



ADAPTATION FUND

AFB/PPRC.1/11/Rev.1
June 10, 2010

Adaptation Fund Board
Project and Programme Review Committee
First Meeting
Bonn, June 14, 2010

Agenda item 3

**REPORT BY THE SECRETARIAT ON INITIAL
SCREENING/TECHNICAL REVIEW OF PROJECT AND
PROGRAMME PROPOSALS**

I. BACKGROUND

1. This document presents to the Project and Programme Review Committee (PPRC) an overview of the work undertaken by the secretariat in screening and reviewing the project/programme proposals submitted, following the operational policies and guidelines. It consists of the following sections:

- a) An overall analysis of the of project/programme proposals submitted by national and multilateral implementing entities;
- b) Policy issues identified during the screening/technical review process that the PPRC may want to consider and draw to the attention of the Board.

II. PROJECT/PROGRAMME PROPOSALS SUBMITTED BY NIE AND MIEs

2. Accredited national and multilateral implementing entities submitted 8 proposals to the secretariat, amounting to US\$56,509,000, including US\$4,909,000 or 9.6% in implementing entities' management fees. The only National Implementing Entity (CSE, Senegal) submitted one proposal, the World Bank submitted one proposal, and the United Nations Development Programme (UNDP) submitted six proposals. Details of these proposals are contained in the separate PPRC working documents, as follows:

AFB/PPRC.1/3 *Project/programme proposal for Senegal;*

AFB/PPRC.1/4 *Project/programme proposal for Egypt;*

AFB/PPRC.1/5 *Project/programme proposal for Mauritania;*

AFB/PPRC.1/6 *Project/programme proposal for Mauritius;*

AFB/PPRC.1/7 *Project/programme proposal for Nicaragua;*

AFB/PPRC.1/8 *Project/programme proposal for Pakistan;*

AFB/PPRC.1/9 *Project/programme proposal for Solomon Islands;* and

AFB/PPRC.1/10 *Project/programme proposal for Turkmenistan.*

3. In accordance with the operational policies and guidelines, the secretariat screened and prepared technical reviews of the eight project proposals. In performing this task, the dedicated team of officials of the secretariat was supported by GEF secretariat's technical staff.

4. All of the eight submissions are proposals for regular projects or programmes, i.e. they request funding exceeding US\$ 1,000,000. The total funding request in the proposals ranged from US\$2,970,000 (Turkmenistan) to US\$ 15,000,000 (Mauritania), with an average of US\$7,011,250, including management fees charged by the implementing entities. UNDP applied a 10% management fee, the World Bank requests 11.1%, and CSE requests 5.4%.

5. Although the proponents have the option to submit a fully-developed project document, all the proposals submitted are – as defined in the operational policies and guidelines¹ – project concepts that would undergo a two-step approval process. Following the screening/technical review by the secretariat, six project concepts are suggested to be recommended by the PPRC for Board endorsement. The secretariat is suggesting not to recommend two of the project concepts submitted for endorsement.

III. ISSUES IDENTIFIED DURING THE SCREENING/TECHNICAL REVIEW PROCESS

6. During the screening/technical review process, the secretariat identified the following issues that the PPRC may want to consider:

- a) Definition of “concrete” adaptation projects;
- b) Funding for project formulation costs;
- c) Implementing entities management fees; and
- d) Project review criteria.

a) Definition of “concrete” adaptation projects and programmes

7. The strategic priorities adopted by decision 1/CMP.4 state that the Adaptation Fund shall:

- (a) Assist developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation;*
- (b) Finance concrete adaptation projects and programmes that are country driven and are based on the needs, views and priorities of eligible Parties.*

8. The CMP decisions and the operational guidelines approved by the Board have not defined what is meant by “concrete” adaptation projects and programmes. The PPRC may want to discuss and to consider recommending to the Board further specification on what types of projects or programmes are considered eligible for Adaptation Fund financing.

b) Project formulation costs

9. The operational policies and guidelines do not contain any provision on the possibility to finance project formulation costs through the Fund. Specifically in the case of the NIEs, the lack of funding for project formulation could be a disincentive to submit project proposals to the Fund if they cannot bear the costs themselves.

¹ See operational policies and guidelines paragraph 41 and Annex 3.

10. The proposal for Senegal includes an amount for project formulation among the components of the requested implementing entity management fee.

11. The PPRC may wish to consider whether to recommend to the Board allocating funding for project formulation, the level of this funding, and how to arrange its disbursement.

c) Implementing entities management fees

12. Paragraph 62 of the operational policies and guidelines states that:

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

13. Among the proposals submitted to the secretariat, the management fees requested ranged from 5.4% (CSE) to 11.1% (the World Bank) of the project budget before management fee.

14. The PPRC may wish to consider whether to recommend to the Board to establish a ceiling on the percentage for implementing entity management fees.

d) Project and programme review criteria

15. The project and programme review criteria of the Adaptation Fund, established in the operational policies and guidelines, were developed with a goal of supporting short and efficient project development and approval cycles and expedited processing of eligible activities, set out in paragraph 14 of the strategic priorities. During the screening and reviewing of the project/programme proposals, the secretariat has identified the following issues that may require amending the project review criteria:

i. Consultative process

The Adaptation Fund Project/Programme Proposal template and the accompanying Instructions for Preparing a Request for Project and Programme funding, included in the operational policies and guidelines, Annex 3, Appendix A, require the project/programme proponents to “Describe the consultative process undertaken during project design. List the stakeholders consulted and the methods of consultation”. Unlike other items in the proposal template and instructions, assessing such description of stakeholder consultation is not included in the review criteria, also contained in Annex 3 of the operational policies and guidelines. The PPRC may wish to consider whether to recommend to the Board to add consideration of the consultative process undertaken during project/programme design in the project/programme review criteria, for consistency with the project/programme proposal template.

ii. Sustainability of project outcomes.

In assessing the viability of a project concept, it is crucial to address the sustainability, or duration of impact, of the project. In international development finance, requirement to demonstrate sustainability of project outcomes is a common project review criterion. The PPRC may wish to consider whether to recommend to the Board to address this issue in revision of the project review criteria.

iii. Programme review criteria.

In reviewing the project concept from Senegal, the secretariat noted that as the concept included several proposed activities that are not directly related to each other and do not contribute to a single adaptation challenge, it might be better conceptualized as a programme, rather than a project. Currently the project review criteria as such are not completely suited to reviewing programmes, which may put programme proposals in a disadvantaged situation. The PPRC may wish to consider whether to recommend to the Board to provide additional guidance to proponents on choice between projects or programmes. Further, the PPRC may wish to consider whether to recommend to the Board to address this issue in revision of project review criteria.

IV. RECOMMENDATION

16. The PPRC may wish to consider the above outlined issues, identified by the secretariat, and recommend to the Board to take a decision on those issues, accordingly.