



ADAPTATION FUND

AFB/PPRC.4/9
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Adaptation Fund Board
Project and Programme Review Committee
Fourth Meeting
Bonn, March 16, 2011

**REPORT OF THE SECRETARIAT ON ISSUES IDENTIFIED
DURING TECHNICAL REVIEW PROCESS**

I. INTRODUCTION

1. This document includes some issues the secretariat has identified during the process of screening/technical review of project and programme proposals for previous and the 13th meeting of the Adaptation Fund Board that the Project and Programme Review Committee (PPRC) may want to consider and draw to the attention of the Board.

II. ITEM REMAINING FROM THE PREVIOUS MEETINGS OF THE PPRC: PROGRAMME REVIEW CRITERIA

2. At its second meeting, the Project and Programme Review Committee discussed the issue of project and programme criteria. After discussion,

The PPRC had observed that it was within the mandate of the PPRC to address both projects and programmes and that at the present time there was no need to make a specific recommendation to the Board on programme review criteria. However, it would be useful to have a presentation by the secretariat on the issue and that it would be important to revise and improve the Operational Policies and Guidelines at a future meeting of the Board.

(AFB/B.11/9)

3. The following presentation is responding to this request. The item was included on the agenda of the third meeting of the PPRC but the Committee decided to defer consideration of it until the current meeting.

Current formulation in the Operational Policies and Guidelines

4. The Strategic Priorities, Policies, and Guidelines of the Adaptation Fund adopted by the CMP states:

15. In assessing project and programme proposals, the Adaptation Fund Board shall give particular attention to:

[...]

(h) Moving towards a programmatic approach, where appropriate.

5. The Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund define a programme as:

11. An adaptation programme is a process, a plan or an approach for addressing climate change impacts which are broader than the scope of an individual project. Further guidance on how to present programmes for approval can be found in the instructions accompanying the templates.

6. Further, the Annex 3, Appendix 3 (Instruction for Preparing a Request for Project or Programme Funding from the Adaptation Fund) of the Operational Policies and Guidelines contain the following guidance on programmes:

- (a) *Project and programme applications must be clear on the problem to be addressed, the objective(s), what the project/programme will deliver when, how and by whom. Clear baselines, milestones, targets and indicators should be included to ensure progress and results can be measured. Programmes will generally be more complex and will require greater oversight and management which should be properly explained under Implementation Arrangements for programmes.*
(Preamble)
- (b) *A programme will generally fulfil the following criteria: A series of projects which could include small-size projects or regular projects aimed at achieving an outcome that is otherwise not achievable by a single project. Projects under a programme would have synergies in their objectives and implementation. A programme may also cover more than one sector and cross borders. Programmes usually engage multiple partners / stakeholders.* (Part I, Category)
- (c) *Provide brief information on the problem the proposed project is aiming to solve. Outline the economic, environmental and social development context in which the project would operate. For the case of a programme, the analysis will be more complex, focusing on how climate change is expected to affect multiple stakeholders, sectoral and/or economic activities within a well defined region.* (Part I, Project / Programme Background and Context)
- (d) *List the main objectives of the project. For the case of a programme, this is likely to involve multiple objectives by stakeholder / sector / region, based on an overall strategic plan at the regional, national or local level.* (Part I, Project / Programme Objectives)
- (e) *Please fill out the table presenting the relationships among project components, activities, expected concrete outputs, and their corresponding budgets to accomplish them. For the case of a programme, individual components are likely to refer to specific sub-sets of stakeholders, regions and/or sectors that can be addressed through a set of well defined interventions / projects.* (Part I, Project / Programmes Components and Financing)
- (f) *The aforementioned terms are defined below to facilitate the process of completing the table:*
[...]
Activities. Actions taken or work performed through which inputs, such as funds, technical assistance and other types of resources are mobilized to produce specific outputs. For the case of programmes, list the likely types and number of projects that the programme will support. (Part I, Project / Programmes Components and Financing)
- (g) *Describe the project / programme components, including details of activities in each component, regarding how the components will meet project objectives. Describe how the activities will help with adaptation to climate change and improve climate resilience. For the case of a programme, show how the combination of individual projects will contribute to the overall increase in resilience.* (Part II, Project / Programme Justification, A)
- (h) *For the case of a programme, explain how the programme strategy will be managed and evaluated, and how individual projects will be identified, designed, appraised, approved, implemented and evaluated against programme's strategic objectives. Provide a full organogramme of the executing agents and how they report to each other* (Part III, Implementation Arrangements, A)

