



ADAPTATION FUND

AFB/EFC.13/Inf.1  
23 October 2013

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Adaptation Fund Board  
Ethics and Finance Committee  
Thirteenth Meeting  
Bonn, Germany, 29-30 October 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 fourth 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), and in the twenty-first meeting, one additional project (Decision B.21/12).

8. During the intersessional period after the twenty-first meeting, on 12 September 2013, as a result of new revenue to the Fund, primarily through contributions from the governments of Sweden and the Brussels-Capital Region of Belgium, the Board was able to intersessionally approve the first programme in the pipeline, to be implemented by United Nations Development Programme (UNDP) in Guatemala and with a funding request of US\$ 5,425,000 (Decision B.21-22/5). After this approval, the remaining seven project/programmes in the pipeline had a total funding request of US\$ 48,674,519.

### Allocated and unallocated resources in the Adaptation Fund Trust Fund

9. As of 30 September 2013 the resources available in the Adaptation Fund trust fund are as presented below in Table 1.<sup>1</sup>

	At 30 September 2013
Cumulative Receipts	342.53
Total Projects and Programmes	(189.95)
Projects and Programmes (MIE)	(155.55)
Projects and Programmes (NIE)	(34.40)
Operational expenses	(22.23)
Unallocated resources	130.35
Restricted Funds	(3.00)
<b>Funds available for decisions</b>	<b>127.35</b>

### Funding allocations for MIEs and NIEs

10. As of its twenty-first meeting, the Board had placed eight 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. An increase in funding availability during the intersessional period enabled the Board to approve the first of the eight proposals, for Guatemala. The revised pipeline as at 30 September 2013 is presented in Table 2.

Order of priority	Country (MIE)	Recommendation date	Submission date	Net cost, US\$ M	Finance request, US\$ M	Cumulative, US\$ M
1	Cuba (UNDP)	12/14/2012	10/8/2012	5.59	6.07	6.07
2	Seychelles (UNDP)	12/14/2012	10/8/2012	5.95	6.46	12.53

<sup>1</sup> Source: AFB.EFC.13.5 Adaptation Fund Trust Fund Financial Status Report

3	Myanmar (UNDP)	12/14/2012	10/8/2012	7.29	7.91	20.44
4	Uzbekistan (UNDP)	4/4/2013	1/28/2013	4.99	5.42	25.86
5	Belize (WB)	4/4/2013	1/28/2013	5.53	6.00	31.86
6	Ghana (UNDP)	4/4/2013	1/28/2013	7.64	8.29	40.15
7	Mali (UNDP)	7/4/2013	4/24/2013	7.86	8.53	48.68

11. 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 percentages considering funding availability as of 30 September 2013. The pipeline of projects, though not allocated by the Board, is included to illustrate the funding shortfall.

<b>Table 3: Funding allocations for MIEs and NIEs (as at 30 September 2013)</b>			
		US\$ million	% (of line a)
a	Total project and programme resources (for purpose of calculating the cap)	317.33	100%
b	Level of MIE cap = (a) x 50% (Decision B.12/9)	158.67	50.0%
c	Total project and programme decisions to date (d+e)	189.95	59.9%
d	Projects and programmes (MIE)	155.55	49.0%
e	Projects and programmes (NIE)	34.40	10.8%
f	Funds available for new funding decisions	127.35	40.1%
g	Funds available for MIEs under cap (b-d)	3.12	1.0%
h	MIE projects and programmes in the pipeline	48.68	15.3%
i	Shortfall within the cap to approve all projects in pipeline (g-h)	-45.56	-14.4%
j	Additional funds required for approval of all MIE projects in pipeline following the rule of 50% cap on MIEs = (i) / 50%	91.12	

### **Projections on projects/programmes entering the pipeline**

#### *Projects/programmes potentially entering the pipeline at the twenty-second meeting*

12. The seven proposals remaining in the pipeline after the approval of the programme in Guatemala on 12 September 2013 (Decision B.21-22/5) amount to US\$ 48.68 million. The availability of funding under the 50 per cent cap for MIE projects was US\$ 3.12 million as at 30 September 2013. There is presently insufficient funding availability to support approval of the next project in the pipeline, which has a total project amount of US\$ 6.07 million.

13. One fully-developed project proposal submitted by an MIE and previously not recommended for approval will be presented to the twenty-second meeting of the Board. **The outcome of the technical review of this proposal is not discussed in the current report.** The details of the proposal related to the prioritization criteria approved by the Board are presented in Table 4.

