



ADAPTATION FUND

AFB/EFC.14/Inf.1
5 March 2014

Adaptation Fund Board
Ethics and Finance Committee
Fourteenth meeting
Bonn, Germany, 18-19 March 2014

**JOINT REPORT BY THE SECRETARIAT AND THE
TRUSTEE ON THE STATUS OF THE PIPELINE**

Background

1. In its twelfth meeting, the Adaptation Fund Board (the Board) decided:
 - (a) *That the cumulative budget allocation for funding projects submitted by MIEs, should not exceed 50 per cent of the total funds available for funding decisions in the Adaptation Fund Trust Fund at the start of each session. That cumulative allocation would be subject to review by the Board on the recommendation of the Project and Programme Review Committee at subsequent sessions;*
 - (b) *To request the Trustee to provide an update on the amount of funds that have been approved for projects implemented by NIEs and MIEs at each meeting of the Adaptation Fund Board; and*
 - (c) *To review the implementation of this decision at the fourteenth meeting of the Adaptation Fund Board.*

(Decision B.12/9)

2. In its seventeenth meeting, having considered the recommendation of the Ethics and Finance Committee (EFC), the Board decided to:
 - (a) *Maintain the 50 per cent cap on the funding of projects/programmes implemented by MIEs established by Decision B.12/9, and exclude project/programme concepts from the 50 per cent calculation;*
 - (b) *Establish a pipeline of fully developed projects/programmes that have been recommended by the PPRC for approval by the Board, but exceeding the 50 per cent cap;*
 - (c) *Prioritize the projects/programmes in the pipeline by sequentially applying the following criteria:*
 - (i) *Their date of recommendation by the PPRC;*
 - (ii) *Their submission date; and*
 - (iii) *The lower “net” cost.*
 - (d) *Consider fully developed projects/programmes in the pipeline for approval, subject to availability of resources and respecting the 50 per cent cap; and*
 - (e) *Request that the EFC consider at its 9th meeting the suspension of project/programme submissions as the last measure and elaborate on a clear threshold that indicates when the measure should be applied (e.g. 60 per cent excess of the cap).*

(Decision B.17/19)

3. In its eighteenth meeting, the Board decided to:
 - (a) *Request the secretariat and trustee to provide a consolidated report on the status of the pipeline at every EFC meeting, including overall allocated and*

unallocated AF resources, relative funding allocations made for MIEs and NIEs, projections on projects/programmes entering the pipeline, projections of overall funds available, the status of NIE applications and project preparations, and the status of the submission of project/programme concepts; and the secretariat to propose options to implement the 50 percent cap; and

(b) On the basis of this report and the recommendation of the EFC, consider appropriate measures to implement the cap, including through the suspension of MIE project/programme submissions as appropriate.

(Decision B.18/28)

4. The trustee and the secretariat prepared in advance of the tenth meeting of the EFC the first such consolidated report (AFB/EFC.10/Inf.3) referred to in Decision B.18/28 (a). The present document is the fifth consolidated report.

5. In its nineteenth meeting, having considered the comments and recommendations of the Projects and Programme Review Committee (PPRC), the Board decided to *define the submission date referred to in paragraph (b) of Decision B.17/19 as the date of the submission of the fully-developed project/programme document to the particular meeting in which it was recommended for approval by the Project and Programme Review Committee.*

(Decision B.19/5)

6. As of its twenty-first meeting, the Board had placed in the pipeline eight project and programme proposals submitted by Multilateral Implementing Entities (MIEs) for which funding was not available due to the 50 per cent cap on projects and programmes implemented through MIEs (established through Decision B.12/9) having been reached. During the intersessional period after the twenty-first meeting, on 12 September 2013, as a result of the receipt of funds in the AF Trust Fund, the Board was able to intersessionally approve the first programme in the pipeline, to be implemented by United Nations Development Programme (UNDP) in Guatemala and with a funding request of US\$ 5,425,000 (Decision B.21-22/5). After this approval, the amount required to fund the remaining seven projects and programmes in the pipeline is US\$ 48,674,519.

