



ADAPTATION FUND

AFB/PPRC.10/5
19 November 2012

Adaptation Fund Board
Project and Programme Review Committee
Tenth Meeting
Bonn, 11-12 December 2012

PRIORITIZATION OF PROJECTS IN THE PIPELINE: SUBMISSION DATES

I. BACKGROUND

1. In the 12th meeting, the Adaptation Fund Board considered a number of options to promote and facilitate the access by NIEs to the resources of the Adaptation Fund, including the need to both cap the amount of funding allocated to MIEs and the need to also cap the funds allocated to each MIE within a general cap on all MIEs, as well as the need to keep any such decision under regular review, and 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 the 15th meeting, the Board discussed the issue of the cap on MIEs, and decided:

[...]

- (b) *That both the EFC and the PPRC would take up, at their seventh meetings, the issue of the cap on funding for projects proposed by MIEs in order to consider:*
 - (i) *The cumulative effects of that cap on the funds available to the Adaptation Fund; and*
 - (ii) *The action to be taken when that cap is exceeded.*

(Decision B.15/1)

3. In the 16th meeting, the Board considered the comments and recommendations of the PPRC and EFC, and decided to:

- (a) *Maintain the 50 per cent cap for fully-developed proposals submitted by Multilateral Implementing Entities (MIEs);*
- (b) *Invite the members of the Board to submit by 15 January 2012 proposals to the secretariat on how best implement the 50 per cent cap and on how to prioritize new project/programme proposals submitted by MIEs;*
- (c) *Request the secretariat to provide a report for consideration by the Chairs and Vice-Chairs of the PPRC and EFC on the submissions related to the prioritization criteria for new proposals; and for consideration by the EFC the implementation of the 50 percent cap, which should also contain all the relevant figures and financial implications for the implementation of the cap;*
- (d) *Prioritize project/programme concepts submitted by MIEs endorsed up to and including the 16th Board meeting, in compliance with the cap referred to in (a); and*
- (e) *Encourage National Implementing Entities to expedite the submission of their project and programme proposals.*

(Decision B.16/23)

4. In the 17th meeting, having considered the recommendation of the EFC the Board decided to:

- (a) *Maintain the 50 per cent cap on the funding of project/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)

5. In the 18th meeting, having considered the comments and recommendations of the Projects and Programme Review Committee, the Adaptation Fund Board decided to request the secretariat to prepare a paper for consideration at the 10th meeting of the PPRC on options for which submission dates to consider in the prioritization of proposals in the pipeline, as established in decision B.17/19.

(Decision B.18/25)

6. This paper is prepared following the above request.

II. SUBMISSION DATES ACCORDING TO THE OPERATIONAL POLICIES AND GUIDELINES

7. The Operational Policies and Guidelines¹ states about the review of regular project and programme proposals as follows:

42. Regular adaptation projects/programmes are those that request funding exceeding \$1 million. These proposals may undergo either a one-step or a two-step approval process. In the one-step approval process the proponent shall submit a fully-developed project/programme document. In the two-step approval process a brief project/programme concept shall be submitted as first step followed by a fully-developed project/document. Funding will only be reserved for a project/programme after the approval of a fully-developed project document in the second step.

43. The project/programme cycle steps for both concept and fully-developed project document are as follows:

- (a) *The project/programme proponent submits a concept/fully-developed project document based on a template approved by the Board (Annex 3, Appendix A). A disbursement schedule with time-bound milestones will be submitted together with*

¹ Version approved by the Board in its 15th meeting (Decision B.15/29).

the fully developed project/programme document. Proposals shall be submitted to the Board through the Secretariat. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board as much as possible. Project/programme proposals shall be submitted at least nine weeks before each Board meeting in order to be considered by the Board at its next meeting.

8. In accordance with the Operational Policies and Guidelines guidance above, proposals (both concepts and fully-developed project documents) are typically received shortly before the deadline, nine weeks before the Board meeting. The secretariat conducts an initial review and, if there are issues that require amendment or clarification, sends the review sheet to the proponent for comments. The proponent submits a response, and a revised proposal, and the secretariat carries out a final technical review of the proposal, which is forwarded to the Project and Programme Review Committee (PPRC). In its meeting, the PPRC discusses its own review based on the technical review conducted by the secretariat.

III. SUBMISSIONS OF PROJECT PROPOSALS: EXPERIENCE GAINED SO FAR

Numbers of proposals

9. By September 2012, the Adaptation Fund Board secretariat had received 111 individual project/programme submissions, which represent 51 separate project/programme ideas formulated by respective Implementing Entities. Out of these 111 submissions, 15 were withdrawn before submission to the PPRC. Hence, the PPRC has received 96 individual submissions, which represent 45 separate project/programme ideas. Of these 45, 39 were first submitted as concepts using the 2-step process, while 6 were submitted directly as fully-developed project documents using the 1-step process. Of the 39 concepts, 1 was rejected, 29 were subsequently submitted as full proposals, and 9 had not been submitted as full proposals as of September 2012. All of these submissions have been for regular projects and programmes, i.e. ones that request funding exceeding \$1 million; no submission for a small-size project or programme had been received.

