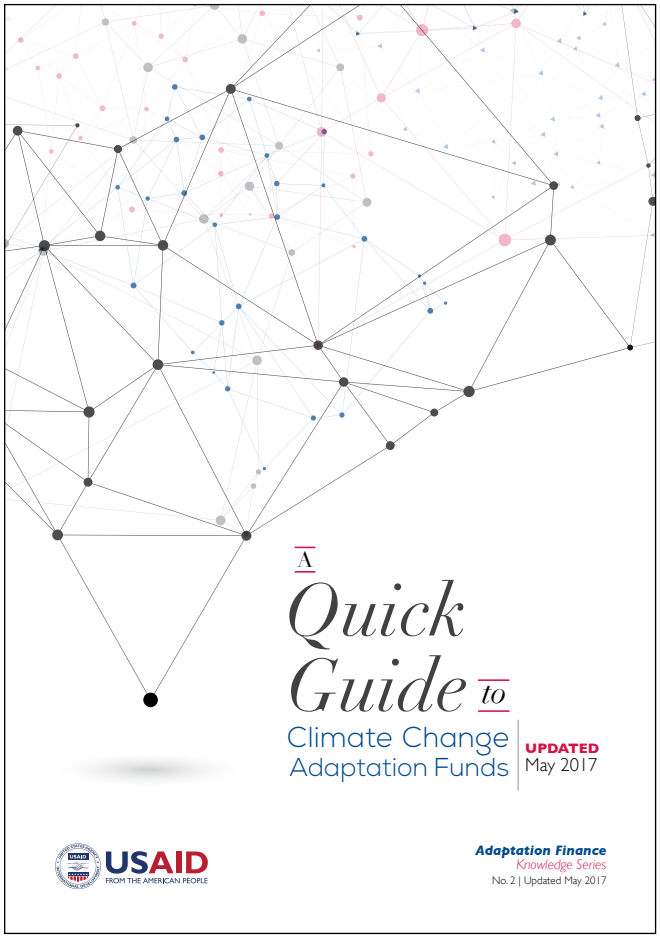
- *Decision criteria of the financier.* The AF and the GCF both provide information regarding the decision criteria used to judge proposals. Make sure that you are aware of and understand these criteria.
- *Access modality and procedures for your financier.* Some financiers have multiple access windows, or types of financing available. Make sure that you are familiar with these and choose the one that is appropriate for your project. Your country may have an **accredited entity** to access the GCF or the AF, or you my access the funds through a regional or multi-lateral accredited entity. These funds also have National Designated Authorities (NDA) in your country. The NDA is a point of contact for the funds and exercises a coordination role, and so you must work with the NDA and accept their guidance.

- It's also a good idea to go over the application documents for your chosen financier, as well as some approved projects. In many cases (notably the GCF and the AF), approved proposals can be found online.

- Some financiers prefer to support projects where grants can be obtained to complement loans, thereby ensuring that the overall project financing is financially viable and/or sustainable. This is referred to as blending. Review the procedures of your financier, as well as some approved projects, to see if this is applicable in your case. Discuss with your NDA as access to loans for bigger projects is a complex process with longer lead times.

Figure 4: USAID Adapt Asia-Pacific's Quick Guide to Climate Change Adaptation Funds provides an overview of several important sources of finance.

To download, visit http://adaptasiapacific.org/library/quick-guide-climate-change-adaptation-funds.



Answer the following questions. These topics are covered in module 1 of the Project Preparation and Finance course:

1. What is the justification for using public money to finance your project?

2. Briefly describe the "project pipeline" process in your country. What administrative procedures will you need to follow to get your project moving? Can you develop a timeline for navigating these procedures?

3. Has your country/region completed a Climate Public Expenditure and Institutional Review (CPEIR), or have a procedure for tracking and tagging expenditures related to climate change? If so, are you familiar with these procedures and documents?

4. Does your country have a national climate change or disaster risk reduction fund? If so, briefly describe the access procedure of the fund.

5. List potential financiers for your project. Download and review the application documents. Do these financiers have special eligibility requirements? What special considerations will you need to include in your project document?

6. Does your country/organization have any experience with any of these financiers? If so, briefly describe.

7. Does your financier offer project preparation grants? If so, what is needed to access these funds?

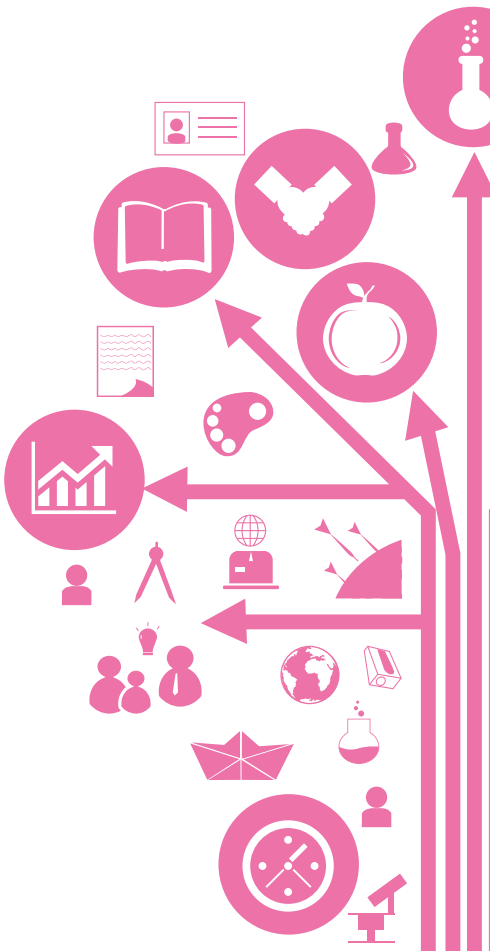
8. What are the access requirements for your financiers? Is there a National Implementing Entity (NIE) or National Designated Authority (NDA)? Does anyone at the national level need to sign off on your project? If so, find that information. You will likely need to work in consultation and coordination with these entities from an early stage of the project cycle.

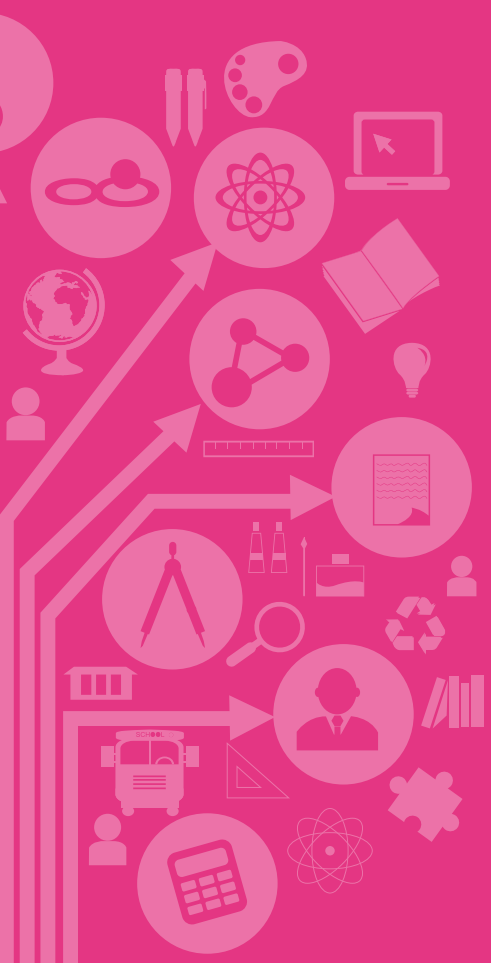
9. Broadly speaking, how does your project concept address the specific goals of your financiers?

10. Identify at least one project from the Adaptation Fund, Green Climate Fund, or a sovereign fund that is similar to your project concept. You can find examples of approved projects on the financier's website.

11. Identify supporting organizations that may offer resources for the development of your project.

INDONESIA: Participants of UCCAR training make preparations to conduct vulnerability assessment fieldwork in Ternate, Indonesia.





3

COMMON ELEMENTS IN PROJECT PROPOSAL DOCUMENTS: BACKGROUND

All project proposal documents need an initial section that describes the project context, which broadly corresponds to the first stage in the project cycle and provides a baseline and a rationale for the project. This includes an overview of the target site or focal area of the project. The exact format varies from financier to financier and even project to project, but there are some commonalities[3]. In the subsections below, we describe some of these commonalities and provide suggestions as to the type of information you will need to develop this part of your proposal. We encourage you also to refer to approved projects for your chosen financier. Project documents are generally available from the financier's website; for example, proposals for every Adaptation Fund project that has been approved can be downloaded from the Adaptation Fund website (*https://www.adaptation-fund.org/*). If you are using this guide in tandem with the Project Preparation and Finance course, much of this information is covered in module 2.

3. In GCF projects this corresponds to item C.1., the Strategic Context, whereas in AF projects this section is called the Project/Programme Background and Context.

3.1 "BOILERPLATE"

Boilerplate information is general information about the target country or region for the project. This includes statistical and map information related to the following:

- Geographic information (e.g., latitude, longitude, area, demographics, topography, climate, and pedology). This information is used to describe the physical environment of the target site and relevant surrounding areas;
- Political/administrative characteristics (e.g., number of provinces, political-administrative hierarchy);
- Economic indicators (e.g., GDP, economic growth);
- Land use patterns/land use change; and
- Livelihood activities and economically important sectors.

Remember that the boilerplate information that you use for your proposal should be related to the problem you are addressing and relevant to the project's context, as well as the target area for the project. It should be presented logically with the use of section and subsection headings. Use national-scale information to the extent that helps you to illustrate the description of your target area and the problem you are addressing. Don't overload your proposal with unnecessary information.

INDONESIA: Community-level demographic and socioeconomic information in Indonesia

Consider the "story" you are trying to tell. The "plot" of the story is the positive impact that your project will have. What details are relevant to the story's "plot"? Also, make sure that your story is succinct and to the point, and that any maps/tables/charts are relevant, clear and legible. This includes legends/keys, place names, and headings. All fonts should be clear. Use a color scheme that can also be understood when reproduced in black and white. It is a good idea to review examples of approved projects of your chosen financier to see how information is presented.

Also note that in actual project documents, the way that boilerplate information is utilized varies from financier to financier. For example, AF proposals tend to have more extensive country and target area background, with wide-ranging information that provides a great deal of generalized information. In contrast, GCF project proposals tend to present a much more focused "strategic context" which is briefer, but which also includes information concerning the development challenges facing the target country. National funds generally have much more condensed context descriptions because the volume of proposals reviewed is higher, and so the proposals are shorter. Refer to Appendix B for illustrative examples.

Answer the following questions:

1. Where is your project going to be implemented? Is it a national project, or will the activities take place in a specific region of the country?
2. What sorts of "boilerplate" information will you need for your project proposal?
3. What kinds of maps/tables/charts will be useful in supplementing your narrative description?
4. Where will you get this information?

3.2 CLIMATE CHANGE INFORMATION

All project proposals need a description of the physical processes associated with climate change. A common way to do this is to start with global-scale processes and then progressively add detail down to the subnational or local level relevant to the proposed project. To develop your description of climate change processes, you will need to gather and read information from a variety of sources, including government reports, research conducted by scientists and universities, and analyses from other sources, including donor agencies, multi-lateral development banks, and international research institutions. Bear in mind also that climate information is continuously being produced, and so you should regularly review the available information. When new reports are made available, these should be incorporated into your information database. New information can affect the viability of your project. Lastly, knowledge of the information below will help you facilitate the job of the design team, if you are overseeing the design of a large project. When developing your description of physical processes, make sure to cite your references and provide full listings in a bibliography or footnotes.

THE PHILIPPINES: Developing a disaster history for Davao City, Philippines

- *Global Sources.* Global sources help you explain the "big picture". Many if not most proposals refer to the synthesis reports prepared by the Intergovernmental Panel on Climate Change (IPCC), which are described in module 2. Other globally-relevant sources include the US National Oceanic and Atmospheric Administration (NOAA), the US National Aeronautics and Space Administration (NASA), the World Bank's Climate Change Knowledge Portal, and the UK's Met Office. There is also high-quality information available for some regions; for example, the Australian Agency for International Development (AusAID) has developed climate profiles for the Pacific Island countries.