- (i) *Measures for financial and project / programme risk management. For the case of a programme, provide detailed information to illustrate how risk will be managed. (Part III, Implementation Arrangements, B)*

Guidance from the Adaptation Fund Board

7. At its eighth meeting, the Adaptation Fund Board discussed the issue of project and programme criteria under agenda item “Operational Policies and Guidelines: programme template”. After deliberation, Board decided that the programme proposals should list the concrete adaptation activities they were going to undertake, as reflected in the adoption of a programme template.

(Decision B.8/3)

Interpretation of the Board guidance on programme proposals, and possible need for further guidance

8. The above excerpts from the Operational Policies and Guidelines indicate that a more thorough proposal is required from programmes compared to projects. Until the current meeting, overwhelming majority of the received proposals to the Adaptation Fund Board has been for projects. To ensure that the secretariat follows appropriate standards in reviewing programme proposals, and that it does not inadvertently favour or disfavour them in the review process, the secretariat seeks further guidance from the PPRC and the Board.

9. The secretariat wishes to note that guidance on the minimum criteria for programme qualification might help to improve the quality of proposals, and would greatly facilitate the proposal review process. In addition to a clearer definition, the PPRC may choose to consider how proposals are delineated as projects or proposals, and by whom. The PPRC may recommend to the Board how to sharpen the definition of programmes through, by example, the development objective. If the development objective of the grant can be expressed as a response to a single adaptation challenge, it would be considered a project. If more than one development objective is needed, e.g. for different economic sectors or geographical areas, the proposal would be formulated as a programme. Programmes should seek to have an outcome at the national scale, through concrete institutionalization of projects, leading to long-term sustainability.

10. Fundamentally, the key question is if reviews should require the same standards for individual projects in the programme and stand-alone projects. In order to reflect this discussion, the PPRC is invited to consider six options, which are not necessarily mutually exclusive:

- Option 1 – Add a layer of criteria on programs
- Option 2 – Add additional questions at the end of the review template
- Option 3 – Add additional components to only certain questions
- Option 4 – Request programme proposals to include an “outcome” plan
- Option 5 – Separate programmes into “types” and tailor guidelines accordingly
- Option 6 – Request information on how projects link to produce added value

Option 1 – Add a layer of criteria on programs

11. The PPRC may decide to recommend to the Board to add a layer of criteria on programs that specify, to each question within the review template, additionally, what the value added is of presenting the projects as a programme.

12. The PPRC should be aware, however, that the review process for programmes should not be viewed as exceedingly cumbersome, thereby leading to programmes being presented as projects.

Option 2 – Add additional questions at the end of the review template

13. Additional questions at the end of the review template that request proponents to define linkages and added benefit of presenting the programme may be added. These questions may ask for programmes to categorize themselves further, specify additional efforts to synchronize efforts, etc.

14. Proponents would be required to clarify which mechanisms will be put in place to foster cross-sectoral collaboration

Option 3 – Add additional components to only certain questions

15. The PPRC may decide to recommend to the Board to add additional components to only certain questions, such as those on cost effectiveness.

Option 4 - Request programme proposals to include an “outcome” plan

16. Programme proponents may be requested to include an “outcome” plan to manage how each projects’ outcomes contribute to the overall programme objectives.

