



ADAPTATION FUND

AFB/PPRC.4/4/Add.2  
March 8, 2011

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Adaptation Fund Board  
Project and Programme Review Committee  
Fourth Meeting  
Bonn, March 16, 2011

## **PROJECT FORMULATION GRANT FOR URUGUAY**

## I. Background

1. The Board at its eleventh meeting discussed the document “Funding for Project Formulation Costs” (AFB/11/6) and agreed, in its Decision B.11/18, that:

- i. project formulation grants (PFG) should be given once a project concept has been approved*
- ii. consideration should be given in terms of differentiating between NIEs and MIEs, since some NIEs might have financial difficulties in trying to formulate project or programme proposals;*
- iii. a flat rate should be given for project formulation costs;*
- iv. a list of eligible activities and items still needed to be prepared;*
- v. the grant should be additional to the project cost; and*
- vi. the fate of funds if the final project document was rejected should be determined.*

2. There was consensus that a three tiered system should be considered for project formulation grants: endorse a project concept with a PFG amount, endorse a project concept without a PFG amount, or reject the project concept.

3. Following the discussion, the Board decided:

*To request the secretariat to reformulate the document, to include a comparison of eligible activities provided by other funds for project formulation grants, to take into account guidance provided by the Board at the present meeting, and to submit the document to the Board at its twelfth meeting, through the EFC. The EFC should review and finalize the process and policy of the project formulation grant focusing, in particular, on: the issue of unspent project funds; the procedures followed by other funds in that regard; and the determination of a flat-rate.*

4. A document was prepared by the secretariat in response to the above mandate and presented at the 3<sup>rd</sup> EFC meeting, which made specific recommendations to the Board at its 12<sup>th</sup> meeting. Having considered the recommendation of the Ethics and Finance Committee, the Board, in its Decision B.12/28, decided that :

- (a) Project Formulation Grants (PFGs) will only be made available for projects submitted through NIEs. The Board would continue reviewing the question of PFGs for projects submitted through MIEs and would solicit comments from members and alternate members by February 14, 2011; the views would be compiled by the secretariat for presentation to the Board at its March 2011 meeting;
- (b) If a country required a project formulation grant, a request should be made at the same time as the submission of a project concept to the secretariat. The secretariat will review and forward it to the PPRC for a final recommendation to the Board. A PFG could only be awarded when a project concept was presented and endorsed;
- (c) A PFG form, reproduced in Annex V, should be submitted;
- (d) Only activities related to country costs would be eligible for PFG funding;

- (e) A flat rate of up to US\$30,000 shall be provided, inclusive of the management fee, which cannot exceed 8.5 per cent of the grant amount. The flat fee would be reviewed by the Board at its thirteenth and all subsequent meetings;
- (f) If the final project document is rejected, any unused funds shall be returned to the Adaptation Fund Trust Fund;
- (g) Once a project/programme formulation grant is disbursed, a fully developed project document should come to the Board for approval within 12 months. No additional grants for project preparation can be received by a country until the fully developed project/programme document has been submitted to the Board; and
- (h) The Trustee was instructed to remove the set-aside of US\$100,000 for project preparation that had been decided at the June 2010 meeting, as project preparation would be approved on a project-by-project basis.

## **II. The Project Formulation Grant Request**

5. This addendum to the document AFB.PPRC.4.4 "Proposal for Uruguay" includes the Project formulation grant, requesting a budget of US\$30,000, which was received by the secretariat along with the concept for the project URY/NIE/Agri/2011/1 "Building Resilience to Climate Change and Variability in Vulnerable Smallholders". This proposal was submitted on time by the Agencia Nacional de Investigación e Innovación (ANII), the National Implementing Entity for Uruguay, for its consideration by the the Adaptation Fund Board at its 13th meeting.

6. In accordance with Decision B.12/28 paragraph (b), the secretariat carried out a review of the PFG request and found that the requested funds are justified and the sought activities are aligned with the goal of the project. The projected activities will help collecting key additional information and undertake the necessary consultations to formulate a fully-developed project in a participatory manner.

7. Therefore, the PPRC may want to consider and recommend to the Board to approve the PFG Request provided that the related concept proposal is endorsed.



## Project Formulation Grant (PFG)

Submission Date: 03/01/2011

Adaptation Fund Project ID: AFB/NIE/Agri/2011/1

Country/ies: Uruguay

Title of Project/Programme: Building Resilience to Climate Change in Vulnerable Smallholders

Type of IE (NIE/MIE): NIE

Implementing Entity: ANII (Agencia Nacional de Investigación e Innovación)

Executing Entity/ies: Ministry of Agriculture, Livestock and Fisheries (MGAP – Uruguay)

### A. Project Preparation Timeframe

Start date of PFG	December 21, 2010
Completion date of PFG	June 15, 2011

### B. Proposed Project Preparation Activities (\$)

Prior to detailing the activities for the PFG request, it's important to recall the objective of the project which is to contribute to building national capacity to adapt to Climate Change (CC) and variability focusing on critical sectors for the national economy, employment and exports.

The project would focus on supporting livestock smallholders<sup>1</sup> in selected Landscape Units (LU) of the Basalto and the East Hills regions to build resilience to CC. Approaching the intervention through LU for adaptation to CC and variability, the project adopts an innovative methodology that integrates social, economic, technological and ecological perspectives, considering its interactions in a spatially explicit way. This approach that envisages and focuses on the problem as a whole and not on solving each component at a time is innovative in Uruguay<sup>2</sup>.

Livestock smallholders are more vulnerable to agro-meteorological droughts. They are mostly located in shallow lands with low water storage capacity in the soil, lacking the aptitude to bear hydro-stress periods. These are the shallow Basalto regions in the North / North-West and the East Hills region, South East / East.

