



ADAPTATION FUND

AFB/EFC.10/Inf.3
5 December 2012

Ethics and Finance Committee
Tenth Meeting
Bonn, Germany
11-12 December 2012

**JOINT REPORT BY THE SECRETARIAT AND THE TRUSTEE
ON THE STATUS OF THE PIPELINE**

I. Background

1. In its 12th meeting, the Adaptation Fund Board 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 its 17th meeting, having considered the recommendation of the 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)

3. In its 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)

4. Pursuant to the above decision B.17/19, a paper was prepared by the secretariat and presented to the PPRC at its 10th meeting as document AFB.PPRC.10.5.

5. In its 18th meeting, considering the comments and recommendations of the Ethics and Finance Committee, the Adaptation Fund Board also decided to:

(a) *Request the secretariat and trustee to provide a consolidated report on the status of the pipeline at every EFC meeting, including overall allocated and unallocated AF resources, relative funding allocations made for MIEs and NIEs, projections on projects/programmes entering the pipeline, projections of overall funds available, the status of NIE applications and project preparations, and the status of the submission of project/programme concepts; and the secretariat to propose options to implement the 50 percent cap; and*

(b) *On the basis of this report and the recommendation of the EFC, consider appropriate measures to implement the cap, including through the suspension of MIE project/programme submissions as appropriate.*

(Decision B.18/28)

6. The present paper is the first consolidated report referred to in decision B.18/28 (a).

II. Allocated and unallocated AF resources

7. The document “Adaptation Fund Trust Fund: Financial Report prepared by the Trustee” (AFB/EFC.10/7) presents the allocated and unallocated resources as of September 30, 2012. Since that date, the Fund has received additional proceeds from CER monetization, investment income, and donations, while cash transfers for approved projects, including a project formulation grant have been made, as summarized in the Trustee Summary Status Report as of November 30, 2012¹. In addition, the Trustee signed a donation agreement with the Government of Sweden for an amount of SEK 100 million and received this contribution in November.

Table 1: Allocated and unallocated resources, in USD million (unless indicated)	
	At 30 November 2012
Cumulative Receipts	324.35
Total Projects and Programmes	(166.51)
Projects and Programmes (MIE)	(137.84)
Projects and Programmes (NIE)	(28.67)
Operational expenses	(18.82)
Unallocated resources	139.02
Restricted Funds	(3.00)
Funds available for decisions	136.02

¹ <http://fiftrustee.worldbank.org>

III. Relative funding allocations made for MIEs and NIEs

8. The document “Adaptation Fund Trust Fund: Financial Report prepared by the Trustee” (AFB/EFC.10/7) presents funding decisions made for Multilateral and National Implementing Entities² as of September 30, 2012. Between that date and the date of this report, there have been no new funding decisions for implementing entities.

9. Based on decision B.12/9, the percentage of cumulative funding decisions for projects and programmes submitted by MIEs is calculated by comparing those funding decisions to the sum of all project and programme funding decisions and funds available for new funding decisions (“Project and Programme Resources”). Table 2 provides the percentages considering the cumulative receipts as of November 30, 2012.

Table 2: Relative funding allocations made for MIEs and NIEs			
		At 30 November 2012 (USD million)	% of total Project and Programme Resources
a	Total Project and Programme Resources (for purpose of calculating the cap)	302.53	100%
b	Level of MIE cap = (a) x 50% (Decision B.12/9)	151.27	50.0%
c	Total project and programme decisions to date (d+e)	166.51	55.0%
d	Projects and programmes (MIE)	137.84	45.6%
e	Projects and programmes (NIE)	28.67	9.5%
f	Funds available for new funding decisions	136.02	45.0%
g	Funds available for MIEs under cap (b-d)	13.43	4.4%

IV. Projections on projects/programmes entering the pipeline

Projects/programmes potentially entering the pipeline in the 19th meeting

10. As at the date of this report (prior to the 19th meeting of the Board), the cumulative funding decisions for MIE projects and programmes had not reached the 50 per cent cap. Upon approval of the six fully-developed MIE project and programme documents at the 18th meeting, the level reached 49 per cent, but has been subsequently declined as additional revenue was received, as shown in Table 2. **The nine fully-developed project and programme documents submitted by MIEs to the 19th meeting amount to USD 54.07 million, but only USD 13.43 million is available under the cap, as shown in Table 2.**

11. **The outcome of the technical review of the nine fully-developed proposals is not discussed in the current report.** The proposals are presented in the order in which

² As of date of this report, no funding decisions have been made in support of Regional Implementing Entities (RIEs).

they would be, should they all be, recommended for approval, based on the three possible interpretations of the term “submission date” discussed in detail in the document AFB.PPRC.10.5. Excluding the proposals which are *not* approved in the 19th meeting does not change the order of those that remain on the list.

