



ADAPTATION FUND

AFB/EFC.12/Inf.1
20 June 2013

Adaptation Fund Board
Ethics and Finance Committee
Twelfth Meeting
Bonn, Germany, 1-2 July 2013

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

Background

1. In its twelfth meeting, the Adaptation Fund Board (the 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 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)

3. In its eighteenth meeting, considering the comments and recommendations of the EFC, the 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)

4. The trustee and the secretariat prepared in advance of the tenth meeting of the EFC the first such consolidated report (AFB/EFC.10/Inf.3) referred to in Decision B.18/28 (a). The present document is the second consolidated report.

5. In its nineteenth meeting, having considered the comments and recommendations of the Projects and Programme Review Committee (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)

6. In its nineteenth meeting, the Board decided to approve two project proposals submitted by Multilateral Implementing Entities (MIEs) for which funding was available below the 50 per cent cap established through Decision B.12/9. The Board also decided to:

(a) *Note the recommendation of the Project and Programme Review Committee to approve the following projects/programmes:*

(i) *Guatemala (GTM/MIE/Rural/2010/1);*

(ii) *Cuba (CUB/MIE/Coastal/2012/1/);*

(iii) *Seychelles (SYC/MIE/Multi/2011/1);*

(iv) *Myanmar (MMR/MIE/Rural/2011/1);*

(b) *Place in the pipeline the project/programmes listed in paragraph (a) above;*

(c) *Consider the projects/programmes in the pipeline for approval at a future Board meeting, or intersessionally, in the order of rank in which they are listed in paragraph (a) above, and subject to the availability of funds; and*

(d) *Request the secretariat to continue to explore innovative ways through which the Board can address funding constraints and the implications of paragraph (b) of Decision B.18/28.*

(Decision B.19/18)

7. In its twentieth meeting, the Board decided to place three additional projects/programmes in the pipeline (Decision B.20/7).

Allocated and unallocated resources in the Adaptation Fund Trust Fund

8. As of 31 May 2013 the resources available in the Adaptation Fund trust fund are as presented below in Table 1.¹

	At 31 May 2013
Cumulative Receipts	325.05
Total Projects and Programmes	(184.47)
Projects and Programmes (MIE)	(150.13)
Projects and Programmes (NIE)	(34.34)
Operational expenses	(21.14)
Unallocated resources	117.11
Restricted Funds	(3.00)
Funds available for decisions	114.11

Funding allocations for MIEs and NIEs

9. As of its twentieth meeting, the Board placed seven project/programme proposals submitted by MIEs in the pipeline, as the cap for funding to MIEs had been reached. The Board decided to consider those proposals for approval at a future Board meeting, or intersessionally, in the order of rank in which they were listed, and subject to the availability of funds within the cap for MIEs. The pipeline is presented in Table 2.

Order of priority	Country (MIE)	Recommendation date	Submission date	Net cost, US\$ M	Request, US\$ M	Cumulative, US\$ M
1	Guatemala (UNDP)	12/14/2012	10/8/2012	5.00	5.43	5.43
2	Cuba (UNDP)	12/14/2012	10/8/2012	5.59	6.07	11.49
3	Seychelles (UNDP)	12/14/2012	10/8/2012	5.95	6.46	17.95
4	Myanmar (UNDP)	12/14/2012	10/8/2012	7.29	7.91	25.86
5	Uzbekistan (UNDP)	4/4/2013	1/28/2013	4.99	5.42	31.28
6	Belize (WB)	4/4/2013	1/28/2013	5.53	6.00	37.28
7	Ghana (UNDP)	4/4/2013	1/28/2013	7.64	8.29	45.57

10. 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 3 provides the

¹ Source: AF Trustee monthly reports posted at www.worldbank.org/fiftrustee

percentages considering funding availability as of 31 May 2013. The pipeline of projects, though not allocated by the Board, is included to illustrate the funding shortfall.

Table 3: Funding allocations for MIEs and NIEs (as at 31 May 2013)			
		US\$ million	% (of line a)
a	Total project and programme resources (for purpose of calculating the cap)	298.58	100%
b	Level of MIE cap = (a) x 50% (Decision B.12/9)	149.29	50%
c	Total project and programme decisions to date (d+e)	184.47	61.8%
d	Projects and programmes (MIE)	150.13	50.3%
e	Projects and programmes (NIE)	34.34	11.5%
f	Funds available for new funding decisions	114.11	38.2%
g	Funds available for MIEs under cap (b-d)	-0.84	-0.3%
h	MIE projects and programmes in the pipeline	45.57	15.3%
i	Shortfall within the cap to approve all projects in pipeline (g-h)	-46.41	-15.5%
j	Additional funds required for approval of all MIE projects in pipeline following the rule of 50% cap on MIEs = (i) / 50%	92.82	

Projections on projects/programmes entering the pipeline

Projects/programmes potentially entering the pipeline at the twenty-first meeting

11. The seven projects placed in the pipeline as at the twentieth meeting amount to US\$ 45.57 million. The availability of funding under the 50 per cent cap for MIE projects was US\$ 1.21 million at the time of the twentieth meeting. At 31 May 2013, funding availability for MIE projects was US\$ -0.84 million.² There is presently insufficient funding availability to support approval of the first project in the pipeline, which has a budget of US\$ 5.43 million.