7. Following the ninth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, the receipt of funds in the AF Trust Fund had allowed the intersessional approval of four projects that were in the pipeline, for a total value of US\$ 25,847,199. The amount required to fund the remaining four project/programmes in the pipeline is US\$ 32,354,480.

Allocated and unallocated resources in the Adaptation Fund Trust Fund

8. As of 31 December 2013 the resources available in the Adaptation Fund Trust Fund were as presented below in Table 1.¹

| Table 1: Allocated and unallocated resources (US\$ million) | |
|--|---------------------|
| | At 31 December 2013 |
| Cumulative Receipts | 398.09 |
| Total Projects and Programmes | (199.99) |
| Projects and Programmes (MIE) | (155.55) |
| Projects and Programmes (NIE) | (44.43) |
| Operational expenses | (24.20) |
| Unallocated resources | 173.90 |
| Restricted Funds | (3.00) |
| Funds available for decisions | 170.90 |

Funding allocations for MIEs and NIEs

9. Based on Decision B.12/9, the percentage of cumulative funding decisions for projects and programmes submitted by MIEs is calculated by comparing those funding decisions to the sum of all project and programme funding decisions and funds available for new funding decisions ("Project and Programme Resources"). Table 2 provides the percentages considering funding availability as of 31 December 2013. At that date, the pipeline included eight projects and programmes, for a total value of US\$ 58.21 million.

| Table 2: Funding allocations for MIEs and NIEs (as of 31 December 2013)² | | | |
|--|--|--------------|---------------|
| | | US\$ million | % (of line a) |
| a | Total project and programme resources (for purpose of calculating the cap) | 370.89 | 100% |
| b | Level of MIE cap = (a) x 50% (Decision B.12/9) | 185.45 | 50.0% |
| c | Total project and programme decisions to date (d+e) | 199.99 | 53.9% |
| d | Projects and programmes (MIE) | 155.55 | 41.9% |
| e | Projects and programmes (NIE) | 44.43 | 12.0% |
| f | Funds available for new funding decisions | 170.90 | 46.1% |
| g | Funds available for MIEs under cap (b-d) | 30.00 | 8.1% |
| h | MIE projects and programmes in the pipeline | 58.21 | 15.7% |
| i | Shortfall within the cap to approve all projects in pipeline (g-h) | -28.31 | |
| j | Additional funds required for approval of all MIE projects in pipeline following the rule of 50% cap on MIEs = (i) / 50% | 56.62 | |

¹ Source: AFB.EFC.14.7 Adaptation Fund Trust Fund Financial Status Report

² <http://trusteeqa.worldbank.org/trustee/index.php?type=fund&ft=af>.

10. Following the twenty-second meeting, funds were received in the AF Trust Fund, through contributions from the governments of Germany, Switzerland, Norway and the Brussels Capital Region of Belgium. The Board was therefore able to approve intersessionally four projects in the pipeline, all to be implemented by United Nations Development Programme (UNDP). These projects, in Cuba, Myanmar, Seychelles and Uzbekistan, have a combined total amount of US\$ 25,847,199. After these approvals, the remaining four project/programmes in the pipeline had a total funding request of US\$ 32,354,480.

11. The revised pipeline as of 28 February 2014 is presented in Table 3.

| Order of priority | Country (MIE) | Recommendation date | Submission date | Net budget, US\$ M | Funding requested, US\$ M | Cumulative, US\$ M |
|-------------------|---------------|---------------------|-----------------|--------------------|---------------------------|--------------------|
| 1 | Belize (WB) | 4/4/2013 | 1/28/2013 | 5.53 | 6.00 | 6.00 |
| 2 | Ghana (UNDP) | 4/4/2013 | 1/28/2013 | 7.64 | 8.29 | 14.29 |
| 3 | Mali (UNDP) | 7/4/2013 | 4/24/2013 | 7.86 | 8.53 | 22.82 |
| 4 | Nepal (WFP) | 10/31/2013 | 8/26/2013 | 8.78 | 9.53 | 32.35 |

Projections of projects/programmes entering the pipeline

12. The four proposals remaining in the pipeline amount to US\$ 32.35 million. As of 28 February 2014, the availability of funding under the 50 per cent cap for MIE projects was not sufficient to support approval of the first project in the pipeline, which has a total project amount of US\$ 6.00 million.