	Country (MIE)	Submission date	Net cost, US\$ M	Finance requested, US\$ M	Cumulative, US\$ M
1	Nepal (WFP)	8/26/2013	7.86	8.53	8.53

14. If the fully developed project in Table 4 is not placed in the pipeline, it could be later resubmitted, if the Board were to continue accepting MIE proposals. In addition to the above-noted proposal, there are additional proposals that have been either endorsed as concepts or submitted to the AFB for approval as full proposals without endorsement but are not submitted to the twenty-second meeting. Table 5 below lists such proposals.

*Projects/programmes potentially entering the pipeline after the twenty-second meeting*

	Country (MIE)	Endorsement date	US\$ million	Submitted as full proposal
	<b><i>Endorsed concept</i></b>			
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	
	<b><i>Not endorsed, submitted as full proposal</i></b>			
1	Mauritania (WMO)	N/A	2.16	Yes
	Total (non-endorsed full proposals)		2.16	
	<b>Total (all)</b>		<b>27.40</b>	

15. 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-second meeting: implementing entities may submit fully-developed proposals without any earlier notification to the secretariat.

### **Projections of overall funds available**

16. The document "Adaptation Fund Trust Fund: Financial Report prepared by the Trustee as at 30 September 2013" (AFB/EFC.13/5) presents an estimate of the funds available in the Adaptation Fund Trust Fund to 2020, based on an average of independent analysts' estimates of CER issuance from 2013 to 2020 (approx. 2.4 billion issued CERs), and current pledges to the Adaptation 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 approximately US\$ 170-200 million.

<b>Table 6: Estimate of Funds Available up to 2020, (from AFB.EFC.13/5) (US\$ million)</b>			
	Scenario		
	Low	Medium	High
Funding Availability as of 30 September 2013 <sup>a</sup>	127.35	127.35	127.35
Pledges	11.05	11.05	11.05
Potential additional CER Proceeds from Oct. 2013 – Dec. 2020	34.37	47.98	63.53
Total Potential Funding Availability to 2020 <sup>b</sup>	172.77	186.38	201.93

Notes: a/ includes US\$ 3 million reserve

17. The estimated funding available would permit less than US\$ 30 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.

18. 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 the current MIE pipeline of projects for several years to come.

#### **Status of NIE applications and project preparation**

19. 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 three additional NIEs have received project formulation grants (PFG), which has been possible upon concept endorsement since the twelfth Board meeting. In the twenty-second meeting of the Board, three fully-developed NIE projects/programmes, four NIE project concepts and three PFG requests are 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 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 but one 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. As at 30 September 2013, only two NIEs have not submitted project or programme proposals, down from five NIEs at the time of the twenty-first meeting.

**Table 7: Average project development times of accredited NIEs (in months)**

<b>Country</b>	<b>Accreditation</b>	<b>Approval of PFG and endorsement of concept</b>	<b>Months required for concept endorsement</b>	<b>Project approval</b>	<b>Months required for project approval</b>	<b>Total months required</b>
Senegal	3/25/2010	N/A	N/A	9/17/2010	N/A	<b>6</b>
Jamaica	9/17/2010	6/22/2011	9	6/29/2012	12	<b>22</b>
Uruguay	9/17/2010	3/18/2011	6	12/14/2011	9	<b>15</b>
Benin	6/22/2011	3/16/2012	9	N/A	N/A	
Argentina	3/16/2012	6/29/2012	4	4/4/2013	9	<b>13</b>
Rwanda	12/13/2011	4/4/2013	16	N/A	N/A	
South Africa	9/7/2011	7/4/2013	22	N/A	N/A	
<b>Average</b>			<b>11</b>		<b>10</b>	<b>14</b>

21. The NIEs for Benin, Kenya and Rwanda have submitted fully-developed project/programme proposals to be considered in the present meeting. This is the second time, following the previous meeting, in which the proposals submitted by NIEs outnumber those submitted by MIEs. Moreover, the numbers of NIE submissions have continued to increase and it would be realistic to expect that all or most of the accredited NIEs were able to access project or PFG funding by the end of 2014. It should be noted that the NIE for Kenya opted to submit directly a fully-developed programme proposal following the one-step process, and did not apply for a PFG, which may shorten the overall development time. However, majority of the NIEs choose to submit concepts following the two-step process, and submit PFG requests with those concepts.

22. There are eight 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 2014 to submit a full project proposal and receive funding.