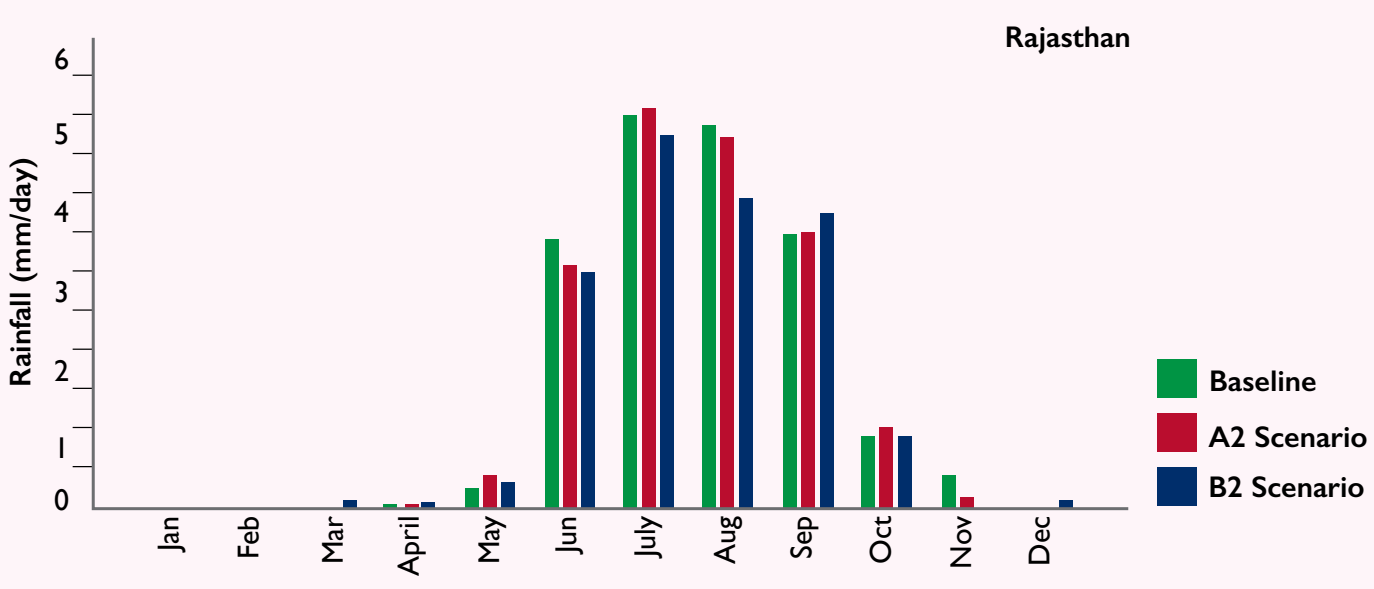
- *National Sources.* National-level sources are those that are produced within your country. This information will help you "focus your lens" in your description of climate change. You should be aware of 1) the agencies responsible for producing climate and related analyses; and 2) the information produced by these agencies. Awareness of these agencies will also help you at later stages of project preparation when you are developing your project implementation and monitoring arrangements. National level information includes the following (check the ones that you have acquired and reviewed):

    - National Adaptation Plans (NAP)
    - National Adaptation Programme of Action (NAPA)
    - Nationally Determined Contributions (NDC)
    - National Communications to the United Nations Framework Convention on Climate Change
    - Other national adaptation strategies
    - Data/information portals

- *Subnational Sources.* Some countries (e.g., India) have state- or provincial-level climate information and/or plans. In other cases, academic institutions may have developed climate-related information for your project area. Other potential sources for subnational scale information include local, national and international non-governmental organizations (NGOs). A simple internet search may reveal information relevant to your project area; you might also contact local and regional academic institutions to inquire about relevant research. Take advantage of the expertise that is available to you.

Make sure that your search is rigorous, but also remember that in many areas, good scientific data and information simply does not exist. This does not mean that you should not consider an adaptation project in these areas, though, because it is often the case that areas lacking in climate data are those that are most vulnerable to climate change impacts. Also bear in mind that in many cases, national and subnational level information may be based on reports of the Intergovernmental Panel on Climate Change (IPCC). The most recent IPCC report was released in 2013 and 2014 (the 5th Assessment Report, or "AR5"), and the process to produce the next report, which will probably be released around 2020, has already started. In many cases it takes 1-2 years for national-level information to incorporate the most recent IPCC information. For example, even though Indonesia's National Action Plan for Climate Change Adaptation (RAN-API) plan was released in 2014, after the release of the AR5, all of the projections in the plan are based on information from the 4th Assessment Report (the "AR4", released in 2007). This is in part because "downscaling" the models used in the IPCC reports is a complex process, sometimes taking more than a year simply to complete the computations. Therefore, be aware of the revision schedules for the agencies responsible for producing climate analyses. Using outdated data and information in your proposal may cause delays in approval.

Figure 5: Example of projections used in watershed development Adaptation Fund project in Rajasthan, India. The graph shows current rainfall and future projections for two different scenarios drawn from the IPCC AR4 report.



Different projects utilize different types of climate data and information, but some commonly used indicators are listed below. As you review your climate information, make sure to take note of each of these, and if/how they have changed. In your proposal, you briefly and succinctly want to tell the story of climate in your project area. This includes a description of normal conditions, how conditions have changed, and what might be expected in the future, based on current and accepted projections. If your project addresses extreme events (e.g., tropical storms), you should include a description of past events and impacts, and how extremes are changing.

- Climate classification and description (Köppen classification; monsoon description)
- Determinants of climate (e.g., topography, ocean currents, global atmospheric circulation)
- Changing averages of temperature and precipitation
- Changing extremes in temperature and precipitation
- Changing nighttime temperatures
- Severe storm intensity
- Appearance of cold fronts (seasonal onset and frequency)
- Changing length of seasons (e.g., longer dry season, shorter wet season)
- Frequency and severity of drought
- Sea level rise
- Storm surge
- Changing wind patterns
- General description of natural hazards
- Inter-annual variability (e.g., ENSO, IOD); are dry and wet phases changing in magnitude or period?
- Sea surface temperatures
- Ocean salinity
- Future projections (what models are used? What maps are available? What scenarios are used and how are they used?)
- Level of uncertainty. As you read your climate analyses, take note of levels of certainty regarding future climate trends. What sorts of changes can we be relatively certain will take place? What sorts of changes are more speculative and tentative? Addressing certain changes will help you identify "low-regret" options.

The aforementioned sources are all examples of "top-down" information. However, an important part of adaptation projects is that they address local needs, and so they also need to include local information. This "bottom-up" information provides detail about the specific, place-based processes and impacts that may affect your project, including descriptions of physical processes at finer spatial scales, perceptions and experiences of people in the project area, and observations. **Vulnerability assessments** are a good source for this type of information. If your city, region, or country has already conducted a vulnerability assessment, it will provide important information, including exposure, sensitivity, and adaptive capacity to climate change.

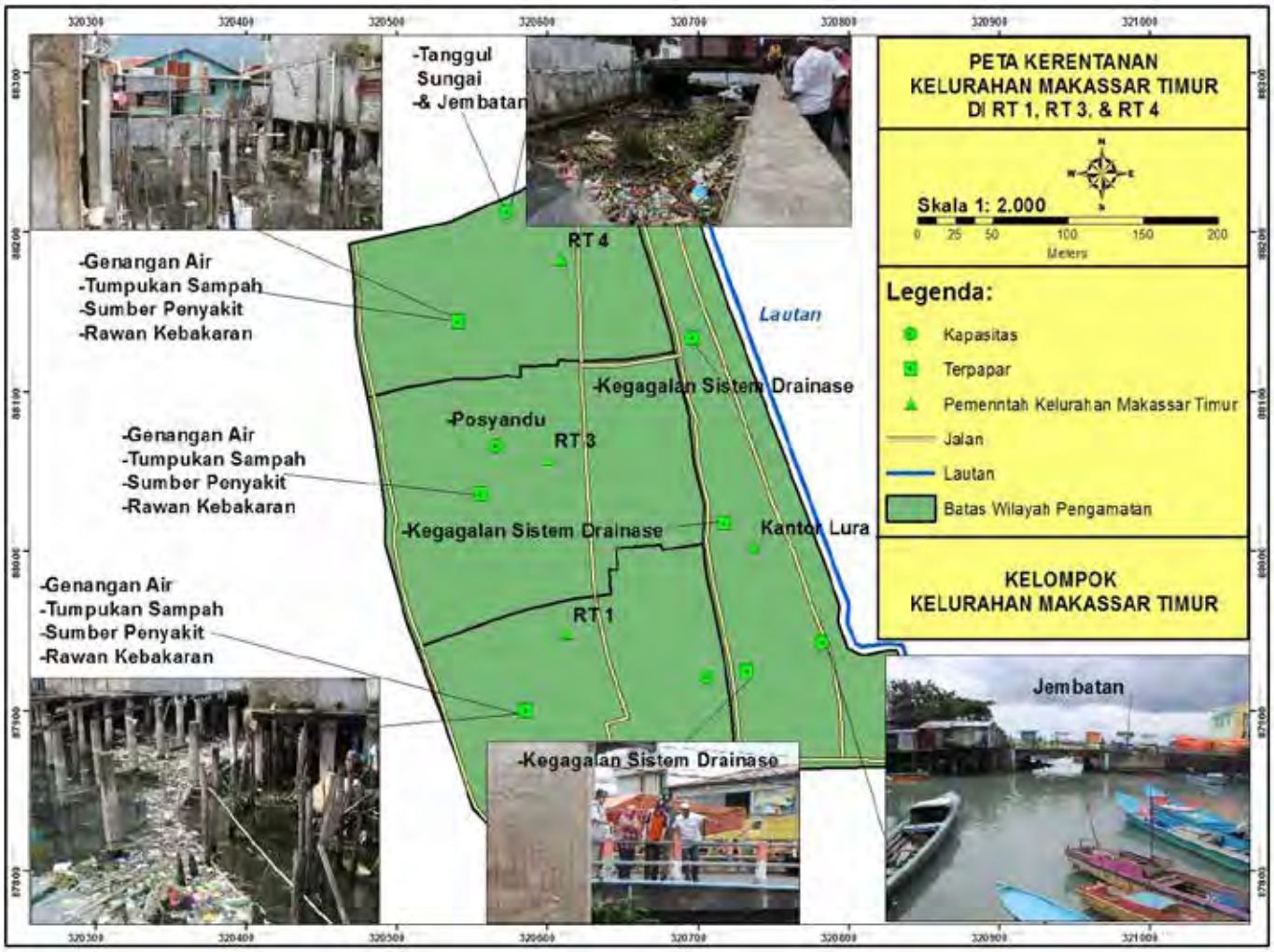
Answer the following questions:

1. What national level climate information exists for your country? List them below.
2. Identify the agency(ies) responsible for the following
   a. Climate change data and information
   b. Hydrometeorological data and information
3. Who will be responsible for compiling and reviewing the information you will need for your project proposal?
4. How will you determine and describe exposure, sensitivity, and adaptive capacity to climate change?
5. What types of climate data and information will you need for your project proposal?
6. If this climate information is not available from published reports and strategies, where can you go to find this information? To whom will you reach out to inquire into the availability of data and information?
7. What kinds of maps/tables/charts will be useful in supplementing your narrative description?

3.3 CONTEXT / IMPACTS / IDENTIFICATION OF THE PROBLEMS

In addition to describing the physical processes and trends/projections associated with climate change, your project document should tie these processes to impacts on social, economic, and cultural aspects of your project area. It is here that you are actually describing the *problem* that you intend to address with your project. In other words, in most cases, your project will not address the physical processes associated with climate change; rather you will focus on the *impacts*. For example, you will most likely never be in a position to design a project to counter sea level rise, because this is an irreversible process that will likely continue for at least the next 500 years. Likewise, no project can address acidification or warming of the seas. However, you can design projects to address the *impacts* of sea level rise (e.g., reducing economic and livelihood losses or reducing displacement due to sea level rise) and other physical processes.

Figure 6: Identifying and mapping non-climate drivers in Indonesia



In describing the impacts and context, you should explain the current situation as it relates to your project. Be sure to identify **non-climate** drivers of change in your project area, because these interact with the aforementioned physical processes to determine the **impacts** of climate change. For example, is rural-urban migration factor in to the problem you are looking to address? Educational levels? Transformation from subsistence to cash economy? Land use change? Land/resource degradation? Again, you are telling the *story* of climate vulnerability in your project area, and so you should be sure to explain clearly the *root causes* of the problem. In some cases, successful project proposals have used anecdotes (e.g., a particularly severe La Niña season) to illustrate the problem at hand. Another useful practice is to take note of which of these non-climate drivers your project could potentially address, and which ones are outside the project scope. To aid in your storytelling, you should conduct a review of relevant

reports and studies related to your project area, and engage with relevant stakeholders. Some proposal templates (e.g., Adaptation Fund) specifically ask for a description of consultative processes and a list of stakeholders that were involved in the development of the project.

Your narrative of impacts must convincingly make the case that your project is in fact an adaptation project, and not a traditional development project that has been modified with the language of climate change to attract financing. Moreover, if the primary non-climate drivers of the problem your project seeks to address are beyond the scope of your project (e.g., structural inequality, unwillingness/inability on the part of the government to enforce regulations), then even if your project is successful, the problem will likely persist. In this case, the proposal is not likely to be funded[4]. Climate funds such as the GCF and AF, as well as dedicated funds that have been established within the World Bank and Asian Development Bank (ADB), have been set up with "new and additional" resources that should not reduce existing overseas development expenditures. In other words, these funds have been pledged to address climate change-related issues only. Now that there is much greater competition for climate adaptation funds, proposals that do not convincingly demonstrate the central role of a changing climate in the project are less likely to be approved and receive support. Thus, your narrative should be evidence based. Simply put, you need to demonstrate a link between your problem and climate change. In some instances, this case will have been made for you in national climate change strategies. In other instances, you may need to make the case yourself. This may include collection and analysis of data[5].

In some cases, you may apply for adaptation financing to supplement other forms of financing. In these cases, the adaptation funds can be used to cover the costs of the project that are associated with **climate proofing**, or making the project more resilient to the expected impacts of climate change or greater climate variability. The term **additionality** is used to describe the additional costs of a project resulting from climate change. For example, your government may have plans to build a road at a given cost. However, engineering and constructing the road so that it is tolerant of greater temperature shifts or increased rainfall will increase the overall costs. The increased cost over the original baseline cost is the additionality. In these cases, your proposal will need to clearly define what is "additional" about the project.