Projects/programmes potentially entering the pipeline after the twenty-third meeting

13. One fully-developed project proposal submitted by an MIE and previously endorsed will be presented to the twenty-third meeting of the Board. The outcome of the technical review of this proposal is not discussed in the current report. The details of the proposal related to the prioritization criteria approved by the Board are presented in Table 4.

| | Country (MIE) | Submission date | Net budget, US\$ M | Funding requested, US\$ M | Cumulative, US\$ M |
|---|-----------------|-----------------|--------------------|---------------------------|--------------------|
| 1 | Indonesia (WFP) | 1/13/2014 | 5.52 | 5.99 | 5.99 |

14. In addition to the above-noted proposal, there are additional proposals that have been either endorsed as concepts or submitted to the Board for approval as full proposals without endorsement but are not submitted to the twenty-third meeting. Table 5 below lists such proposals.

| Table 5: MIE proposals endorsed as concepts or submitted earlier as fully-developed proposals but not recommended for approval to date as fully-developed proposals (in order of endorsement date) | | | | |
|---|--|-------------------------|---------------------|-----------------------------------|
| | Country (MIE) | Endorsement date | US\$ million | Submitted as full proposal |
| | <i>Endorsed concept</i> | | | |
| 1 | El Salvador (UNDP) | 12/15/2010 | 5.43 | Yes |
| 2 | Fiji (UNDP) | 6/22/2011 | 5.73 | Yes |
| 3 | Paraguay (UNEP) | 6/29/2012 | 7.13 | No |
| 4 | Peru (IDB) | 6/29/2012 | 6.95 | No |
| | Total (endorsed concepts) | | 25.24 | |
| | <i>Not endorsed, submitted as full proposal</i> | | | |
| 1 | Mauritania (WMO) | N/A | 2.16 | Yes |
| | Total (non-endorsed full proposals) | | 2.16 | |
| | Total (all) | | 27.40 | |

15. It is worth noting that the above proposals may not represent all proposals being developed by MIEs for consideration by the Board for future meetings after its twenty-third meeting. Implementing entities may submit fully-developed proposals without prior notification to the secretariat.

Projections of overall funds available

16. The document “Adaptation Fund Trust Fund: Financial Report prepared by the Trustee as at 31 December 2013” (AFB/EFC.14/7) presents an estimate of the funds available in the Adaptation Fund Trust Fund to 2020, based on an average of independent analysts’ estimates of Certified Emissions Reduction (CER) proceeds from 2013 to 2020 (approx. 2.4 billion issued CERs), and current pledges to the Adaptation Fund. These estimates are presented below in Table 6. Total potential funding available to the Adaptation Fund to end-2020, including the current funding available, is estimated at approximately US\$ 201-215 million.

| Table 6: Estimate of Funds Available up to 2020, (from AFB.EFC.14/7) (US\$ million) | | | |
|--|----------|--------|--------|
| | Scenario | | |
| | Low | Medium | High |
| Funding Availability as of 31 December 2013 ^a | 170.9 | 170.9 | 170.9 |
| Pledges | 14.64 | 14.64 | 14.64 |
| Potential additional CER Proceeds beyond Dec. 2013 | 15.46 | 22.17 | 29.84 |
| Total Potential Funding Availability to 2020 | 201.00 | 207.71 | 215.38 |

Notes: a/ includes US\$ 3 million reserve

17. The estimated funding available would permit less than US\$ 30 million in new project and programme funding approvals annually to 2020, not taking into consideration amounts required for the administrative budgets of the Board, its secretariat and the Trustee.