The LU would be selected according to a set of criteria that would include the following: a) high proportion of smallholders; b) predominance of native grassland ecosystems on shallow lands, with low water storage capacity, highly vulnerable to drought and hydric stress; c) widespread lack of infrastructure at farm level (or deficient, obsolete facilities) to manage water harvesting

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<sup>1</sup> The Ministry of Livestock, Agriculture and Fisheries defines Smallholder as a farmer that complies with the following: a) having no more than 2 permanent workers or its temporary equivalent; b) farming no more than 500 ha CONEAT Index 100 (average soil productivity) regardless of the type of land tenure; c) being the farm the main source of income and being the farm the main workplace for the farmer; and, d) dwelling in the farm or in a village no further than 60 km from the farm.

<sup>2</sup> This new approach derives from lessons learned with previous projects that focused on one issue meaning that the farmer would receive support from different projects for solving each particular constraint, sometimes receiving technical assistance from different sources which made it difficult to envisage the system as a whole to find the most suitable technology and investments.

and retention and to manage natural resources (fencing, pastures or forestation for shade); and, d) inadequate development or low quality of support services, institutional networks, flow of information and knowledge. Thus, the project would focus on disadvantaged territories with similar characteristics that constitute an identity in terms of resource endowment, ecosystem and social development.

The main strategies and approaches of the project consist of the following:

- The project would focus on the smallholder sector as the most vulnerable population to allocate subsidies and build capacities but would involve all stakeholders in the LU and would develop and assess and validate technologies, methodologies and toolkits that may apply to other smallholders, regions and sectors, as a means to reduce overall vulnerability and increase resilience in the medium and long term.
- The intervention methodology would foster an integrated and sustainable management of available resources (soil, water and native grasslands biodiversity) within an adaptation approach that seeks a climate-smart agriculture that is capable of promoting innovation and knowledge management to learn from experience and guide the transformation process. The project is building on the experience of previous projects and would promote a comprehensive approach to investments that ensure the full impact of the intervention at the farm level, avoiding focusing on one problem area only (water management, shadow forestry, fencing, animal husbandry, training, CC awareness).
- The menu of technologies would promote “no-regret” transformations of the production system, that is, would seek productivity gains and income increase as an essential part of sustainable adaptation to CC, regardless of climatic hazard.
- Training and capacity building would target the involvement of children and young men and women aiming at creating new business and employment opportunities, revitalizing the smallholder farming communities and establishing sound grounds for the sustainability of the intervention in the long run.
- The project would be an integral part of the National Action Plan for CC adopted in 2009 and would be guided by its general principles that enhance sustainable development, decentralization and subsidiary action, awareness and prevention, equity and solidarity, participation and consultation, coordination and cooperation.

In this context two critical issues arise, that must be properly addressed during the formulation of the project:

- The development of a consultation process with the stakeholders (farmers, farmer organizations, government, science and technology institutions)
- The development of an adequate methodology to identify LU

**Describe the PFG activities and justifications:**

List of Proposed Project Preparation Activities	Output of the PFG Activities	USD Amount
<p><b>1. Development of a consultation process with the stakeholders</b></p> <p>a. Preparation of dissemination materials targeting different audiences (communications specialists and materials)</p> <p>b. Contacts providing information on the proposal and invitations to participate in the consultation workshops to farmers, farmers' organizations, local and national government and science and technology institutions (DGDR and CC Unit transportation and communication).</p> <p>c. Implementation of Consultation workshops with stakeholders at the local level (preliminary 5) to discuss the project's objectives, strategy and approaches, conducted by experts on participatory methodologies and group dynamics to ensure participation and eliciting of comments and suggestions from the different interest groups (workshop venue, materials, equipment and group dynamics expert),</p> <p>d. Preparation of workshop report on results of the consultation, conclusions and inputs for project final design (group dynamics expert and CC Unit).</p>	<ul style="list-style-type: none"> <li>• Improved project proposal incorporating suggestions and specific perspective of farmers, representatives of farmer's organizations, local and national government and science and technology institutions.</li> <li>• Report document containing the results of the consultation to stakeholders, conclusions and inputs for project final design</li> </ul>	9,500
<p><b>2. Project Document and methodology to identify LU</b></p> <p>a. Assistance by a lead consultant for concept note and complete project preparation.</p> <p>b. Research on landscape approaches for further refining the Landscape Unit definition (geographer consultant).</p> <p>c. Compilation of existing studies and statistics on the Basalto Region (geographer consultant and junior assistants)</p> <p>d. Preliminary identification of a Landscape Unit in the Basalto Region in consultation with the MGAP CC Unit (geographer consultant and junior assistants).</p> <p>e. Consultations on LU boundaries, basic description, main opportunities and constraints with farmers' organizations and research and extension institutions involved in the LU territory (geographer consultant and junior assistants).</p> <p>f. 6. Report on the LU identification process and consultation, proposed next steps and requirements (geographer consultant)</p>	<ul style="list-style-type: none"> <li>• Step-wise methodology to identify LU, and requirements (data, variables, images, software, hardware, etc.) for its application at the initial phase of the project implementation.</li> <li>• Project Document to be submitted to AF</li> </ul>	20,500
<p><b>Total Project Formulation Grant</b></p>		30,000

### C. Implementing Entity

This request has been prepared in accordance with the Adaptation Fund Board's procedures and meets the Adaptation Fund's criteria for project identification and formulation

Implementing Entity Coordinator, IE Name	Signature	Date (Month, day, year)	Project Contact Person	Telephone	Email Address
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