It is always a good idea to provide empirical support for the processes you are describing. For example, it is not enough to simply claim that your area is experiencing water stress; you should provide some evidence that it is indeed a problem. Indicators that are sometimes used to describe existing challenges include:

- Water stress index;
- Unsatisfied basic needs index; and
- Poverty index

3.3.1. Identification of Marginalized Groups, Marginalizing Factors and Impacts

In describing the context and impacts, it is very important to pay particular attention to the **distribution of impacts**, and **marginalizing factors and marginalized groups**. For example, some groups in society may be more vulnerable to the impacts of climate change than others due to their occupations or demographic characteristics (e.g., those dependent on natural resources for their livelihoods are in general more vulnerable to climate stressors; elderly people tend to be more vulnerable to heat-related stressors), while others may be more vulnerable because

4. For example, one unsuccessful proposal to address water shortage demonstrated that changing patterns of precipitation were affecting the water supply in the project area. However, it was also clear that other factors, including mismanagement of reservoirs, unsustainable groundwater extraction, unregulated development and land use change were the main contributors to the water shortage. In this case the proposal was rejected as the evaluators determined that, despite the changing rainfall regime, the shortage could be alleviated if the regional government was more thorough and rigorous in fulfilling its responsibilities.
5. For example, one local non-government organization sought funding for a project to address dengue fever, but no studies had been conducted relevant to the problem. In this case, the project proponents reviewed academic studies demonstrating a link between increased precipitation and the occurrence of dengue fever in other countries. They then collected rainfall data from the meteorology agency, and dengue fever data from the health department to demonstrate concurrent trends in the target city.

of some combination of social, economic, and political factors. Considering this, try to identify the characteristics that make people *sensitive*[6] to climate impacts. Make sure that you are able to describe how politically, economically, and socially marginalized groups are experiencing the impacts of climate change. Also pay attention to gender considerations: are women disproportionately affected by the processes you are describing? Most providers of grants and loans expect project proponents to explicitly address the needs of the most vulnerable and marginalized groups, and there are numerous guides that serve as excellent resources for developing inclusive projects. Ensuring fair and even participation by community members is crucial for the long-term sustainability of any climate-proofing or adaptation project since marginalized groups can provide unique insights into aspects of adaptation.

As noted previously, adaptation requires consideration of gendered aspects of climate change impacts. USAID Adapt Asia-Pacific's Sourcebook for Integrating Gender in Climate Change Adaptation Proposals provides several recommendations, including:

INDONESIA: Interviewing women vulnerable to flooding in Indonesia

- Include information from stakeholder consultations and other types of gender analysis regarding sex-disaggregated facts and perceptions of the impacts of the climate problem;
- Use primary data from stakeholder consultations or formal surveys or secondary data from gender reports to discuss gender differences relevant to the prioritized sectors, regions, or social groups;
- Reference the gender, public involvement, and indigenous peoples policies of the funding institutions;
- Discuss how gender-related barriers for women can inhibit their participation in the project and the equitable distribution of benefits;
- Identify the sex of all stakeholders and highlight the level and type of involvement of representatives from women's organizations, national women's ministries, and gender experts; and
- Identify how methodologies will address social, tribal, and traditional norms (including land tenure, access to land, kinship) about men's and women's participation in public for gender-sensitive outreach strategies.

Related to this is a discussion of **access** to resources, infrastructure, and other public goods and services. In many areas, not all members of society have equal access to these things. For example, aspects of infrastructure may be either privatized or unable to support certain portions of the population due to geography, cost, or the marginalizing factors observed above. Often, women, children, and the disabled are among those excluded. In conducting

6. Sensitivity is defined in the IPCC AR5 Working Group II report as "the degree to which a system or species is affected, either adversely or beneficially, by climate variability or change".

background research for your project, you should take steps to identify which portions of the local infrastructure are available to which sections of the local population. Most fundamentally, this will help ensure that your project contributes to equity in society and that the benefits are not captured by a specific group. From a practical perspective, attention to marginality will help to make your project more attractive to many financiers, and will help you make the case that public resources are required for your project. For example, many GCF projects make the case that the proposed project provides goods and services to marginalized/hard-to-reach groups that are otherwise underserved by government agencies and/or the private sector.

A project focusing on natural resources might include the following information:

- How are people dependent on the resources?
- What percentage of the population relies directly or indirectly on the resources?
- How much of their income do people earn from the resources?
- What non-climatic stressors affect the resource and the people that are dependent on the resource? (e.g., overexploitation and environmental degradation; competition from other suppliers)
- How do non-climatic stressors increase the vulnerability of specific groups to climate change?
- How has observed climate change affected the resource and those dependent on it?
- What ecosystem services (e.g., water purification) are provided by the resources, and how are these ecosystem services being affected?

VANUATU: USAID Adapt Asia-Pacific team used a highly participatory bottom-up design approach to ensure that proposed activities for the Adaptation to Climate Change in the Coastal Zone in Vanuatu Project are highly responsive to the identified needs and priorities of target communities—including women and other vulnerable groups.

Another important task in organizing information to support your project proposal is to think about where you will get the information to answer the aforementioned questions. Some examples include:

- Studies conducted by government agencies, NGOs, and academic institutions;
- Community surveys;
- Focus group discussions; and
- Key informant interviews

You may reference these documents in the body of your project, and include details and results as an appendix or annex.

From a broader perspective, identifying, analyzing, and explaining non-climate drivers of change will help you to identify **co-benefits** (additional benefits that are not necessarily climate related) for your project as well, which will strengthen

your project proposal. In addition to addressing expected impacts of climate change, good projects also address the pre-existing drivers of vulnerability.

Once you have identified all non-climate drivers of the problem, you can describe how the physical processes discussed in section 3.2 are expected to contribute to the development problem. Here you will describe how these physical processes are likely to affect livelihoods (include economic processes & market dynamics), existing vulnerabilities, critical assets and infrastructure, and natural resources.

Answer the following questions:

1. What is the general problem that your project seeks to address?
2. What sorts of statistical information will you use to describe the importance of the problem?
3. What sorts of anecdotal evidence will you use to describe the importance of the problem?
4. What kinds of studies, reports, and other research have been conducted in your project area?
5. Are there groups that are currently marginalized in the project's target area? Do all members of society have equal access to infrastructure?
6. Are there groups in your project area that are currently or are expected to be more affected by the impacts of climate change than other groups?
7. What sorts of techniques will you use/have you used to understand the perspective of marginalized groups (e.g., stakeholder consultations)? How can you ensure that these procedures are inclusive?
8. How will you demonstrate the role of climate change in the problem?

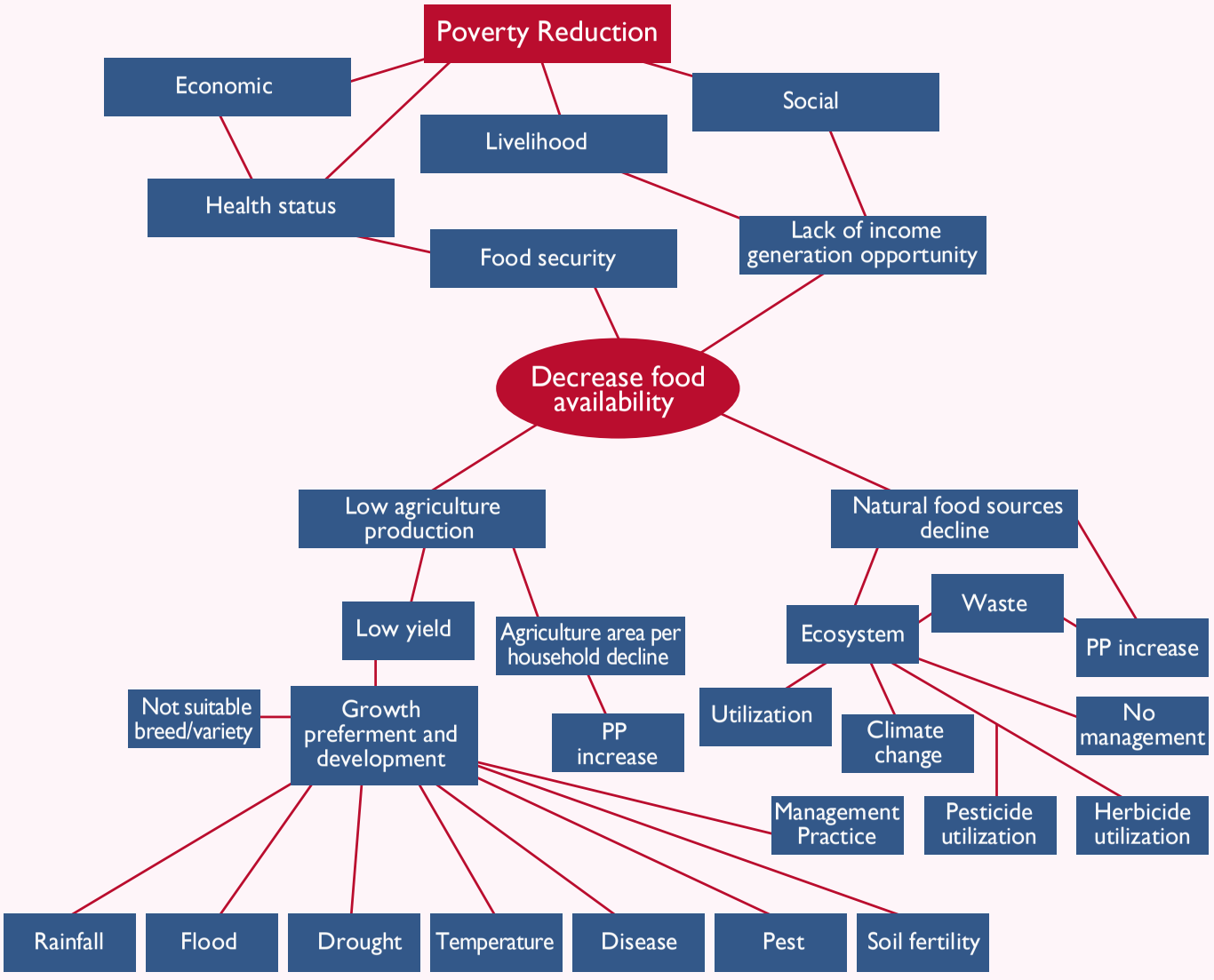
SINGAPORE: Project preparation workshop participants learning from best practices in Singapore

3.4 DESCRIPTION OF "IDEAL STATE"

After describing the problem, your project document should also describe the "ideal state", or condition that will be realized when your project is completed. A common way of addressing this part of your proposal is to describe the long-term solution to the problem you identified in the previous section, and then describe the barriers that stand in the way of achieving that long-term solution. Your project then should focus on overcoming these barriers. In other words, you are trying to think about why the problem has not yet been solved. The "ideal state" will eventually inform your project objective, whereas your analysis of barriers can inform the ***outcomes*** which contribute to the realization of the project objective. The importance of this step cannot be overstated; failure to realize the complexity of the problem, including direct and indirect causes/drivers, can lead to flawed project design. Moreover, broad stakeholder engagement is an essential part of understanding the problem and obstacles that will need to be overcome to solve it.

A useful tool for first framing the problem and then addressing it is "Problem-Objective Tree Analysis". This tool is demonstrated and practiced in the Project Preparation and Finance course. If you are using this workbook as a standalone guide, refer to the ADB's excellent "Guidelines for Preparing a Design and Monitoring Framework" (see Appendix A), which provides guidance on how to conduct problem-objective tree analysis. This tool provides the core of good project design (see section 4.2).

Figure 7: A problem tree for food insecurity in Lao PDR



Answer the following questions:

1. Develop a narrative of the "ideal state". If your project is successful, how are conditions changed in the project area?
2. Based on this narrative, in one sentence, describe the objective of your project.
3. Who are the expected beneficiaries of your project? How will they benefit?
4. Complete the problem/objective tree activity.

3.5 RELATIONSHIP TO NATIONAL DEVELOPMENT STRATEGIES

Most financiers require that you explain the relationship between your project and national development goals. In other words, you should be able to explain the relevant development priorities/challenges that have been identified by your government, and how your project aligns with these priorities. This is relatively straightforward, but it shows the financier that your project is embedded within your country's broader policy framework, and that your project contributes to existing development goals. Useful information sources may include:

- National sustainable development strategy;
- National strategic development plan or framework;
- National socio-economic development plan; and
- National poverty reduction strategy or policy.

Analyzing national development priorities will also enable you to describe in your project document the "baseline" efforts that your project will build upon. In some cases (e.g., Global Environment Facility (GEF)), you may wish to describe other projects that are currently underway that will be enhanced or strengthened by your project. Financiers like to fund synergistic efforts, and so if you can demonstrate that your project will be a "force multiplier", it may increase the bankability of your proposal. Financiers also ask applicants to review other projects to ensure that the current project does not duplicate existing efforts. For this reason, it is useful to conduct a review of other development and CCA projects that are currently underway or have recently been completed. You can then make the case that your project will enhance the outcomes and impacts of these existing projects.

Answer the following questions:

1. What other development projects are currently underway or in the pipeline in your country or region that bear some direct or indirect relationship with your proposed project?
2. How will your project contribute to, complement, or enhance the outcomes of these existing projects?