12. Option 1 presented in the document AFB.PPRC.10.5 considers as submission date the date when the first version of the proposal was submitted, even if approval took place at a later meeting. Table 3 presents the proposals considered in the 19th Board meeting according to this definition (with no consideration of technical review and whether the proposals are proposed to be approved).

Table 3: Fully-developed project documents submitted to AFB 19 arranged according to Option 1: first submission date (USD million)			
	Country and MIE	Submission date	Amount
1	Guatemala (UNDP)	7/28/2010	5.43
2	Argentina (WB)	4/18/2011	4.30
3	Seychelles (UNDP)	4/18/2011	6.46
4	Sri Lanka (WFP)	4/18/2011	7.95
5	Mauritania (WMO)	7/13/2011	2.16
6	Myanmar (UNDP)	10/10/2011	7.91
7	Ghana (UNDP)	1/11/2012	8.29
8	Uzbekistan (UNDP)	4/24/2012	5.51
9	Cuba (UNDP)	10/8/2012	6.07

13. Option 2 presented in the document AFB.PPRC.10.5 considers as submission date the date when the submission was made to the particular meeting in which it was approved. Table 4 presents the proposals considered in the 19th Board meeting according to this definition (with no consideration of technical review and whether the proposals are proposed to be approved).

Table 4: Fully-developed project documents submitted to AFB 19 arranged according to Option 2: submission date to the latest meeting (USD million)			
	Country and MIE	Submission date	Amount
1	Sri Lanka (WFP)	10/4/2012	7.95
2	Argentina (WB)	10/5/2012	4.30
3	Uzbekistan (UNDP)	10/5/2012	5.51
4	Mauritania (WMO)	10/8/2012	2.16
5	Guatemala (UNDP)	10/8/2012	5.43
6	Cuba (UNDP)	10/8/2012	6.07
7	Seychelles (UNDP)	10/8/2012	6.46
8	Myanmar (UNDP)	10/8/2012	7.91
9	Ghana (UNDP)	10/8/2012	8.29

14. Option 3 presented in the document AFB.PPRC.10.5 considers as submission date 1) 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 2) for proposals following the two-step process, the date when the submission was made to the particular meeting in which the concept was endorsed. Table 5 presents the proposals considered in the 19th Board meeting according to this definition (with no consideration of technical review and whether the proposals are proposed to be approved).

Table 5: Fully-developed project documents submitted to AFB 19 arranged according to Option 3: for proposals endorsed as concepts, the concept endorsement date, and for proposals not endorsed as concepts the submission date to the latest meeting. (USD million)			
	Country and MIE	Endorsement (/submission) date	Amount
1	Guatemala (UNDP)	9/17/2010	5.43
2	Argentina (WB)	6/22/2011	4.30
3	Seychelles (UNDP)	6/22/2011	6.46
4	Myanmar (UNDP)	12/14/2011	7.91
5	Sri Lanka (WFP)	(10/4/2012)	7.95
6	Uzbekistan (UNDP)	(10/5/2012)	5.51
7	Mauritania (WMO)	(10/8/2012)	2.16
8	Cuba (UNDP)	(10/8/2012)	6.07
9	Ghana (UNDP)	(10/8/2012)	8.29

Projects/programmes potentially entering the pipeline after the 19th meeting

15. It would be unprecedented if the Board approved all the fully developed project and programme documents presented to the 19th. It is likely that those not approved would be resubmitted by their proponents to a later meeting, if the Board will continue accepting MIE proposals. In addition to the above-noted proposals, there are proposals that have been either endorsed as concepts or submitted as full proposals without endorsement to an earlier meeting but not submitted to the 19th meeting. Table 6 below lists such proposals.

Table 6: MIE proposals endorsed as concepts or submitted earlier as fully-developed proposals but not submitted to the 19th meeting as fully-developed proposals (in order of endorsement date)				
	Country and MIE	Endorsement date	USD million	Submitted as full proposal
	<i>Endorsed concept</i>			
1	El Salvador (UNDP)	12/15/2010	5.43	Yes
2	Fiji (UNDP)	6/22/2011	5.73	Yes
3	Belize (WB)	3/16/2012	6.00	No
4	Peru (IDB)	6/29/2012	6.95	No
5	Paraguay (UNEP)	6/29/2012	7.13	No
	Total (endorsed)		31.24	
	<i>Not endorsed, submitted as full proposal</i>			
1	Mali (UNDP)	N/A	8.53	Yes
	Total (non-endorsed full proposals)		8.53	
	Total (all)		39.77	

16. It is worth noting that the above proposals may not represent all proposals being developed by MIEs for consideration by the Board: it has been common for MIEs to submit fully-developed proposals without any earlier notification to the secretariat. In addition, there have been an increasing number of proposals that have been submitted to the secretariat for technical review and subsequently withdrawn by their proponents. Such proposals that have not reached the Board have not been included in the above figures.