12. Two fully-developed project/programme proposals submitted by MIEs and previously not recommended for approval are presented to be discussed in the twenty-first meeting of the Board. **The outcome of the technical review of these proposals is not discussed in the current report.** The proposals are presented in the order in which they would be entered into the pipeline, should they all be recommended for approval, based on review prioritization criteria approved by the Board.

² This negative amount is a consequence of a lower overall funding availability resulting from approval of the FY2014 AF Administrative Budget at the twentieth meeting. Figures do not include a donation of US\$ 1,586,400 received from Brussels Capital Region after the reporting period (June 6, 2013)

	Country (MIE)	Submission date	Net cost, US\$ M	Request, US\$ M	Cumulative, US\$ M
1	Mali (UNDP)	4/24/2013	7.86	8.53	8.53
2	Nepal (WFP)	4/29/2013	8.14	8.96	17.49

13. Any fully developed project and programme document presented to the twenty-first meeting and not placed in the pipeline could be later resubmitted by their proponents, if the Board were to 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 twentieth meeting. Table 5 below lists such proposals.

Projects/programmes potentially entering the pipeline after the twenty-first meeting

	Country (MIE)	Endorsement date	US\$ 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	Paraguay (UNEP)	6/29/2012	7.13	No
4	Peru (IDB)	6/29/2012	6.95	No
	Total (endorsed concepts)		25.24	
	<i>Not endorsed, submitted as full proposal</i>			
1	Mauritania (WMO)	N/A	2.16	Yes
	Total (non-endorsed full proposals)		2.16	
	Total (all)		27.40	

14. It is worth noting that the above proposals may not represent all proposals being developed by MIEs for consideration by the Board for future meetings after its twenty-first meeting: MIEs may submit fully-developed proposals without any earlier notification to the secretariat.

Projections of overall funds available

15. The document "Adaptation Fund Trust Fund: Financial Report prepared by the Trustee as at 31 March 2013" (AFB/EFC.12/8) presents a projection on the overall funds available in the Adaptation Fund up to 2020, based on an average of independent analysts' estimates of CER issuance from 2013 to 2020 (approx. 1.7 billion issued CERs), and current pledges to the Adaptation Fund trust fund. These estimates are presented below in Table 6. Total potential funding available to the Adaptation Fund to end-2020, including the current funding available, is estimated at US\$ 145-152 million; these estimates remain largely unchanged as of 31 May 2013.

	Scenario		
	Low	Medium	High
Funding Availability as of 31 May 2013 ^a	117.11	117.11	117.11
Pledges	17.21	17.21	17.21
Potential additional CER Proceeds from 2013-2020	14.00	20.00	26.00
Total Potential Funding Availability to 2020 ^b	145.00	149.00	152.00

Notes: a/ includes US\$ 3 million reserve

b/ estimates are rounded to nearest US\$ 1 million

16. The estimated funding available would permit less than US\$ 20 million in new project and programme funding approvals annually to 2020, not taking into consideration amounts required for the administrative budgets of the Board, its secretariat and the Trustee.

17. Without either: i) a significant increase in the price of CERs, and/or additional contributions, or ii) an amendment to the MIE 50 per cent cap, it may not be possible to approve any additional MIE projects for several years to come.

Status of NIE applications and project preparation

18. At the date of this report, the Board has accredited 15 National Implementing Entities. Four of those have received funding for a project or programme, and two additional NIEs have received project formulation grants (PFG), which has been possible upon concept endorsement since the twelfth Board meeting. In the twenty-first meeting of the Board, one fully-developed NIE project, and three NIE project concepts and PFG requests are being considered.

19. The development times of NIE proposals from accreditation to concept endorsement (including PFG approval when applicable) and to full project document approval are presented in Table 7. 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. six months needed for the development of the Senegalese proposal to full proposal approval, and four 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 PFGs. The maximum permitted 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 three NIEs that had a project approved following a PFG approval, the process between the two milestones took ca. 9-12 months. It is also worth noting that there is one NIE which was accredited in 2011 and which has yet to submit a project concept. Overall, of the 15 accredited NIEs, five have not submitted a concept proposal to the secretariat yet, i.e. one third of all accredited NIEs.

Country	Accreditation	Approval of PFG and endorsement of concept	Months required for concept endorsement	Project approval	Months required for project approval	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	4/4/2013	9	13
Rwanda	12/13/2011	4/4/2013	16	N/A	N/A	
Average			8.8		10	14.3

20. The NIE for Benin has submitted a fully-developed project proposal to be considered in the present meeting. A conservative estimate is that a total of two to three NIE projects/programmes may be approved in 2013. The main reasons 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 PFGs since they became available, the decreased number of Board meetings per year hence the increased time between two submission cycles (i.e four months on average), and the fact that currently there are only two endorsed NIE concepts / active PFGs.

21. The number of NIE projects approved will most likely double between 2013 and 2014, based on the number of concepts submitted by NIEs to date. As an illustration, for the first time the proposals submitted by NIEs in the twenty-first meeting have outnumbered those submitted by MIEs, including one fully-developed proposal for Benin, three concepts submitted for South Africa and Costa Rica, and one concept submitted by an NIE that was incomplete and therefore was not considered for this meeting.

22. There are six applicant NIEs and three applicant RIEs (as well as two applicant MIEs) whose applications are presently 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 of 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.