



ADAPTATION FUND

AFB/PPRC.12/3
11 June 2013

Adaptation Fund Board
Project and Programme Review Committee
Twelfth Meeting
Bonn, Germany, 1-2 July 2013

Agenda Item 3

**REPORT OF 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) of the Adaptation Fund Board (the Board) an overview of the project/programme proposals submitted by Implementing Entities (IE) to the current meeting, and the process of screening and technical review undertaken by the secretariat.
2. The analysis of the proposals mentioned above is contained in a separate addendum to this document.

II. PROJECT/PROGRAMME PROPOSALS SUBMITTED BY IMPLEMENTING ENTITIES

3. Accredited IEs submitted eight proposals to the secretariat, with the total requested funding amounting to US\$ 53,632,723. Among the proposals were five project concepts, with a total requested funding of US\$ 27,011,968 and three fully developed proposals, with a total requested funding of US\$ 26,620,755. During the technical review carried out by the secretariat, one of the proposals, a project concept, was considered not to meet eligibility criteria because of non-submission on time of the letter of endorsement by the government's designated authority. In addition, budget requests from some proposals were altered after the initial review. The final total requested funding of the seven remaining proposals amounted to US\$ 52,446,241, including US\$ 25,891,968 for the four concepts, and US \$26,554,273 for the three fully developed proposals. The proposals included US\$ 4,107,175 or 8.5%¹ in Implementing Entities management fees and US\$ 3,818,737 or 8.0%² in execution costs.
4. It should be noted that this is the first meeting during which submissions from National IEs (NIEs) outnumber those from the Multilateral IEs (MIEs), with four and three proposals, respectively. The proposal which was not considered was also submitted by an NIE. The National IE (NIE) for Benin, the *Fonds National pour l'Environnement* (FNE), submitted a fully-developed project document. The NIE for South Africa, the South African National Biodiversity Institute (SANBI) submitted two project concepts. The NIE for Costa Rica, *Fundecooperacion Para el Desarrollo Sostenible* (Fundecooperacion) submitted a project concept. The World Food Programme (WFP) submitted a project concept and a fully-developed project document, for Indonesia and Nepal, respectively. The United Nations Development Programme (UNDP) submitted a fully-developed project document for Mali. Details of these proposals are contained in the separate PPRC working documents, as follows:

AFB/PPRC.12/4 *Proposal for Costa Rica (Fundecooperacion)*;

AFB/PPRC.12/4/Add.1 *Project Formulation Grant for Costa Rica (Fundecooperacion)*;

AFB/PPRC.12/5 *Proposal for South Africa - 1 (SANBI)*;

AFB/PPRC.12/5/Add.1 *Project Formulation Grant for South Africa - 1 (SANBI)*;

AFB/PPRC.12/6 *Proposal for South Africa - 2 (SANBI)*;

AFB/PPRC.12/6/Add.1 *Project Formulation Grant for South Africa - 2 (SANBI)*;

¹ The implementing entity management fee percentage is calculated compared to the project budget including the project activities and the execution costs, before the management fee.

² The execution costs percentage is calculated as a percentage of the project budget, including the project activities and the execution costs, before the implementing entity management fee.

AFB/PPRC.12/7 Proposal for Indonesia (WFP);

AFB/PPRC.12/8 Proposal for Benin (FNE);

AFB/PPRC.12/9 Proposal for Mali (UNDP);

AFB/PPRC.12/10 Proposal for Nepal (WFP).

5. All of the seven submissions are proposals for regular projects and programmes, i.e. they request funding exceeding US\$ 1,000,000.

6. The funding requests for the three fully-developed proposals amount to US\$ 26,554,273, with an average of US\$ 8,851,424, including management fees charged by the IEs. These proposals do not request management fees in excess of 8.5% and are thus in compliance with Board Decision B.11/16 to cap management fees at 8.5%. In accordance with the same Decision B.11/16, all proponents of fully-developed project documents provide a budget on fee use.

7. The funding request of the four concept proposals amount to US\$ 25,891,968, including management fees charged by the IEs. These concept proposals are in compliance with the Board Decision B.11/16 to cap management fees at 8.5%.

8. All proposals are in compliance with Board Decision B.13/17 to cap execution costs at 9.5% of the project budget. The execution costs in the fully-developed project documents submitted to this meeting total US\$ 3,818,737 and range from 1.48% proposed by WFP for the Nepal project, to 9.5% proposed by SANBI for the first concept project for South Africa. It should be noted that in the case of the Nepal project, the execution cost has been set at less than 1.5% in accordance with Decision B.17/17 applicable to IEs acting as executing entities for the same project. In addition, in accordance with Decision B.18/30, the government of Nepal has provided a letter explaining the reasons for requesting the IE to provide execution services to the project.

9. All proposals request funding below the cap of US \$10 million decided on a temporary basis, for each country, as per Decision B.13/23. The combined budget requests for the two proposals submitted by SANBI for South Africa do not exceed US \$10 million.