17. Outcome plans would reflect the view that programme proposals should be required to more specifically, define budgets and project components at the project level, namely because with larger scope, reviews of proposals should ensure that projects within programmes are conceptualized and designed to provide feedback to each other.

Option 5 - Separate programmes into “types” and tailor guidelines accordingly

18. The PPRC may recommend the separation of programmes into “types” and tailor guidelines accordingly. For instance, programmes may include projects that are to be implemented sequentially, or simultaneously. Programmes may also include the collaboration of different sectors, regions, and methodologies.

Option 6 - Request information on how projects link to produce added value

19. Lastly, the PPRC may recommend to the Board to request programme proponents to include information on how projects link to produce added value. Project proponents would also

be advised to emphasize connections from the project level to the programme level, and within the project level.

20. The discussion would be on the linkage between each project within the programme to the larger programmatic goals (vertical) and the linkages amongst the projects (horizontal). Specifically, it should be clarified how projects are synchronized, what feedback mechanisms will be put in place, and what the chronological implementation consists of.

IV. DEFINITION OF CONCRETENESS IN THE CONTEXT OF ADAPTATION FUND PROJECTS AND PROGRAMMES

21. The Strategic Priorities, Policies and Guidelines of the Adaptation Fund 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.

22. The Operational Policies and Guidelines of the Adaptation Fund state, under “Definitions of Adaptation Projects and Programmes”, that:

9. *The Adaptation Fund established under decision 10/CP.7 shall finance concrete adaptation projects and programmes.*
10. *A concrete adaptation project is defined as a set of activities aimed at addressing the adverse impacts of and risks posed by climate change. Adaptation projects can be implemented at the community, national, and transboundary level. Projects concern discrete activities with a collective objective(s) and concrete outcomes and outputs that are more narrowly defined in scope, space, and time.*
11. *An adaptation programme is a process, a plan, or an approach for addressing climate change impacts that is broader than the scope of an individual project.*

23. The Adaptation Fund project review criteria contained in the Annex 3 of the operational policies and guidelines include, under criterion “Project Eligibility”, the following sub-criterion:

- “Does the project / programme support concrete adaptation actions to assist the country in addressing the adverse effects of climate change?”

This sub-criterion is one that is used to evaluate both project concepts and fully-developed project documents.

24. In its first meeting, the PPRC considered the definition of “concrete” in the above documents of the Adaptation Fund, and noted that a more specific definition for concreteness in the context of the Adaptation Fund might be necessary. However, the Committee did not come to a conclusion, and decided to reconsider it in a future meeting.

25. The technical review work on project and programme proposals carried out by the PPRC and by the secretariat has underscored the need to define concreteness more specifically, to improve the review process for the benefit of both the Fund and the proponents.

26. The secretariat has prepared a short review of the history and usage of this term, contained in the Annex 1 of this document.

27. During the deliberations of the PPRC in its first three meetings, some indications of potential congruence in understanding of “concreteness” have arisen. Based on the comments made by the members of the PPRC in its meetings, and the review in the annex of the current document, the secretariat has prepared a set of options, which are not mutually exclusive, that can facilitate the work of defining “concreteness” more specifically.

Option 1 – Specification of activities which are or are not considered concrete

28. The PPRC may decide to recommend to the Board to define eligible activities which are or are not considered “concrete”. This can be done in two ways:

- a) *Menu of options.* A list of activities which are considered concrete are predefined. These could, as an example, include areas such as: infrastructure works, energy production facilities, resource extraction solutions, land-use changes in agriculture and forestry, early warning systems, etc. The advantage of this approach could be its potential simplicity, for both proponents and reviewers. The significant drawback would be that it might contradict the principle of country-drivenness which is included in the mandate statement of the strategic priorities mentioned above, by imposing categories that might be too rigid, and possibly exclude activities that would be important or relevant to some countries. It might also make it more difficult for countries to implement innovative approaches to adaptation.
- b) *Exclusion of activities which are not concrete.* Based on the interpretation of concrete adaptation activities as Stage III activities referred to in Decision 11/CP.1 as explained to in the annex of the current document, some types of activities belonging to Stage I or Stage II could be possibly excluded. Such excluded activities might include activities such as: planning and capacity building etc. This list might be extended to include activities such as studies, awareness raising, policy development and institutional development.