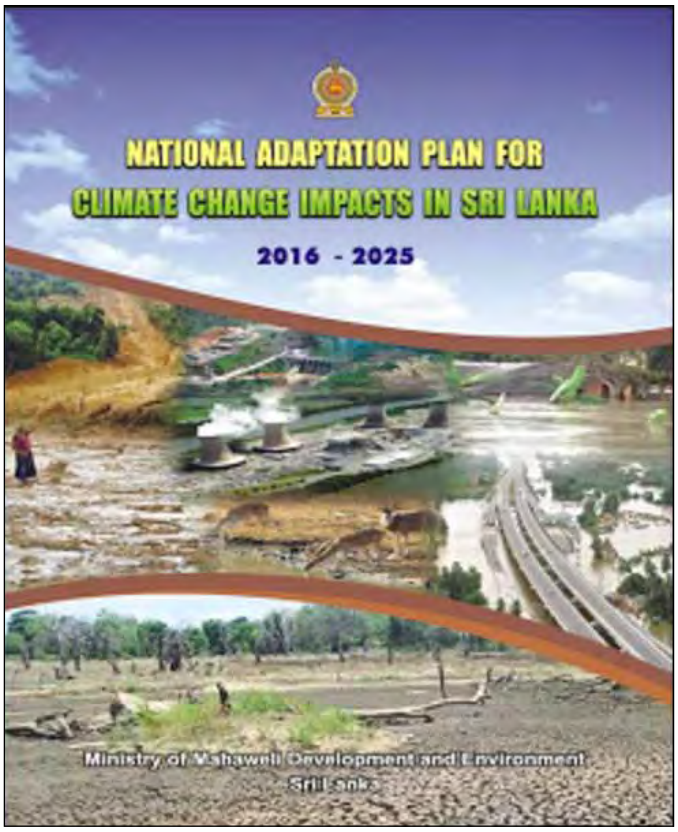
3.6 RELATIONSHIP TO NATIONAL ADAPTATION STRATEGIES/ SECTORAL STRATEGIES

Virtually all project proposals describe how the project fits within the broader institutional and policy context related to CCA. For example, both the Adaptation Fund and Green Climate Fund templates have specific questions that ask applicants to describe how the project is consistent with already identified adaptation priorities. Project proposals generally contain the following:

- Description and brief summary of documentation provided to UNFCCC (e.g., NAPA, National Communications, NDCs);

- Description of agencies related to climate change, as well as the sectors related to the project being proposed (e.g., for agricultural projects, the Ministry of Agriculture and Forestry, as well as the Ministry of Land Management. Also commonly included is the Ministry of Planning);
- Description of national and relevant subnational adaptation plans (e.g., National Action Plan; National Adaptation Strategy); description of relevant priorities laid out in these plans;
- Description of relevant sectoral roadmaps/ strategies (e.g., Indonesia Climate Change Sectoral Roadmap); and
- Description of how the project fits in with other development and climate change projects, and how the project can supplement these efforts. Make sure to reference completed, current, and approved PPCR, LDCF, AF, GCF, ADB, World Bank, and bilateral projects. You should familiarize yourself with the details of these projects, including the goals and project frameworks. This will enable you to highlight synergies between your project and other projects.

Figure 8: Sri Lanka's National Adaptation Plan. Projects should align with priorities identified in adaptation plans.



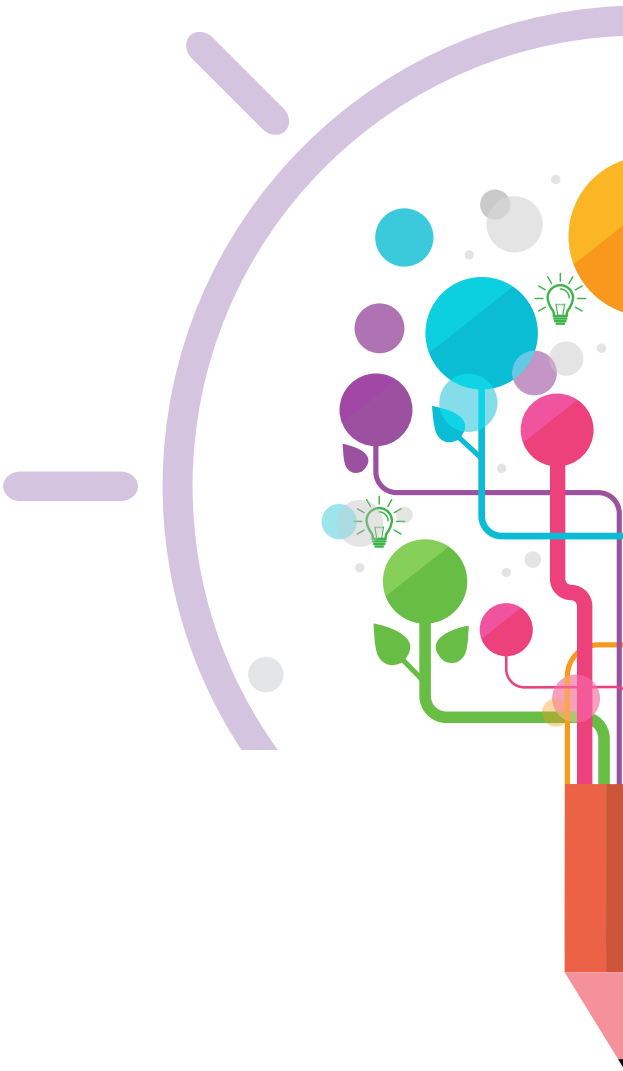
Note that in some project templates, the relationship to national adaptation strategies is combined with the relationship to national development strategies (above). Also note that even though the relationship to national adaptation strategies is discussed after the project introduction in this guidebook, you should be familiar with your national adaptation strategies and the identified priorities *before* you begin thinking about doing a project. If your project is not consistent with the strategies that have been developed and the priorities that have been identified, it will most likely not be funded.

Answer the following questions:

1. List the national-level documents related to climate change that have been produced by your country. Indicate whether you have access to these documents, and whether you have reviewed these documents.

2. How has climate change adaptation been described in national documents and official statements by national leaders?

3. List and briefly describe other development and climate change projects that complement and/or could potentially be enhanced by your project. What are the connections between your project and these projects? Will your project scale up or enhance the impacts of current projects?



4

PROJECT DESIGN ELEMENTS

All project documents include a project description which forms the "meat" of the proposal. The project description is the result of design-stage tasks that are normally supported by a feasibility study conducted by a consultant team[7]. During this phase of project preparation, you will have a critical role to play in three ways. **First**, you will ensure that a qualified and capable team is contracted to design the project. **Second**, you will facilitate the design team's work, which will help to ensure that you get the "most bang for your buck". This includes helping the team access information, arranging consultations and meetings, and providing for logistics and in-kind support (e.g., secretarial and office services). **Lastly**, you will be responsible for overseeing the process to ensure quality results, and to ensure that the project adheres to all applicable regulations in your country[8]. This includes "due diligence" procedures such as reviewing progress reports and providing revisions. In the next section we will work through several steps of managing consultants, and discuss some guidelines for facilitating the work of the project design team so as to ensure quality and rigor in the design process.

4.1 RECRUITING YOUR TEAM

One of the first tasks is to figure out what sorts of expertise you are going to need on your design team. The design team will complete all tasks relating to developing the project, including technical and economic feasibility. All projects are

7. As noted in the previous sections, if you are applying for support from a national fund, your organization will most likely be performing the tasks described in this section in-house. In this case, this section will help you identify the competencies and skills your organization will need to design a bankable project.
8. Some applications require a description of laws and regulations that may apply to the project. For example, the GCF application has a section on "Regulation, Taxation, and Insurance".

different, and so they have different personnel requirements. Note that in some cases more than one expert in each category might be needed; conversely, if experienced climate change adaptation project designers are available, they may be able to undertake multiple roles, reducing the number of personnel needed. In most cases, though, the design team for adaptation projects will usually include the following skills:

- Team leader
- Economist/financial analyst
- Climate specialist
- Sector-appropriate experts depending on project (e.g., agronomist, urban drainage specialist, infrastructure engineer)
- Gender/social safeguards specialist

The next step is to figure out how much time will be needed for each expert. Time is measured in "person days", and/or "person months". Though the team leader is generally involved in project design throughout the entire feasibility study process, other experts are not. For example, the economist/financial analyst who may prepare the cost estimates and undertake financial and economic analyses (as needed) will likely only be engaged for a few weeks (depending on the size of the project) or for a longer period if multiple inputs are needed. Because quality experts are expensive, it is important to make the most efficient use of their time.

Related to this is the timeline for the feasibility study. The timeline involves conducting field research, preparing reports, and having scheduled consultations with the government body overseeing the project design process. It is important to be able to develop an efficient, yet realistic timeline. The duties and qualifications of each expert, timeline, reporting requirements, and deliverables will all be described in the **Terms of Reference** (ToR). Below, you will address some questions related to developing a ToR. It's also a good idea to review ToRs of projects similar to the one you are designing. Many examples of ToRs for completed or in-progress projects can be found at Asian Development Bank's website.

SAMOA: Site visit during the on-the-job training in Samoa provided by USAID Adapt Asia-Pacific to build the technical capacity of MNRE staff to use Vulnerability and Assessment tools to identify, evaluate, select and cost potential subprojects for investment under an Adaptation Fund project.

The project design process can be relatively expensive, but it is not the kind of thing to cut corners on, because choosing the "cheapest" rather than the "best" will likely impact the quality of the design of your project, which in turn will affect the project's bankability and overall effectiveness. Fortunately, in some cases financiers offer project development grants. If your financier offers this type of support, you will need to follow the procedures and rules associated with the grant.

The final selection of a design team involves some important procedural elements as well. Virtually all financiers require transparent and fair procedures for shortlisting consulting firms, handling bids, and evaluating proposals. For example, the ADB has very clearly laid out procedures for its projects (see Appendix A). Many countries also have specific procedures that must be followed as well. It is your responsibility to be familiar with and follow these procedures.

One final note: it is best to engage firms, NGOs, foundations or other entities and individuals who can demonstrate successful experience in CCA project design. They will give the best value for money and are likely to produce projects that will be approved for financing.

Answer the following questions:

1. Does your financier offer project development grants? If so, have you familiarized yourself with the requirements and procedures?
2. Identify other sources of financial and in-kind support for the project design process.
3. What types of experts will be required on your project design team?
4. Approximately how much time will be required on the part of each expert?
5. Does your country have specific guidelines for the hiring of consultants? If so have you familiarized yourself with these procedures? Where should you go if you have questions about these procedures?
6. Find and download/print two ToRs from projects similar to the one you are designing.
7. Complete the Terms of Reference worksheet.

4.2 PROJECT DESIGN FORMAT

Figure 9: General elements of a logical framework and definition.

Different financiers and aid agencies use different terms for the different elements, but the structure and definitions are very similar. Often there is confusion between outputs and outcomes; take careful note of the difference.

The design of the project is a step-by-step description of the activities and outputs that will be required to achieve the "ideal state" described in section 3.4. In virtually all cases, projects adhere to a general structure commonly referred to as a "**logical framework**", also sometimes referred to as a "**design and monitoring framework**"[9]. Different financiers sometimes use different words to refer to the various parts of the logical framework, but there is a great deal of consistency across financiers in terms of the general structure. The logical framework begins with a statement of the **objective/goal** of the project. You can think of this as the overall impact of your project. The objective/goal is achieved through **outcomes**, which are the results of your project. In most cases, each outcome describes a component of the project. In some cases, it is easy to confuse goals with outcomes, but in time and with practice the distinction between these becomes clear. Think of outcomes as answer the question "how is the objective going to be achieved?" The next step in the logical framework is the **outputs**. These are the "things" that your project produces to make the outcomes happen. Outputs are produced by **activities**, which are the specific things that your project does. Lastly, the logical framework includes **inputs**, which are the things you need to make your activities happen (e.g., money, personnel, and equipment). When developing these elements of your project, make sure that they clearly connect to the description of the problem that you developed earlier.

You may wish to include a review of successful projects that have addressed problems similar to the one you are tackling, but this is not necessary in all cases. However, your project design will benefit greatly if you conduct a review of other projects, even if these are not mentioned in your proposal.

Project Objectives

The project objective (sometimes referred to as a **project development objective**, or "**PDO**") is a succinct description of the "ideal state" described above. The objective should be one or two sentences at most.

Figure 10: Generic Logframe format. Specific formats may vary depending on the funding source.
Source: Swiss Operation Office in Afghanistan

CATEGORIES	NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Impacts	The expected benefits for the beneficiaries			
Outcomes	The intended changes (knowledge, skills, aspirations and behavior) that the activity aims to achieve			
Outputs	The tangible products and services that the activity will deliver			
Activities	The actions that will be undertaken			
Inputs	The resources needed for the activity (personnel, finance, equipment and infrastructure, etc.)			

9. An exhaustive discussion on how to develop an effective project logic is beyond the scope of this guide, but several high-quality manuals have been developed by various agencies. Titles and links to these resources can be found in Appendix A.

Project Components

All project templates include a section in which you will describe the outcomes, outputs, and activities of your project. This is one of the most important and substantial parts of the project proposal. It contains a clear explanation of the specifics of the project. When developing your project outcomes, outputs, and activities, bear in mind that it will be important to justify why you have chosen them. Thus, you need to be able to relate each of the outcomes in your project back to one or more of the vulnerabilities described in the "background" section of your proposal.
In describing your project components, address the "five W's and one H":

- What is your project going to do?
- Where is it going to do it?
- Why is it going to do it?
- When is it going to do it?
- Who is going to do it?
- How is it going to be done?

Answer the following questions:

1. What is your project objective?
2. From your objectives tree, identify 3-4 project outcomes.
3. From your objectives tree, identify outputs to support these outcomes.
4. What sorts of activities will lead to these outputs?
5. What inputs will you need to conduct these activities?

4.3 TECHNICAL FEASIBILITY

Technical feasibility covers a wide range of factors. If the project is not technically viable it cannot succeed. Technical viability must be demonstrated in the project document. At a very basic level, this includes the ability to procure the inputs required for the project, including labor. If you are proposing a large project, for example, it is important to consider whether the local labor supply is adequate to meet the project's needs, and whether the project will distort the local labor market. Technical feasibility also covers the activities, methodologies, and technologies that have been chosen to meet the project's objectives. Your proposal needs to describe why these activities, methodologies, and technologies are the most appropriate and why they were chosen over alternatives. In many cases, you will include a description of how the project applies "best practices"[10].