10. In the twelfth meeting, the Board instituted a cap of 50 per cent for project funds directed through MIEs, having 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)

11. 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)

12. In its nineteenth meeting, having considered the comments and recommendations of the 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)

13. In the nineteenth meeting, the total funding request of project and programme proposals recommended by the PPRC for approval by the Board exceeded, for the first time, the 50 per cent cap. Therefore, two proposals that were prioritized according to the criteria presented in Decisions B.17/19 and B.19/5 and for which funding was available were approved by the Board. The other four proposals, for which funding was not available were placed in the pipeline in the order of the above prioritization criteria. In the twentieth meeting, three additional proposals were added to the pipeline, bringing the total proposals in the pipeline to seven proposals, amounting to US\$ 45.57 million.

14. As at 31 May 2013, the cumulative funding decisions for projects submitted by MIEs amounted to US\$ 150.13 million, and the cumulative funding decisions for all projects amounted

to US\$ 184.47 million. According to the latest financial Summary Status Report as at 31 May 2013, funds available to support AF Board funding decisions amounted to US\$ 114.11 million³.

15. In the intersessional period between the twentieth meeting and the latest financial update on the status of the funds prepared by the trustee, as at 31 May 2013, the additional funds received in the Adaptation Fund Trust Fund did not provide adequate funds for financing the first of the seven projects in the pipeline. The funding request of that project is US\$ 5,425,000. If the Board were to decide to place all the fully-developed proposals submitted by MIEs to the current meeting (US\$ 17,498,273) in the pipeline, the cumulative funding request of the projects in the pipeline would increase from US\$ 45,566,171 to US\$ 63,064,444.

16. The funding request of the fully-developed NIE project document submitted by FNE for Benin is US\$ 9,056,000, including an 8.5% management fee. The project formulation grant (PFG) requests from SANBI for the two concepts for South Africa and from Fundecooperacion for Costa Rica amount a total US\$ 90,000 and are in accordance with Board Decision B.12/28. The current cumulative budget allocation for projects and PFGs submitted by NIEs is US\$ 34,340,678, which represents 11.5% of the sum of cumulative project funding decisions and funds available to support funding decisions. If the Board were to decide to approve the fully-developed NIE proposal and the PFG request submitted to the twenty-first meeting, the cumulative funding allocation for NIEs would increase to US\$ 34,340,678, which would represent 11.5% of total project funds.

17. All of the fully-developed project documents provide an explanation and a breakdown of their execution costs and other administrative costs, and are in compliance with the following Board Decision made in the 12th meeting:

(b) To request to the implementing entities that the project document include an explanation and a breakdown of all administrative costs associated with the project, including the execution costs.

(Decision B.12/7)

18. In accordance with the operational policies and guidelines, the secretariat screened and prepared technical reviews of the seven project and programme proposals submitted during the reporting period and not withdrawn. In performing this review task, the dedicated team of officials of the secretariat was supported by several members of the GEF secretariat technical staff.

19. In line with the Board request at its 10th meeting, the secretariat shared the initial technical review findings with the Implementing Entities that had submitted the proposals and solicited their responses to specific items requiring clarification. Responses were requested by e-mail, and the time allowed for the Implementing Entities to respond was one week. In some cases though, the process took longer. The Implementing Entities were offered the opportunity to discuss the initial review findings with the secretariat by telephone.

³ <http://trusteeqa.worldbank.org/trustee/index.php?type=fund&ft=af>

Table 1: Project proposals submitted to the 21st Adaptation Fund Board meeting

Country	IE	Financing requested (USD)	Stage	IE Fee, USD	IE Fee, %	Execution Cost (EC), USD	EC, % of Total
Benin	FNE	\$9,056,000	Full project document	\$709,000	8.49%	\$792,000	9.49%
Costa Rica	Fundecoop-eracion	\$9,970,000	Project concept	\$780,000	8.49%	\$860,000	9.36%
Indonesia	WFP	\$5,989,335	Project concept	\$469,210	8.50%	\$520,125	9.42%
Mali	UNDP	\$8,533,348	Full project document	\$668,511	8.50%	\$682,337	8.68%
Nepal	WFP	\$8,964,925	Full project document	\$702,321	8.50%	\$122,000	1.48%
South Africa	SANBI	\$7,947,625	Project concept	\$622,625	8.50%	\$695,875	9.50%
South Africa	SANBI	\$1,985,008	Project concept	\$155,508	8.50%	\$146,400	8.00%
Total		\$52,446,241		\$4,107,175	8.50%	\$3,818,737	7.99%

20. The secretariat subsequently reviewed the IEs' responses to the clarification requests, and compiled comments and recommendations that are presented in the addendum to this document (AFB/PPRC.12/3/Add.1).

III. ISSUES IDENTIFIED DURING THE REVIEW PROCESS

21. There were no particular issues identified during this review process.