Option 2 – Allocation of funding to concrete and non-concrete activities within an individual project or programme

29. It is likely that even if categories such as above would be implemented to outline eligible and ineligible activities, activities considered “non-concrete” within an individual project or programme might improve its effectiveness and longer-term impact. Therefore, it might not be the best solution to ban such activities altogether but to establish a cap, expressed for example as a percentage of the project activities budget. In reality, all of the projects and programmes approved by the Board until now have included some elements falling to the categories suggested in the previous paragraph as non-concrete. However, in the absence of specific definitions, it is not possible to distinguish exactly which percentage they represent. The PPRC may decide to recommend to the Board to define the level for such a cap. It is noteworthy that in order to monitor compliance with such a cap, it might be useful to establish a method to report the “concrete” and

“non-concrete” activities in the project and programme proposals in a way that clearly distinguishes the two, and a framework to evaluate such reporting.

Option 3 – Establishing flexibility mechanisms to take into account individual country circumstances

30. Countries are in different stages of “readiness” to implement concrete adaptation projects effectively and therefore, for some countries it may be particularly important to be able to include a larger portion of non-concrete “enabling” activities, to support the concrete activities in the project or programme, and to improve their impact. The PPRC may consider and decide to recommend to the Board to establish any flexibility mechanisms to allow higher percentage of “non-concrete activities” for countries which have a lower capacity to implement concrete adaptation activities without supporting enabling activities.

V. RECOMMENDATION

31. 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.

32. On the item on programme review, the PPRC may decide to formulate a proposal to the Board, including *inter alia*:

- a) Minimum criteria for programme qualification; and
- b) Standards for individual projects in the programme vs. stand-alone projects.

33. On the item on the definition of concreteness in the context of Adaptation Fund Projects and Programmes, the PPRC may decide to formulate a proposal to the Board, including *inter alia*:

- a) Specification of activities which are or are not considered concrete;
- b) Allocation of funding to concrete and non-concrete activities within an individual project or programme; and
- c) Establishing flexibility mechanisms to take into account individual country circumstances.

Annex 1: Definition of “concrete” in the context of the Adaptation Fund

I. Introduction

1. The purpose of this short presentation is twofold:
 - a) First, to clarify the history of the term “concrete adaptation projects” as used in the decisions of the Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) and the Conference of the Parties serving as the Meeting of the Parties of the Kyoto Protocol (CMP); and
 - b) Second, to offer two possible interpretations for “concrete adaptation projects”, based on literature review.

II. CP/CMP Deliberations on “Concrete Adaptation Projects and Programmes” in the Adaptation Fund

2. The concept “concrete adaptation projects” was first mentioned in decision by the Parties to the UNFCCC in 2001, in the Bonn Agreements on the implementation of the Buenos Aires Plan of Action (Decision 5/CP.6, Annex, II Funding under the Kyoto Protocol).:

1. *That an adaptation fund shall be established to finance **concrete adaptation projects and programmes** in developing country Parties that have become Parties to the Protocol.*

3. The Marrakech Accords (2001), Decision 10/CP.7 “Funding under the Kyoto Protocol”:

1. *Decides that an adaptation fund shall be established to finance **concrete adaptation projects and programmes** in developing country Parties that are Parties to the Protocol, as well as activities identified in paragraph 8 of decision 5/CP.7.*

4. After the entry into force of the Kyoto Protocol its Parties reiterated this wording in decisions 28/CMP.1 and 5/CMP.2, with no further elaboration on what is meant by “concrete adaptation projects or programmes”. However, the latter decision outlined the following as one of the principles to guide the Adaptation Fund:

1. *(d) Funding on full adaptation cost basis¹ of projects and programmes to address the adverse effects of climate change.*

5. Further, Decision 5/CMP.2 listed some modalities with which the Fund would operate and which are relevant to the content of projects and programmes to be funded by it.