18. Without additional contributions or an amendment to the 50 per cent cap on projects implemented by MIEs, it may not be possible to approve the current MIE pipeline of projects for several years to come.

Status of NIE applications and project preparation

19. At the date of this report, the Board has accredited 15 National Implementing Entities. Five of those have received funding for projects or programmes, and five additional NIEs have received project formulation grants (PFG), which have been possible upon concept endorsement since the twelfth Board meeting. In the twenty-third meeting of the Board, three fully-developed NIE projects/programmes, four NIE project concepts and three PFG requests are being considered.

20. The development times of NIE proposals from accreditation to concept endorsement (including PFG approval when applicable) and to full project document approval are presented in Table 7. The table shows that there is wide variation between NIEs in terms of time needed to develop a concept and a full proposal. Some NIEs have been able to go through the process very quickly, e.g. six months needed for the development of the Senegalese proposal to full proposal approval, and four months needed for development of the Argentine concept. Since the Board decided to receive PFG applications together with NIE project and programme concepts, all but one NIEs that have submitted concepts have also applied for PFGs. The maximum permitted duration for use of the PFG is one year before a fully-developed proposal must be submitted to the Board. While the numbers of NIEs are perhaps too low to draw conclusions on averages, it may be useful to note that for the three NIEs that had a project approved following a PFG approval, the process between the two milestones took ca. 9-12 months. As of 30 September 2013, only two NIEs have not submitted project or programme proposals, down from five NIEs at the time of the twenty-first meeting.

| Country | Accreditation | Approval of PFG and endorsement of concept | Months required for concept endorsement | Project approval | Months required for project approval | Total months required |
|----------------|---------------|--|---|------------------|--------------------------------------|-----------------------|
| Senegal | 3/25/2010 | N/A | N/A | 9/17/2010 | N/A | 6 |
| Jamaica | 9/17/2010 | 6/22/2011 | 9 | 6/29/2012 | 12 | 22 |
| Uruguay | 9/17/2010 | 3/18/2011 | 6 | 12/14/2011 | 9 | 15 |
| Benin | 6/22/2011 | 3/16/2012 | 9 | N/A | N/A | |
| Argentina | 3/16/2012 | 6/29/2012 | 4 | 4/4/2013 | 9 | 13 |
| Rwanda | 12/13/2011 | 4/4/2013 | 16 | 10/31/2013 | 6 | 22 |
| South Africa | 9/7/2011 | 7/4/2013 | 22 | N/A | N/A | |
| Average | | | 11 | | 10 | 14 |

21. The NIE for Kenya has submitted a fully-developed programme proposal to be considered in the present meeting. This is the second time, following the previous meeting,

in which the proposals submitted by NIEs outnumber those submitted by MIEs. Moreover, the numbers of NIE submissions have continued to increase and it would be realistic to expect that all or most of the currently accredited NIEs would be able to access project or PFG funding by the end of 2014. It should be noted that the NIE for Kenya opted to submit a fully-developed programme proposal following the one-step process, and did not apply for a PFG, which may shorten the overall development time. However, most of the NIEs choose to submit concepts following the two-step process, and submit PFG requests with those concepts.

22. There are nine applicant NIEs and four applicant RIEs (as well as two applicant MIEs) whose applications are presently being considered by the Accreditation Panel. It is possible that some of these entities would be able to successfully apply for funding shortly after accreditation. It is worth mentioning that the Fund Readiness Programme was approved by the Board at its twenty-second meeting which is expected to help increase the number of accredited NIEs and improve the capacities of existing ones, which would result in increased number of quality proposal submissions. However, taking into account the fact that the average time it takes from accreditation to approval of a fully-developed project proposal is upwards of one year, it is likely that for most of the newly accredited NIEs, it would take longer than end of 2014 to submit a full project proposal and receive funding.