Social acceptability is also an important consideration when it comes to technical feasibility. For example, in some cases, relocation of exposed populations might seem to be the most logical option. However, this is often a contentious issue, and the target "beneficiaries" may resist or even undermine relocation efforts. As noted previously, stakeholder consultations are an important part of determining the social acceptability of your proposed project.

Another aspect of technical feasibility is the capability of the implementing entity or project proponent to carry out the project. This is particularly true for proposals for small grants submitted to national funds; some application documents (e.g., Indonesian Climate Change Trust Fund), specifically ask for a description of the capabilities of the project proponent to implement the project. Thus, when designing the project's activities, it is important to consider the track record and capability of your organization in terms of conducting the activities. There are numerous other considerations to think about as well, including the ability of the labor market in the target area to supply workers to implement the project's activities, as well as the supply of inputs required for the project.

10. For example, the Green Climate Fund application has a section that explicitly refers to the application of best practices (E 6.4).

4.4 ECONOMIC & FINANCIAL ASPECTS

All project financiers will have questions about the economic and financial aspects of your project. The nature and detail of these questions vary depending on the size of the project and the requirements of the financier(s). However, if you are developing a large project, virtually all of them will require you to provide an economic justification to demonstrate the soundness of your project[11]. Economic analysis looks at the relationship of the project to society as a whole, including the costs and benefits of the project when seen from society's perspective. On the other hand, financial analysis looks at the project from the perspective of the investor, and is much more narrowly focused on the profitability of the project. Most if not all projects have some form of economic analysis; fewer projects include financial analysis but it is required if there is some impact of the project on markets, or if the goods and services created by the project are expected to produce revenue streams from, for example, proposed sustainable livelihoods. In many cases, you will need to demonstrate that there are no alternative sources of financing (e.g., private capital markets, government expenditures) for your project. You should always make sure to check the financier's requirements. Depending on the financier, the economic questions and considerations you need to address may include the following:

- Justification for fund involvement
- Financial markets overview (GCF). This helps you demonstrate to the GCF that concessionality is necessary.
- Market overview/demand analysis for goods/services provided by the project (GCF and AF)
- Cost-Benefit Analysis(GCF)/Cost Effectiveness Analysis (AF)
- Sensitivity Analysis
- Distributional Analysis
- Financial Analysis[12]

4.4.1. Justification for Fund Involvement

In many cases project proposals will describe why concessionality[13] is necessary, and why the financier is the most appropriate source of funds for the project. In other words, you need to answer the question: "Why is a grant necessary to fund this project?" A common element in these justifications is that the project in question will provide public goods that would otherwise not be provided by the market, or that the nature of capital markets and the debt position of the project proponent makes it difficult if not impossible to access private finance. This difficulty in accessing alternative finance is generally juxtaposed against the critical need addressed by the project; often mention is made that the project provides services to marginal/vulnerable groups (e.g., rural poor, women and children). Please see Appendix B for several project examples of justification for fund involvement.

4.4.2 Financial Markets Overview/Financial Viability

Questions about financial markets and financial viability need to be addressed in projects that provide a good or service that has a market value, or which affects markets and/or the private sector.

4.4.3. Market Overview/Demand Analysis for Goods/Services

In cases in which the project is expected to generate an income stream, it might be necessary to analyze the financial viability of the project. However, if the project is non-revenue generating, financial analysis generally is not required.

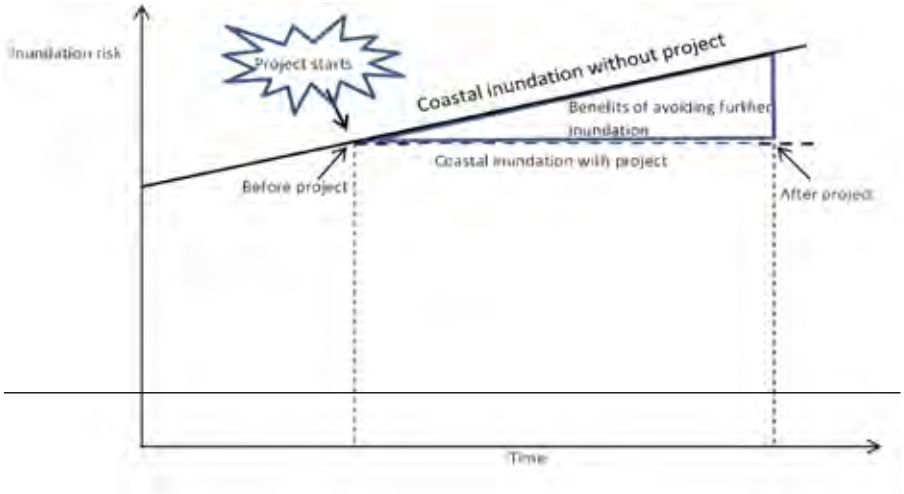
11. Many national level funds (e.g., Indonesian Climate Change Trust Fund) do not require full economic analyses or cost benefit analyses, but it does help to address these issues in the proposal.
12. Financial analysis generally refers to the profitability/viability of the project overall, including any commercial entities (e.g., a water supply facility) financed under the project. Livelihood activities that are proposed under a project need to demonstrate incremental financial returns to be sustainable beyond the project life. In cases in which the project is providing public goods and will not generate financial or fiscal revenues, financial analysis may not be necessary.
13. "Concessionality" refers to grants and below-market rate loans.

4.4.4. Economic Analysis & Cost-Benefit Analysis (CBA)

Economic analysis is normally conducted by a team of experts which includes an economist. There are a number aspects of the process that can affect the outcome of the economic analysis, and so it is useful to have some understanding of the basics of economic analysis. The form this justification takes varies from financier to financier and from project to project; sometimes Cost-Benefit Analysis (CBA) is the preferred tool, whereas in other cases Cost-Effectiveness Analysis (CEA) or some other tools may be used. Most importantly, the availability of reliable quantitative data is a pre-condition for a reliable CBA. If this is not the case then a CEA may be used—as in the case of most AF financed projects. The purpose and methodology of economic analysis and CBA[14] is relatively straightforward. In the context of the project they serve the following functions:

- Demonstrate that the project generates more economic benefits than economic costs
- Demonstrate that the project is efficient when compared to options
- Demonstrate that the project has adequately considered potential risks to the project's effectiveness

Figure 11: Hypothetical with-without project scenarios.



The first step in conducting a CBA is to determine what the costs and benefits of the project are. This is generally accomplished by comparing the **with-project scenario** and the **without-project scenario**; in other words, what would happen in the future if the project is implemented as planned, and what would happen if the project is not implemented. This enables you to clearly identify only the costs and benefits that are associated with the project.

When conducting a CBA to demonstrate the project's efficiency, all costs and benefits associated with the project are adjusted to present day values, aggregated, and presented as one number or ratio. The procedures to conduct a CBA are well understood and standardized. The relevance and robustness of the CBA's findings, however, depend on the research that is conducted and the data and information that are used as inputs into the CBA. Determining what the costs and benefits of the project are, and how to measure or value them, is the most important part of the CBA.

In CBA, all costs and benefits must be accounted for. This includes both market costs and benefits, and non-market costs and benefits. Market costs and benefits are relatively straightforward. In most cases, current market values are used. However, in some instances, the project may consume or produce a large quantity of a good or service that is sufficient to change the market price. In these cases, special procedures are used. Non-market costs and benefits are trickier to assess, as they require special methodologies. There are a number of different ways to value non-market costs and benefits; some are better in certain situations than others. Thus, care must be exercised in choosing methods to quantify non-market costs and benefits.

14. For more details and guidance about CBA, refer to the links in Appendix A. In most projects, these tasks will be carried out by the consulting design team. This discussion provides an overview of basic concepts, focusing on the aspects of CBA that are most important for government officials tasked with overseeing project design.

Table 1: Examples of Effects of Discount Rate on Future Valuations

DISCOUNT RATE	PRESENT VALUE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
0%	$100	$100	$100	$100	$100	$100
5%	$100	$95	$91	$86	$82	$78
10%	$100	$91	$83	$75	$68	$62

Another key aspect of economic analysis is the choice of *discount rate*. Since projects create costs and benefits over time, the value of costs and benefits in the future are *discounted* to reflect their current value. The choice of discount value can have a significant impact on the outcome of the economic analysis. If you choose a discount rate that is too high, you are not adequately weighing future costs and benefits and could consequently end up not investing in a project that is in fact worthwhile because most costs happen early in the project, whereas benefits come later. For the same reason, if you choose a discount rate that is too low, you are overvaluing the future benefits of the project, and thus risk investing in a project that doesn't provide adequate benefits in the future to justify the costs. Some financiers (e.g., ADB at 12%) specify discount rates that should be used; other financiers do not. In these cases, industry standards should be used, and the justification for the use of a given discount rate should be explained.

The project's CBA results in several different measures of the efficiency of the project:

- The **Net Present Value** (NPV). The NPV is simply the difference between the total benefits of the project and the total costs of the project. Theoretically, if the NPV is greater than zero, then the project is considered to be an efficient investment.
- The **Benefit Cost Ratio** (BCR). The BCR is another simple metric: it is calculated by dividing the total benefits of the project by the total costs. The BCR demonstrates how many dollars' worth of benefits are achieved from each dollar of cost. If the BCR is greater than one, the project is said to be economically efficient.
- The **Internal Rate of Return** (IRR, sometimes *economic internal rate of return, EIRR*) is calculated as the value to which the discount rate must be set such that the NPV of the project is zero. If the IRR is greater than the project's discount rate, then the project is said to be economically efficient.

The choice to use the NPV, IRR, or BCR depends on the project context. Bear in mind that the calculation of each of these values is relatively straightforward. The critical element that must be paid attention to is not the values themselves, but rather how the values were arrived at.

4.4.5. Sensitivity Analysis

CCA projects differ from normal development projects in that there is a greater degree of ***uncertainty*** inherent in the project design. This uncertainty stems from a number of factors. For example, it is sometimes difficult to predict future social and economic conditions. More unique to adaptation projects, though, is future climatic conditions and the manifestations of climate change. Because we have an imperfect knowledge of future conditions (particularly when it comes to climate variability) as well as oceanic and atmospheric processes (i.e., the existence of "tipping points"), we cannot positively know what these conditions will be like in 20, 10, or even 5 years. This variability can affect the outcome of the project, and so the economic analysis will include a *sensitivity analysis* on key variables that could potentially affect the project. Sensitivity analysis examines a range of reasonably possible futures, altering the key variables to determine if the project is still economically viable. If the project is still viable considering a range of possible futures, it is considered robust. However, if altering certain variables changes the viability of the project, the project is *risky* with respect to those variables. This may mean that the project should not be funded, or it may mean that risk mitigation measures need to be put in place and included in the project document. Many approved adaptation projects have utilized the following, simple and straightforward approach to sensitivity analysis:

- Calculate NPV & IRR if costs increase by 20 percent

- Calculate NPV & IRR if benefits decrease by 20 percent
- Calculate NPV & IRR if costs increase by 20 percent and benefits decrease by 20 percent.

In many cases the textual description of the sensitivity analysis emphasizes the impact of the assumptions that have been made in the cost-benefit analysis. For example, if conservative values are used for benefits, or if some benefits are not included in the CBA because they are difficult or impossible to quantify, these benefits will not be reflected in the calculations of the sensitivity analysis. Further explanation and clarification helps to ensure that the review committee is aware of additional factors that should be considered when examining the sensitivity analysis.

Table 2: Sensitivity analysis table from Cambodia Rural Roads Improvement project (ADB)
Source: Asian Development Bank

SCENARIO	EIRR (%)	NPV ($ MILLION)	SWITCHING VALUE (%)	SENSITIVITY INDICATOR
Base case	32.4	173.99		
Costs increase by 20%	29.5	162.85	317.99	0.29
VOC decreases by 20%	29.4	134.56	(88.62)	(1.11)
Base traffic decreases by 20%	27.2	111.91	(56.18)	(1.75)
Traffic growth rate decreases by 20%	27.9	113.92	(58.06)	(1.72)
No time benefits	30.0	141.48		
No traffic generated	31.9	167.31		
Costs increase by 20%, VOC decreases by 20%	26.5	123.63		

( ) = negative value, EIRR = economic internal rate of return, NPV = net present value, VOC = vehicle operating cost.

In some situations, instead of (or in addition to) substituting hypothetical values into key variables to determine sensitivity, the analysis will determine the value to which a key parameter must be adjusted to make the NPV of the project zero. This is referred to as the variable's *switching value*. In other words, the switching value demonstrates how expensive a given variable would need to be to make the project unprofitable. Decision makers can then analyze the likelihood of the occurrence of that situation. Several examples of sensitivity analysis are included in the examples.

As a manager, you can ensure quality by checking to make sure that the uncertainties are clearly explained in the economic analysis, that all reasonable sources of uncertainty have been covered, and that the recommendations based on the sensitivity analysis are clearly explained and are incorporated into the project document. Even in the case of small projects for national funds, it is important to consider the sensitivity of your assumptions to demonstrate the *robustness*[15] of the project. Recruiting consultants with the appropriate qualifications and a track record of previously approved projects is a positive step towards successful financial/economic analysis.

4.4.6. Analysis of Distributional Effects

Another important consideration, especially for large projects, is how the costs and benefits will be distributed across various stakeholder groups. In many cases, this will be completed during the economic analysis for the project.

15. "Robustness" refers to the ability of the project to deliver benefits across a range of possible future scenarios. Because of the uncertainty inherent in climate change, projects that meet their objectives across a range of possible futures are generally more likely to be funded than those that don't.