2. *(a) Funding for eligible Parties will be available for national, regional and community level activities²; and*

¹ “Full adaptation cost basis” is not defined in 5/CMP.2. The Operational Policies and Guidelines of the Adaptation Fund states: “Full cost of adaptation means the costs associated with implementing concrete adaptation activities that address the adverse effects of climate change.” The technical paper FCCC/TP/2008/7 does not give definition but uses “full cost” in comparison with funding where part of costs is covered by co-financing.

(c) Projects should be country driven and should clearly be based on needs, views and priorities of eligible Parties, taking into account, inter alia, national sustainable development strategies, poverty reduction strategies, national communications and national adaptation programmes of action and other relevant instruments, where they exist.

III. Background of “Concrete Adaptation Projects” in the climate change regime

6. The history of the term “concrete” in the climate change regime is not very clear. It was first mentioned in the documents of the COP 6 (The Hague, 2000) and COP 6 bis (Bonn, 2001). There was no reference to “concrete” in the documents of the COP 5 (1999), or in the documents of the meetings of the SBI in 2000. The documentation of COP 6 does not provide any definition or reasoning for “concrete” in this use.

7. After the Marrakech Accords, “concrete” has been referenced e.g. in “Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention” (Decision 1/CP.11³, 2005) but no definition for “concrete” is given.

*5. Further agrees that the dialogue should identify approaches which would support, and provide the enabling conditions for, actions put forward voluntarily by developing countries that promote local sustainable development and mitigate climate change in a manner appropriate to national circumstances, including **concrete actions** to enable countries, in particular developing countries, to manage⁴ and adapt to climate change;*

IV. Interpretation of “Concrete Adaptation Projects”

8. As there is no agreed definition of “Concrete Adaptation Projects”, it can be interpreted in different ways.

9. A “null-hypothesis” interpretation would be that “concrete” is semantic and only used to emphasize the term “adaptation projects” without specific intrinsic meaning. In a short literature review that was made, it was not possible to differentiate between the use of the terms “adaptation project” and “concrete adaptation project”. In this line of thinking, adaptation-related projects that are not “concrete” would be labelled with clearly different terms, and not usually called “projects”.

10. A more substantial interpretation of “concrete” is that it is used to describe project activities that are targeted to bring about a positive change in a specific pre-defined situation that is considered an adaptation challenge. According to this line of thinking, other adaptation activities than those that are “concrete” might not have as clearly defined and specific targets, or their approach might be less direct. This follows the three-staged approach to adaptation funding introduced in Decision 11/CP.1, in 1995⁵:

² COP/CMP documentation does not offer definition for “adaptation activity”. In this non-paper it is considered to cover projects, programmes and their components.

³ Decisions 10/CP.9 and 1/CP.10 did not mention “concrete”.

⁴ CP documentation does not provide definition to “managing climate change”. It may be understood as responses, or lack of them, to the effects of climate change.

⁵ COP/CMP documentation does not offer definition for “measures” related to adaptation. In this non-paper they are treated as synonymous with “activities”.

- *Stage I: Planning, which includes studies of possible impacts of climate change, to identify particularly vulnerable countries or regions and policy options for adaptation and appropriate capacity-building;*
- *Stage II: Measures, including further capacity-building, which may be taken to prepare for adaptation, as envisaged by Article 4.1(e);*
- *Stage III: Measures to facilitate adequate adaptation, including insurance, and other adaptation measures as envisaged by Article 4.1(b) and 4.4;*

12. In this context the term “concrete adaptation projects” can be understood as separating Stage III activities from the Stage I and II activities carried out for the development of National Adaptation Programmes of Action (NAPAs).