V. Projections of overall funds available

17. The document “Adaptation Fund Trust Fund: Financial Report prepared by the Trustee” (ADB.EFC.10/7) presents a projection on the overall funds available in the Adaptation Fund up to the end of December 2012, based on observed CER prices at end-September, and issuance estimates from UNEP Risoe. This estimate has been updated for the 19th meeting as at 30 November 2012, and is presented below in Table 7, along with an updated estimate of funds available from 2013 to 2020, based on prevailing (lower) CER prices, and an average of independent analysts’ estimates of CER issuance (approx. 2.4 billion issued CERs). Total potential funding available to the Adaptation Fund to end-2020 is now estimated at USD 171-200 million.

	Scenario		
	Low	Medium	High
Potential Funding Availability at 30 December 2012	141	142	145
Potential CER Proceeds from 2013-2020	30	42	55
Total Potential Funding Availability to 2020	171	184	200

18. The estimated funding available would permit only approximately USD 20-25 million in new project and programme funding approvals annually, not taking into consideration amounts required for the administrative budgets of the Board, Secretariat and Trustee. This may be contrasted to past revenue from CER monetization of approximately USD 50 million per year, and to the scale of the initial fundraising target approved by the Board decision B.17/24, of USD 100 million by end-2013 (donations to date have averaged approx. USD 30 million per year). **Unless CER prices recover significantly from current levels, or other sources of revenue are added to Adaptation Fund, the amounts available for additional funding decisions are expected to be severely constrained.**

VI. Status of NIE applications and project preparation

19. To the date of this report, the Board has accredited 14 National Implementing Entities. Three of those have received funding for a project or programme, and two additional NIEs have received project formulation grant (PFG)., which has been possible upon concept endorsement since the 12th Board meeting In the 19th meeting of the Board, one NIE programme concept and PFG request is being considered.

20. The development times of NIE proposals from accreditation to concept endorsement (including PFG approval when applicable) and to full project document approval have been presented in Table 8. The table shows that there is wide variation between NIEs in terms of time needed to develop a concept and a full proposal. Some NIEs have been able to go through the process very quickly, e.g. 6 months needed for the development of the Senegalese proposal to full proposal approval, or 4 months needed for development of the Argentine concept. Since the Board decided to receive PFG applications together with NIE project and programme concepts, all NIEs that have submitted concepts have also applied for PFG. The maximum duration for use of the PFG is one year before a fully-developed proposal must be submitted to the Board. While the numbers of NIEs are perhaps too low to draw conclusions on averages, it may be useful to note that for the two NIEs that had project approved following a PFG approval, the process between the two milestones took ca. 9-12 months. It is also worth noting that there are three NIEs that were accredited in 2011 that have yet to submit project concepts.

Country	Accreditation	Approval of PFG	Months required	Project approval	Months required	Total months required
Senegal	3/25/2010	N/A	N/A	9/17/2010	N/A	6
Jamaica	9/17/2010	6/22/2011	9	6/29/2012	12	22
Uruguay	9/17/2010	3/18/2011	6	12/14/2011	9	15
Benin	6/22/2011	3/16/2012	9	N/A	N/A	
Argentina	3/16/2012	6/29/2012	4	N/A	N/A	
Average			7		11	14

21. It is expected that during 2013, the two NIEs that have received PFGs will submit fully-developed project proposals. A conservative estimate is that altogether 2-5 NIE projects will be approved in 2013. The main reason for the low number are the project development times that are long on average, the fact that NIEs have without exception opted to apply for PFG since it became available, and the fact that currently there are only two endorsed NIE concepts / active PFGs. The figure may be higher, if more recently accredited NIEs are able to submit proposals on an expedited schedule. This is possible in light of the Senegalese and Argentine examples described above.

22. There are 7 applicant NIEs and 4 applicant RIEs whose applications are being considered by the Accreditation Panel. It is possible that some of these entities would be able to successfully apply for funding shortly after accreditation. However, taking into account the fact that the average time it takes from accreditation to approval of a fully-developed project proposal is upwards from one year, it is likely that for most of them, it would take longer than end of 2013 to submit a full project proposal and receive funding

23. As the history of direct access is still very short and as the modality is evolving through experience, it would be increasingly difficult to make longer-term projection.