Experiences from 1-step vs. 2-step proposals

10. The secretariat prepared a paper on lessons learned from the project review process (AFB/PPRC.7/3) for the 16th Adaptation Fund Board meeting. The paper found that while there was variation in the number of submissions a fully-developed proposal needed before it could be approved, ranging from one to more than four submissions, the likelihood of approval was significantly higher if it had been previously submitted as a concept².

Situation in relation to the 50% cap

11. In the 18th meeting of the Board, the cumulative funding decisions for project and programme proposals submitted by MIEs reached 49% of total project funds. In the same meeting, when reporting on the proceedings of the ninth meeting of the PPRC, the Chair of the Committee *“noted with concern that there appeared to have been a decline in the quality of some of the fully developed project documents being received from MIEs which might be related to a*

² The document found that “overall, the percentage of success for full proposals submitted for the first time through the one-step process is 25%, compared with 67% for the full proposals submitted for the first time through the two-step process”.

rush to submit proposals before the 50 percent cap on projects and programmes for MIEs was reached'.

IV. SOME OPTIONS FOR SUBMISSION DATES TO BE CONSIDERED

12. As mentioned above, the criteria to be used to prioritize projects within the pipeline of proposals recommended for approval as set in decision B.17/19 are, in sequential order:

- (i) Their date of recommendation by the PPRC;*
- (ii) Their submission date; and*
- (iii) The lower "net" cost.*

13. The date of recommendation by the PPRC (i) is the approval date of the PPRC meeting report in which the recommendation is made, and the lower net cost (iii) means the project budget before the implementing entity management fee. However, as each proposal may be submitted several times to the Board, there is no single definition for the submission date (ii).

14. Some possible ways to define the submission date, as identified by the secretariat, include:

- 1) The date when the first version of the proposal was submitted, even if approval took place at a later meeting; and
- 2) The date when the submission was made to the particular meeting in which it was approved.

In addition, given the fact that proposals can be submitted using either the one-step or the two-step process, it would be possible to define submission dates so that concept endorsement dates are taken into account, for example:

- 3) For proposals following the one-step process, the date when the submission of the fully-developed project document was made to the particular meeting in which it was approved, and for proposals following the two-step process, the date when the submission was made to the particular meeting in which the concept was endorsed.

15. These three ways to define the submission date can have different implications on which types of proposals and preparation processes are favoured over others, and some of them may contradict with the other prioritization criteria. They also imply different incentives for submitting proposals.

16. Option 1 acknowledges that the development of some proposals has started earlier, sometimes years earlier than the eventual submission of the approved version of the fully-developed project document. However, proposals typically evolve from the initial submission to the version that is finally approved, and often the transformations are considerable: in some past cases the geographic or sector focus of the project has shifted so much during proposal development that it is not necessarily clear whether the proposal continues to represent the original project idea. Furthermore, the amount of work required for a proponent to submit a concept that is considered "technically complete" is relatively light, and this option would incentivize sending even very poor quality proposals in order to secure a place in the ranking, in hopes that the proposal would be later approved. This would lead to a risk of receiving a high

number of such proposals, and be a considerable waste of resources for both the secretariat and the PPRC.

17. Option 2 would not consider the history of developing the proposal but only the date of the latest submission, which is the one that the PPRC has ultimately recommended for approval. While it would be technically straightforward to arrange proposals according to this criterion, it might not be a very meaningful qualitative indicator. As mentioned above, submissions typically arrive very shortly in advance of the deadline, and the difference between receipt of proposals is usually a matter of hours and days. Therefore, there it is likely that the third prioritization criterion, *the lower "net" cost*, would be applied more often under option 2, when most of the proposals are submitted the same day. Another potential impact of this criterion would be that MIE proponents would submit their proposals further in advance of the meeting in which they are expected to be discussed.

18. Option 3 would resemble Option 2 but would reward using the 2-step proposal process over the 1-step process. The impact of this is that it would introduce substantial significance to concept endorsement, which has until now carried mostly encouragement value to the MIE proponents. It is worth noting that in effect this would be retroactive, as there are proposals that have already been endorsed as concepts (11 as of August 2012), and several others that chose the 1-step path when there was no stipulated benefit in submitting a concept first. In addition, the fact that proposals evolve during their development mentioned above under Option 1 applies to the endorsed concepts as well.

IV. RECOMMENDATION

19. The Board may wish to consider the proposed options and decide on the preferred one. The secretariat's recommendation is Option 2 as it would not entail significant changes to the established and functioning project proposal cycle, or a risk of incentivizing submission of ill-developed first versions of proposals. This option would also ensure that the project/programme is prioritized in the pipeline based on the proposal submission that entirely meets the review criteria for funding.