One common methodology for determining distributional effects is to calculate the percentage of benefits accruing to the poor.

Careful scrutiny of the distributional effects of the project can help to ensure the social acceptability of the project, which in turn will contribute to smooth implementation and meeting the project's targets. Even though this analysis may be completed by consultants, it is here that the government supervisory team can play an important role as a check on the results, since local officials are most likely to be in a position to check the accuracy of the analysis.

Answer the following questions:

1. What economic analysis procedures (if any) are required by your financier?
2. What are some of the non-market costs and benefits that might be expected in your project?
3. Construct "with" and "without" tables to describe the costs and benefits for your project.
4. Does your project have the potential to alter the market costs and/or benefits for anything produced or consumed by your project?
5. What discount rate is required by your financier? If no discount rate is required, what is the industry standard?
6. Are there any sector specific considerations for conducting economic analysis for your project (e.g., agriculture and natural resources)?
7. What sorts of uncertainties might exist in your project? What aspects might a sensitivity analysis be required for?

4.5 ENVIRONMENTAL AND SOCIAL SAFEGUARDS

Most, if not all, financiers require certain procedures to be followed to ensure that the project minimizes, to the extent practicable, impacts to the environment, as well as impacts or costs that may fall disproportionately on the shoulders of certain groups within societies. Moreover, because it has become increasingly clear that climate change impacts often affect women and men differently, there is a recognized need to pay specific attention to gender sensitivities in terms of both impacts and interventions. In particular, extra care must be taken when designing projects that could potentially involve relocation of people, or which could directly or indirectly affect indigenous groups. If you are designing a project for the ADB or the World Bank, you must follow their established procedures.

CAMBODIA: Collecting information on impacts of Climate Change on the livelihoods of vulnerable women to develop recommendations as part of USAID Adapt Asia-Pacific assisted project preparation in Cambodia.

It should be noted that most developed and developing countries implement their own safeguard systems. Although the objectives of all safeguard systems are similar, i.e., to minimize the environmental and social impacts of development projects to acceptable levels, the contents, details, and coverage might slightly differ. Therefore, multilateral and bilateral development agencies frequently require developing member countries to follow the agency's safeguard assessment guidelines for projects financed by them. During the last several years, the ADB and the World Bank have embarked on a technical assistance program for strengthening country safeguard systems. The objective of this initiative is to seek convergence among country safeguard systems with international best practice. Several countries have completed this exercise; consequently, these countries can apply their own safeguard systems for projects financed by the ADB and World Bank. Therefore, please check whether your country has developed its country safeguard system in cooperation with the ADB or the World Bank.

If you are preparing a proposal for the AF or the GCF, you have a bit more leeway in which specific procedures you follow, but in any case, they must be up to international standards. Common considerations in economic and social safeguards analyses include:

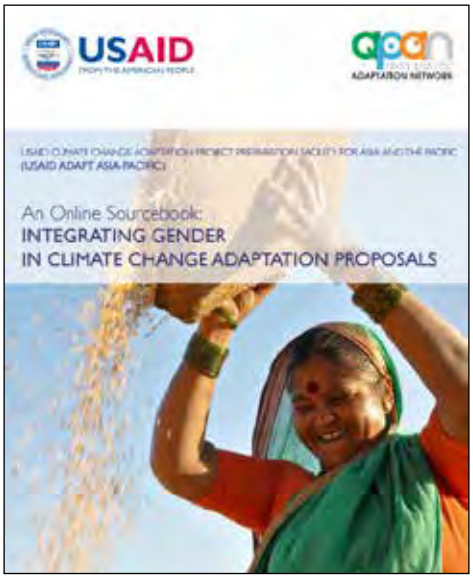
- Proximity to populated areas
- Proximity to cultural sites
- Proximity to important ecosystems/wetlands/protected areas
- Environmental by-products (pollution, increased waste, greenhouse gases)
- Human rights
- Gender equity
- Relocation/resettlement/tenure security: is there land acquisition that will require people to be moved?
- Free, prior, and informed consent (FPI)

If any of these considerations apply to your project, it may "trigger" requirements to do additional assessments and studies.

It may be useful to use a checklist to determine what sorts of safeguards might need to be put in place. For example, the United Nations Environment Programme (UNEP) uses a diagnostic list of questions to assess most of the aforementioned considerations. The checklist is a useful tool for describing the issues, listing the additional studies that need to be conducted during the feasibility study, as well as identifying mitigation measures that will be required in project implementation. The German Development Bank (KfW), on the other hand, uses the International Finance Corporation's Performance Standards on Environmental and Social Sustainability (see Appendix A). World Bank projects adhere to a series of Operational Policies (OP), including policies related to environmental assessment, natural habitats, physical cultural resources, involuntary settlement, indigenous people, and forests, among other areas. Each of these operational policies comes with documentation requirements. These operational policies are useful references for understanding how various safeguards are operationalized in project design and implementation. For example, most projects try to avoid resettlement if reasonably possible. However, in some cases, resettlement may be unavoidable. The World Bank's operational guidelines in this case would require the preparation of a resettlement plan that includes measures to ensure that displaced people are informed about and aware of their rights, and are consulted on and offered choices about resettlement. The plan would also include measures to ensure that relocated/displaced people are offered assistance during and after relocation. If you are accessing the Green Climate Fund through direct or multilateral access channels, your project should adhere to the safeguards procedures of the accredited entity that is submitting the project.

Figure 12: USAID Adapt Asia Pacific's Gender Sourcebook is a good reference for mainstreaming gender considerations into project planning and design.

To access, visit http://asiapacificadapt.net/gender-sourcebook/.



4.5.1. Gender Considerations and Safeguards

Incorporating gender-related sensitivities to climate change and mainstreaming gender considerations into adaptation projects is becoming standard practice, and factors into the decision making criteria of many financiers, including the GEF, the Climate Investment Funds, and the GCF. Past experience with gender mainstreaming indicates that early attention to gender issues in the project cycle is key to achieving both sectoral and gender equality outcomes. This may include any or all of the following:

- Preparation of a gender action plan (GAP)
- Gender-sensitive data collection and analysis
- Inclusion of gender expertise on design, proposal and project teams
- Identification of culturally appropriate and effective gender strategies based on gender data
- Assignment of a dedicated budget for gender activities or components
- Gender indicators and targets
- Gender-sensitive results monitoring

Answer the following questions:

1. What kinds of potential environmental and social impacts will your project need to consider? Does your financier have guidelines/ procedures for analyzing these impacts?
2. Are there any specific groups that could potentially be affected by your project (e.g., indigenous peoples)? What sorts of procedures for holding consultations with these groups will be needed?
3. How will you determine how the climate change processes you are addressing affect women differently from men?
4. What gender safeguards and procedures are required/recommended by your selected financier? What sorts of gender considerations will need to be factored into your project?
5. What sorts of specialized expertise might be required to conduct the required analyses?

4.6 BUDGET AND TIMELINE

All projects have a budget and timeline. In some cases the project summary will have a project calendar or description of milestones. This may include some or all of the following elements:

- Expected approval date
- Expected financial close
- Project inception/implementation
- Mid-term review(s)
- Project closing
- Terminal/final evaluation
- Project lifespan/benefits stream[16]

The project will also require a more detailed timeline which describes in detail when the project's activities will be conducted (generally by quarter) as well as the costs associated with the activities and corresponding inputs and

16. Note that your project's benefit stream should extend well beyond the life of the project.

outputs. For large projects this timeline and budget may be included as an appendix, whereas small projects usually include the timeline and budget as part of the project description. In some cases, a disbursement schedule is included to describe when the funding for the project will be allocated by the financier.

Table 3: Green Climate Fund Timetable Template

TASK	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Q21	Q22	Q23	Q24
Output 1.																								
Activity 1.1.	×	×																						
Activity 1.2.			×	×	×	×	×																	
Activity 1.3.																								
…																								
Output 2.																								
Activity 2.1.				×	×	×																		
Activity 2.2.						×	×	×	×	×														
Activity 2.3.				×	×	×	×	×	×	×	×	×	×	×										

4.7 CO-FINANCING

Some application templates (e.g., GEF, GCF) ask for a description of sources of **co-financing**. This includes a description of all other sources of financing, both internal and external, that will support the project, including in-kind contributions. In some cases, the contributions will be broken down by project component or outcome. The information is presented in table format, with indications as to whether the co-financed sum is confirmed or not.

Answer the following questions:

1. Will your government provide any complementary support in the form of financing or in-kind support to the project?
2. Will the proposed grant/loan be bundled with any other sources of external financing? If so, please provide a brief description.

5

IMPLEMENTATION ARRANGEMENTS

5.1 INSTITUTIONAL ARRANGEMENTS

Most projects are sponsored by an agency, ministry, or other organization. This sponsor is referred to as the **executing agency, executing entity**, or **implementing entity**[17]. The project proposal should include background about the executing agency, including a general overview of the agency's responsibilities and competencies. These competencies might include aid coordination, inter-ministerial coordination, budgetary planning, procurement, accounting, and financial management. If the project proposal is being submitted by a regional or multilateral agency (e.g., UNDP), the national partner will need to comply with the guidelines of, and be accountable to, that agency. In many cases, the accredited agencies and procedures are described in a manual or guide[18].

Project documents also generally describe the stakeholders, organizations, and agencies that will be involved in the project, as well as their respective roles and responsibilities and the mechanisms of coordination between the different stakeholders. Sometimes projects include a ***steering committee*** or ***project board*** which provides general and strategic guidance for the project, as well as a ***technical implementation unit*** consisting of members from relevant agencies and organizations[19]. The technical implementation unit is responsible for the

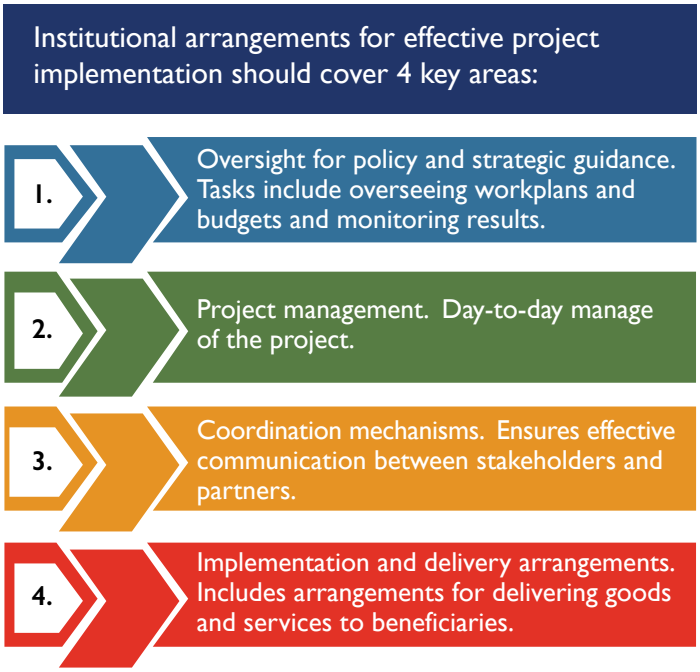
17. The exact terminology depends on the financier.
18. For example, see UNDP's National implementation by the Government of UNDP Supported Projects: Guidelines and Procedures.
19. See approved ADB and GCF projects for examples.

day-to-day management of the project; sometimes the responsibilities of the technical implementing unit are described for each component or output of the project. The project design document will also include an organizational chart illustrating the relationship between the various entities involved in the project. Potential stakeholders include:

- National agencies and ministries
- Provincial/district/municipal agencies
- International NGOs
- National/local NGOs
- Civil society organizations
- Development partners (e.g., USAID, UNDP)

The project document should also include detailed *management arrangements* that describe the personnel that will be responsible for the day-to-day operations of the project. In some cases, an implementing partner agency may not have the capacity to fulfill its role in the implementation of the project. In these cases, the project will often include a capacity building element to improve the capabilities of the agency or institution in question.

Figure 13: Pillars of Institutional Arrangements
(Source: IFAD 2017; see Appendix A)



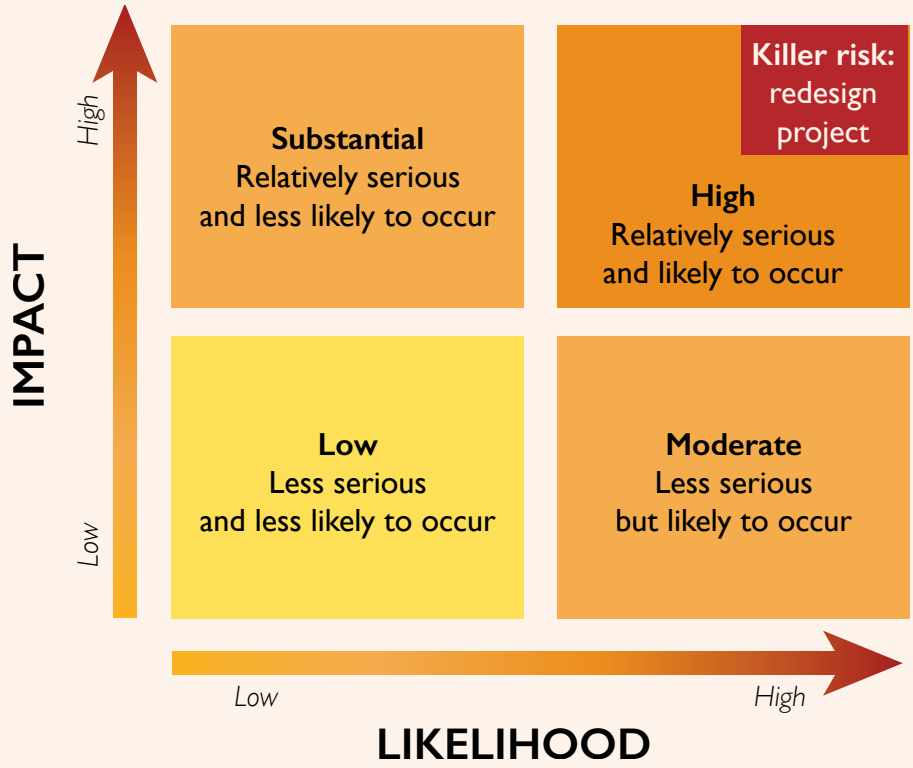
Answer the following questions:

1. Will your project be submitted through a regional or multilateral accredited entity? If so, identify the procedures that guide the relationship between the accredited entity and the implementing/executing agency.
2. Which in-country agency will sponsor the project?
3. Which additional agencies will be involved in the implementation of your project? Create an organizational chart featuring these entities and how they will be connected to one another during project implementation.
4. What will be the responsibilities of these entities?
5. Will your project include a steering committee? If so, what agencies and organizations will be involved?
6. Does your country have any procedures for defining the structure and responsibility of the technical implementing unit?

5.2 FINANCIAL AND PROJECT RISK MANAGEMENT

Most project documents include an explanation of risks that might interfere with the achievement of the project objectives. A general format is to describe the risks in narrative form, and then describe each of the risks in table format. The **importance** and **probability** of these risks can then be ranked, and mitigation measures can be devised and explained in the document. In large projects (e.g., GCF), importance can be described as a percentage of project value ("low"= <5% of project value, "medium"= <20% of project value, "high"= >20% of project value), with probability scored as low, medium, or high. A good source of possible mitigation measures is other projects that have been carried out, either in your country or elsewhere. For example, risks and mitigation measures for every approved Adaptation Fund project are available on the Adaptation Fund website. Some categories of risk include:

Figure 14: ADB Risk Assessment Matrix
This matrix is a useful tool for mapping project risks. Low risk events pose little threat and require no action. Moderate risk events should be periodically measured. Substantial and high risks should be addressed with measures incorporated into the project design to reduce the likelihood and impacts. "Killer risks" signal that redesign is necessary.
Source: ADB 2016: Guidelines for Preparing a Design and Monitoring Framework. See Appendix A for download information.



- Political (e.g., political unrest, lack of transparency, political interference in allocation of resources)
- Institutional (e.g., lack of coordination between implementing agencies, lack of capacity to manage project implementation, staff turnover, lack of participation from relevant stakeholders)
- Financial (e.g., sustainability of financing for project outputs/outcomes, cost overruns)
- Technical (failure to obtain data and information relevant to the project)

Answer the following questions:

1. What sorts of political, institutional, and other risks might your project be susceptible to?
2. How might you mitigate these risks?

5.3 FINANCIAL MANAGEMENT AND PROCUREMENT

Many larger financiers require a description of the managerial aspects of the project, including how the inputs for the project will be obtained, how project payments will be handled, and auditing procedures. This helps to ensure transparency and accountability in the execution of the project, and minimizes the chances of corruption and malfeasance. In many cases, the project proponent will adhere to established procedures; for example, ADB, World Bank, and JICA all have procurement guidelines that must be followed in projects implemented by these agencies and their partners. These guidelines generally include the following:

- Contracting and subcontracting guidelines
- Advertising and handling of bids
- Rules of nationality and origin and grounds for exclusion
- Conflict of interest guidelines
- Evaluation and selection of bids
- Grievance procedures

This section will also spell out the auditing schedule for the project, and the general requirements of the auditing firm.

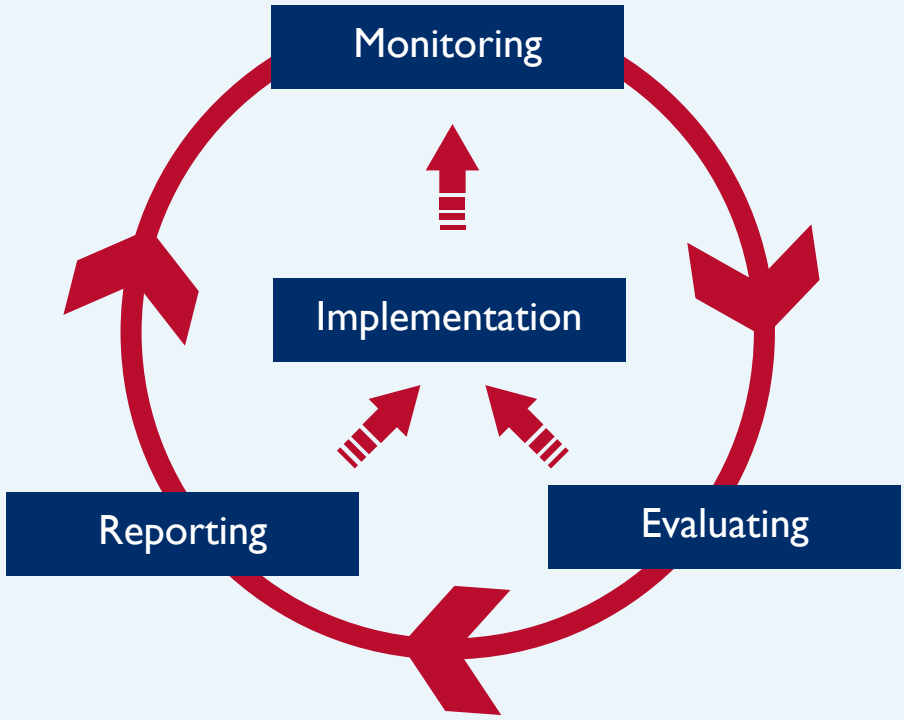
In many cases, this section of the proposal is short and straightforward; it simply acknowledges that the implementing agency will adhere to the specified guidelines. Multilateral agencies (e.g., UNDP) use standardized procedures that vary little from project to project. If you are working through an accredited entity (e.g., UNDP or ADB for the GCF), you should familiarize yourself with the procurement procedures that need to be followed. Links to some guidelines can be found in Appendix A.

5.4 MONITORING, EVALUATION, AND REPORTING

The UNDP (2009) defines monitoring as "the ongoing process by which stakeholders obtain regular feedback on the progress being made towards achieving their goals and objectives", and evaluation as "a rigorous and independent assessment of either completed or ongoing activities to determine the extent to which they are achieving stated objectives and contributing to decision making". Taken together, monitoring and evaluation make up a feedback mechanism to ensure that the project is meeting its objectives. Project design documents include a section that describes monitoring and evaluation arrangements for the project, and what organization will carry out these procedures. Monitoring and evaluation (M&E) is a critical element of good project design, and in recent years, donors have increasingly emphasized the importance of a good M&E framework in projects. Well executed M&E procedures can:

- Help to keep the project focused on its outcomes and impacts, and to stay consistent with the project's timeline and budget

Figure 15: Monitoring, evaluation, and reporting is an ongoing process that feeds into project implementation



- Assist with making adjustments and improvements to the project while in process. Effective M&E helps project managers identify what is working and what is not working in the project.
- Reveal lessons for future projects and policies
- Improve transparency and accountability

The monitoring and evaluation framework should lay out activities associated with M&E and how information gleaned from these activities will feed back into the implementation of the project. Costs and the timeline for M&E should also be described. M&E also generally includes indicators, baselines, and targets for each project outcome, output, and activity, described in tabular format. Arrangements and other details are described in a narrative section. Specific questions that should be addressed in the M&E plan include (UNDP 2009):

- What is to be monitored and evaluated
- The activities needed to monitor and evaluate
- Who is responsible for monitoring and evaluation activities
- When monitoring and evaluation activities are planned
- How monitoring and evaluation are carried out
- What resources are required and where they are committed.

The monitoring and evaluation framework should be connected to the logical framework for the project, describing the results in terms of impacts, outputs, outcomes, activities, and inputs in table format. Impacts, outputs, and activities should include indicators, means of verification, a statement of the baseline situation, and targets (sometimes divided into mid-term and final targets). Also included in some cases is a brief description of the assumptions that underlie achievement of the targets. Activities and inputs include descriptions, but do not require the baseline statement, means of verification, and targets.

Monitoring and evaluation plans should include an accounting of financial and human resources required to carry out the plan. For additional details about developing an M&E plan, see the resources listed in Appendix A of this guide.

5.5 PROJECT SUSTAINABILITY

Project financiers prefer to make investments that will have a lasting impact, extending well beyond the life of the loan or grant. This means that one-off projects are less likely to be funded than those that have a plan to ensure the **sustainability** of the project's impacts. From an economic perspective, if projects are financially viable then the entities or livelihoods they finance can be self-sustaining beyond the project's life. Sustainability also includes the life of the project's outputs when the project ends. For example, if your project intends to build a facility or provide goods and services, you need to consider and explicitly describe how the facility is going to be maintained after the project is completed, or what mechanism will ensure that the goods and services provided by the project will continue to be provided upon completion. The technical aspects of project sustainability are included in the end-of-project transition, often referred to as the **exit strategy**.

Project sustainability should be considered from the very earliest stages of project design. However, in most application documents, the sustainability plan is described after the project activities. In any case, the first step for ensuring sustainability entails determining what aspects of the project should continue after the project is completed. Elements to consider include:

- Ensuring ownership by beneficiary governments, NGOs, Civil Society Organizations and the beneficiaries themselves. How will consultative processes help foster a sense of ownership on the part of beneficiaries? How will lessons learned during the implementation period be incorporated into existing policies and practices?
- Sources of funding, staffing, and administration. Will the project be folded into existing government programs? If so, how will you ensure that additional resources are allocated to perform the additional duties?
- Operation and maintenance plan with details of estimated costs and responsibilities, sometimes included as an annex. In cases where goods and services are produced, private sector involvement arrangements such as build-transfer-operate may be appropriate.
- Cost recovery plan

NEPAL: Riverbank stabilization project in Nepal to address increased erosion. One aspect of this project is that it uses locally-available materials. Another is that the project improvements can be maintained locally.

- Associations established/expanded by the project. If the project involves establishing institutions, organizations, or associations, or expanding the programs of existing ones, how will you ensure that these entities continue to function once the project is complete?
- If necessary, build management, maintenance and monitoring capacity within the beneficiary government and/or target communities. How will the project develop these skills among the beneficiaries?
- Replicability and scalability. What prospects exist for expanding the activities financed under the project to ensure large-scale impacts in future, including information flows?
- Data and information. How will data and information produced by the project be maintained and disseminated? What information technology, data formats, and maintenance will be required?

Sustainability indicators need to be included in the project's monitoring and evaluation plan.

Answer the following questions:

1. What sorts of indicators might be used for the potential activities, outputs, and outcomes you have described for your project?

2. If your project is being proposed by an accredited agency, does that agency have procurement guidelines? Are there national procurement guidelines that will apply to your project?

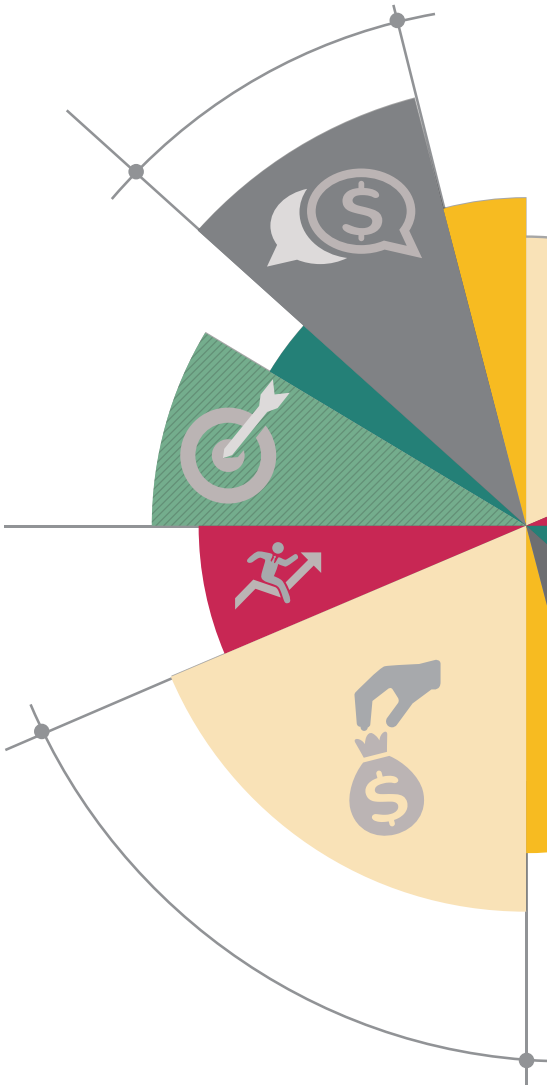
5.6 PROJECT APPRAISAL[20]

Project appraisal is a critical part of the project cycle, and involves two stages[21]. The first stage of appraisal is the review of the project design and all relevant documents by the government agency that will ultimately submit the proposal to the financier. Appraisal inputs can be made at one time in a formal review or over various inputs depending on the need and the circumstances surrounding project preparation. The appraisal process at this stage feeds back into project design, as comments and suggestions from government reviewers are incorporated into the project proposal. This serves to ensure that the best and most efficient CCA projects are forwarded to financiers. Evaluation studies after completion have shown that poorly prepared projects (e.g., those with inadequate appraisal) fail far more often than well-prepared projects. In performing this appraisal, the evaluating agency will review all the materials provided by the executing entity to identify incomplete or overlooked tasks.

Once the national implementing entity has completed its appraisal and the project proposal has been revised to incorporate the findings, the project is ready to be submitted to the financier. At this point the second stage of appraisal commences as the financier reviews the project. This appraisal is conducted by the financier's secretariat or other designated committee. This committee will evaluate and score the proposal, identifying points for clarification and revision. If the initial submission is well prepared, the review may identify only minor points that will need correction or amplification, and progress towards approval may be quite fast. On the other hand, if a large number of points are raised, then multiple reviews may be required and consequently progress will be slower.

20. This section is drawn from Guidelines for the Preparation of Climate Change Adaptation Projects, NABARD 2015.

21. This section applies mainly to projects that will be submitted to an external financier such as the Adaptation Fund or Green Climate Fund. Appraisal in these cases will be handled by the *national implementing entity*, which will evaluate materials prepared by the project's *executing entity*.



6

CONCLUDING REMARKS

Conceptualizing and designing an effective and bankable climate change adaptation project can be a daunting task. Although there is a wide variety of potential financing sources, the demand for adaptation finance is increasing, and hence so is competition among project proponents. To make your proposal stand out, there are a number of important considerations. Most importantly, you must demonstrate the centrality of climate change to the problem you are attempting to address. You must also show that your project responds to a clear, urgent need that would not be addressed otherwise. In addition, your project must be aligned with national and subnational development and climate change policy frameworks, as well as the priorities of the financier. Once you have met these conditions, you can then begin the rigorous process of actually designing your project.

INDONESIA: Participants in a USAID resilience building workshop in Ternate, Indonesia

This guide has provided a general overview of the information that is used in developing a CCA project, as well as how to use and structure that information. However, it is important to understand that planning, designing, and obtaining approval for an adaptation project takes time, sometimes as much as 1-2 years. This timeframe can be significantly reduced with some initial investments in developing a good knowledge base as well as the vertical and horizontal sector linkages and coordination with non-government stakeholders that will be required to design an effective project.

We hope that this guide is useful in helping you to chart a course from project concept to funded proposal. There are many "tricks of the trade" in project design that cannot be conveyed in the pages of a book. But one of the most important rules of thumb is that, like anything else, designing projects gets easier the more you do it.

APPENDIX A: RESOURCES & FURTHER READING BY SECTION

2.0. Key Messages

- Guidelines for the Preparation of Climate Change Adaptation Projects: Designing and Appraising Projects for the Adaptation Fund. NABARD 2015, 110pp.
- Designing Climate Change Adaptation Initiatives: A Toolkit for Practitioners. UNDP 2010, 62pp. Download at: *https://sustainabledevelopment.un.org/content/documents/951013_Toolkit%20for%20Designing%20Climate%20Change%20Adaptation%20Initiatives.pdf*
- Guidelines for Climate Proofing Investments in the Energy Sector. ADB 2013, 109pp. Download at: *https://www.adb.org/sites/default/files/institutional-document/33896/files/guidelines-climate-proofing-investment-energy-sector.pdf*
- Accessing Resources from the Adaptation Fund Handbook. AF ND, 56pp. Download at: *http://www.preventionweb.net/files/13786_Handbook.English1.pdf*
- Accessing Resources Under the Special Climate Change Fund. GEF 2011, 44pp. Download at: *https://www.thegef.org/sites/default/files/publications/23470_SCCF_1.pdf*

3.2. Climate Change Information

- IPCC Fifth Assessment Report (AR5) Working Group I (Physical Science Basis) Chapters and Summary for Policymakers: *http://www.ipcc.ch/report/ar5/wg1/*
- IPCC Fifth Assessment Report (AR5) Working Group II (Impacts, Adaptation, and Vulnerability) Chapters and Summary for Policymakers: *http://www.ipcc.ch/report/ar5/wg2/*
- UNDP Climate Change Country Profiles: *http://www.geog.ox.ac.uk/research/climate/projects/undp-cp/*
- UNFCCC NAPAs: *http://unfccc.int/adaptation/workstreams/national_adaptation_programmes_of_action/items/4585.php*
- UNFCCC NDCs: *http://www4.unfccc.int/ndcregistry/pages/All.aspx*

3.3. Context/Impacts/Identification of the Problems

- Development and Climate Change. World Bank 2010, 439pp. *http://siteresources.worldbank.org/INTWDR2010/Resources/5287678-1226014527953/WDR10-Full-Text.pdf*

3.4. Description of "Ideal State"

- Guidelines for Preparing a Design and Monitoring Framework. ADB 2016, 54pp. *https://www.adb.org/sites/default/files/institutional-document/32509/guidelines-preparing-dmf.pdf*

3.5. Relationship to National Development Strategies

- Integrating Climate Change Adaptation into Development Co-Operation. OECD 2009, 197pp. Download at: *https://www.oecd.org/dac/43652123.pdf*

4.2. Project Design Format

- Guidelines for Programme Design, Monitoring and Evaluation. Finland Ministry of Foreign Affairs n.d., 69pp. *https://www.oecd.org/derec/finland/38141776.pdf*

4.3. Technical Feasibility

- Technical Feasibility Assessments. ISET 2012, 6pp. *http://training.i-s-e-t.org/wp-content/uploads/modulesContent/pdfs/ISET_ModuleCRFSet3_7_0.pdf*

4.4. Economic & Financial Aspects

- Economic Analysis of Climate-Proofing Investment Projects. ABD 2015, 85pp. Download at *https://www.adb.org/sites/default/files/publication/173454/economic-analysis-climate-proofing-projects.pdf*
- Assessing the Costs and Benefits of Adaptation Options. UNFCCC 2011, 52pp. Download at *http://unfccc.int/resource/docs/publications/pub_nwp_costs_benefits_adaptation.pdf*
- Guidelines for the Economic Analysis of Projects. ADB 1997, 215pp.

- Preparing and Presenting Cost Estimates for Projects and Programs Financed by the Asian Development Bank. ADB 2014, 32pp. Download at *https://www.adb.org/sites/default/files/institutional-document/34142/files/fmtgn-preparing-presenting-cost-estimates.pdf*
- Water Resources Economic Analysis Guidebook. State of California 2008, 63pp. Download at *http://www.water.ca.gov/pubs/planning/economic_analysis_guidebook/econguidebook.pdf*

4.5. Environmental and Social Safeguards

- Social and Environmental Standards. UNDP 2014, 60pp. Download at *http://www.undp.org/content/dam/undp/library/corporate/Social-and-Environmental-Policies-and-Procedures/UNDPs-Social-and-Environmental-Standards-ENGLISH.pdf*
- Understanding the Asian Development Bank's Safeguard Policy. Oxfam 2010, 30pp. Download at *https://www.oxfam.org.au/wp-content/uploads/2011/08/OAus-ADBSafeguards-0610.pdf*
- IFC Performance Standards on Environmental and Social Sustainability. IFC 2012, 72pp. Download at *https://www.ifc.org/wps/wcm/connect/c8f524004a73daeca09afdf998895a12/IFC_Performance_Standards.pdf?MOD=AJPERES*
- Environmental Safeguards: A Good Practice Sourcebook. ADB 2012, 84pp. Download at *https://www.adb.org/sites/default/files/institutional-document/33739/files/environment-safeguards-good-practices-sourcebook-draft.pdf*
- Integrating Gender in Climate Change Adaptation Proposals: An Online Sourcebook. USAID 2014, 195pp. Download at *http://asiapacificadapt.net/gender-sourcebook/wp-content/themes/iges/pdf/integrating-gender-sourcebook.pdf*

5.1. Institutional Arrangements

- Institutional Arrangements for Effective Project Management and Implementation. IFAD 2017, 62pp. *https://www.ifad.org/documents/10180/4c03cbce-47f3-46f8-acfd-e360c01cb41b*

5.2. Financial and Project Risk Management

- Project Risk Management Guide. Washington State Department of Transportation 2014, 122pp. *http://www.wsdot.wa.gov/publications/fulltext/cevp/ProjectRiskManagement.pdf*
- Project Risk Management Handbook: A Scalable Approach. California Department of Transportation 2012, 53pp. *http://www.dot.ca.gov/hq/projmgmt/documents/prmhb/PRM_Handbook.pdf*

5.3. Financial Management and Procurement

- Guidelines for the Procurement of AFD-Financed Contracts in Foreign Countries. AFD 2015, 34pp. *http://www.afd.fr/webdav/shared/L_AFD/Opportunites_d_affaires/Directives-Passation-Marches-Etats-Etrangers-va.pdf*
- Financial Regulations and Rules. UNDP 2000, 52pp. *http://web.undp.org/execbrd/pdf/UNDPFinRegsRules.pdf*

5.4. Monitoring, Evaluation, and Reporting

- Handbook on Planning, Monitoring and Evaluating for Development Results. UNDP 2009, 232pp. Download at *http://web.undp.org/evaluation/evaluations/handbook/english/documents/pme-handbook.pdf*
- Project/programme monitoring and evaluation (M&E) Guide. International Federation of Red Cross and Red Crescent Societies 2011, 132pp. *http://www.ifrc.org/Global/Publications/monitoring/IFRC-ME-Guide-8-2011.pdf*

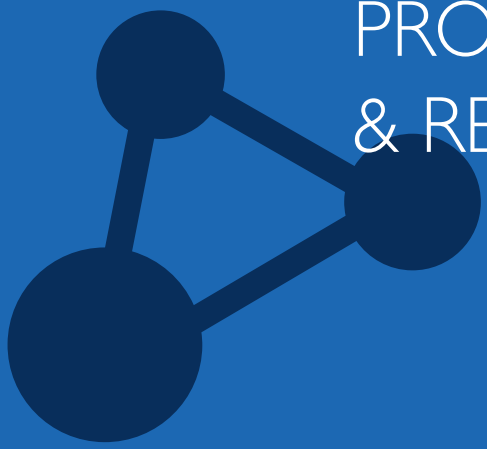
5.5. Project Sustainability

- Sustainability of Rural Development Projects: Best Practices and Lessons Learned. IFAD 2009, 68pp. *https://www.ifad.org/documents/10180/53844 1f4-bb55-4e99-9e23-854efd744e4c*

5.6. Project Appraisal

- Project Appraisal Manual. USAID 2013, 238pp. *http://pdf.usaid.gov/pdf_docs/PA00M766.pdf*

APPENDIX B: PROJECTS REVIEWED & REFERENCED



ADAPTATION FUND

- Enhancing the Adaptive Capacity and Increasing Resilience of Small-Scale Agriculture Producers of the Northeast of Argentina
- Increasing Climate Resilience and Enhancing Sustainable Land Management in the Southwest of Buenos Aires Province
- Belize Marine Conservation and Climate Adaptation Project
- Enhancing Climate Change Resilience of Rural Communities Living in Protected Areas of Cambodia
- Strengthening the Resilience of Our Islands and Our Communities to Climate Change (Cook Islands)
- Climate Proofing of Watershed Development Projects in the States of Rajasthan and Tamil Nadu (India)
- Climate Smart Actions and Strategies in North Western Himalayan Region for Sustainable Livelihoods of Agriculture-Dependent Hill Communities (India)

GREEN CLIMATE FUND

- Climate Resilient Infrastructure Mainstreaming in Bangladesh
- Urban Water Supply and Wastewater Management Project in Fiji
- Improving the Resilience of Vulnerable Coastal Communities to Climate Change Related Impacts in Vietnam
- Tuvalu Coastal Adaptation Project
- Strengthening the Resilience of Smallholder Farmers in the Dry Zone to Climate Variability and Extreme Events through an Integrated Approach to Water Management (Sri Lanka)
- Scaling-up of Glacial Lake Outburst Flood (GLOF) Risk Reduction in Northern Pakistan
- Senegal Integrated Urban Flood Management Project
- Climate Information Services for Resilient Development in Vanuatu
- Integrated Flood Management to Enhance Climate Resilience of the Vaisigano River Catchment in Samoa

ASIAN DEVELOPMENT BANK

- Dhaka Water Supply Network Improvement Project (RRP BAN 47254-003)
- Sri Lanka Supporting Electricity Supply Reliability Improvement Project (RRP SRI 49216)
- Urban Environment and Climate Change Adaptation Project (Vietnam, 43237-013)

LEAST DEVELOPED COUNTRIES FUND

- Effective Governance for Small-Scale Rural Infrastructure and Disaster Preparedness in a Changing Climate
- LCDF/GEF 4714 Effective and Responsive Island-level Governance to Secure and Diversify Climate Resilient Marine-based Coastal Livelihoods and Enhance Climate Hazard Response Capacity (Tuvalu)
- Building Shoreline Resilience of Timor-Leste to Protect Local Communities and Their Livelihoods
- Solomon Islands Water Sector Adaptation Project
- Kiribati Adaptation Program

STRATEGIC PROGRAM FOR CLIMATE RESILIENCE

- Tonga Climate Resilience Sector Project
- Papua New Guinea Strategic Program for Climate Resilience Project

SPECIAL CLIMATE CHANGE FUND

- Climate Change Adaptation Project Phase I (Philippines)

INDONESIAN CLIMATE CHANGE TRUST FUND

- Climate Drive Agricultural Management Strategies: Strengthening Community Resilience to Climate Change
- Establishment of Self-Expanding Networks for a Rural Response to Climate Change with Farmers, Scientists, and Extension

NOTES

USAID Adapt Asia-Pacific

USAID CLIMATE CHANGE ADAPTATION PROJECT PREPARATION FACILITY FOR ASIA AND THE PACIFIC

The USAID Adapt Asia-Pacific project (2011-2017) is designed to help countries in Asia and the Pacific obtain financing to address climate change impacts, through a combination of technical support in project preparation, providing relevant training and developing specialized materials to build national and regional capacity for accessing finance.