



ADAPTATION FUND

AFB/EFC.8/5/Rev.1  
15 February, 2012

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Adaptation Fund Board  
Eighth Meeting  
Bonn, 14 March, 2012

**CONSIDERATION OF THE FIFTY PERCENT CAP FOR  
PROPOSALS SUBMITTED BY MULTILATERAL  
IMPLEMENTING ENTITIES (MIEs)**

## **I. Note by the secretariat**

1. At the Board's 12<sup>th</sup> meeting, considering a number of options to promote and facilitate the access by NIEs to the resources of the Adaptation Fund, 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. Recognizing that the level of resources committed to MIEs for projects/programmes as of the 16<sup>th</sup> Board meeting was approaching the aforementioned cap, the Adaptation Fund Board decided to:

- (a) Maintain the 50 per cent cap for fully-developed proposals submitted by Multilateral Implementing Entities (MIEs);
- (b) Invite the members of the Board to submit by 15 January 2012 proposals to the secretariat on how best implement the 50 per cent cap and on how to prioritize new project/programme proposals submitted by MIEs;
- (c) Request the secretariat to provide a report for consideration by the Chairs and Vice-Chairs of the PPRC and EFC on the submissions related to the prioritization criteria for new proposals; and for consideration by the EFC the implementation of the 50 percent cap, which should also contain all the relevant figures and financial implications for the implementation of the cap;
- (d) Prioritize project/programme concepts submitted by MIEs endorsed up to and including the 16th Board meeting, in compliance with the cap referred to in (a); and
- (e) Encourage National Implementing Entities to expedite the submission of their project and programme proposals.

(Decision B.16/23)

3. Pursuant to Decision B.16/23, during the intersessional period between the 16<sup>th</sup> and the 17<sup>th</sup> meeting, the secretariat requested Board members to submit proposals on the prioritization criteria for new proposals and endorsed concepts. The present document summarizes the inputs of Board members and presents recommendations for the implementation of the 50% cap.

## II. Available Funding following funding decisions since September 2010

	<b>MIE Project approvals</b>	Cumulative funding decisions	% allocated (cumulative, relative to funds in Trust Fund as at 31 Dec 2011)
Honduras	5.6	5.6	
Nicaragua	5.5	11.1	
Pakistan	3.9	15.0	
Ecuador	7.4	22.5	
Eritrea	6.5	29.0	
Solomon Islands	5.5	34.5	
Maldives	9.0	43.5	
Mongolia	5.5	49.0	
Turkmenistan	2.9	51.9	
Mauritius	9.1	61.0	
Cook Islands	5.4	66.4	
Georgia	5.3	71.7	
Madagascar	5.1	76.9	
Samoa	8.7	85.6	
Tanzania	5.0	90.6	35.4%
<b><i>Cumulative funds in Trust Fund as at 31 December, 2011</i></b>		<b>255.8</b>	
<b><i>Available funds in Trust Fund as at 31 December, 2011</i></b>		<b>146.6</b>	
<b>If Including Endorsed MIE concepts in order of decision</b>		Cumulative funding decisions	
Guatemala	5.50	96.1	37.6%
El Salvador	5.43	101.5	39.7%
Argentina	4.31	105.8	41.4%
Djibouti	4.66	110.5	43.2%
Fiji	5.73	116.2	45.4%
Papua New Guinea	5.23	121.5	47.5%
Seychelles	6.46	127.9	50.0%
Egypt	7.29	135.2	52.9%
Mauritania	7.64	142.8	55.8%
Myanmar	7.91	150.8	58.9%
<b>If including Full Proj/Prog Proposals to AFB17</b>			
Colombia	9.83	100.4	39.3%
Ghana	8.85	109.3	42.7%
Papua New Guinea	6.53	115.8	45.3%

Note: Figures shaded in red indicate approvals in excess of the 50% cap on MIEs

	<b>NIE Project approvals</b>	Cumulative funding decisions	% allocated (cumulative, relative to funds in Trust Fund as at 31 Dec 2011)
Senegal	8.62	8.62	3.4%
Uruguay	9.97	18.59	7.3%
	Endorsed NIE concepts		
Jamaica	9.97	28.55	11.2%

### **III. Consolidation of proposal submissions from members and alternates of the Adaptation Fund Board on the prioritization of proposals**

4. The secretariat received three proposals from AFB members and alternates. All three proposals are included as annexes to this document.

5. The submission from Mr. Momowar Islam (Least-Developed Countries) recommends using five indicators with equal weight to evaluate proposals quantitatively.

6. The submission from Mr. Anton Hilber (Western European and Others Group), similarly recommends the ranking of proposals based on three impact indicators. The proposal also includes a timeline for the development and application of methodologies to operationalize the prioritization of proposals.

7. The submission from Ms. Medea Inashvili (Eastern Europe) recommends to select from a series of measures including suspending submissions of MIEs, deferring consideration of the issue, and establishing a procedure for when a threshold has been reached. The proposal also includes a proposed procedure for ranking projects based on total project/programme cost before the Implementing Entity fee, and working with the trustee accordingly to sell CERs to accommodate the pipeline.

8. In accordance with the mandate in decision B.16/23, an earlier draft of the present document was shared with the Chairs and Vice-Chairs of the Ethics and Finance Committee (EFC) and the Project and Programme Review Committee (PPRC) for their input in developing viable recommendations for the prioritization of proposals.

9. It is understood that the cap on resources available to MIEs will be maintained, as decided by the Board in decision B.16/23. The present document, therefore, will address the prioritization of proposals within the cap rather than evaluating the cap itself.

#### IV. Recommendation

10. As there is no quantifiable threshold for rating projects based on their level of compliance with the Adaptation Fund's review criteria outlined in the Operational Policies and Guidelines, the recommendations assume that all approved projects meet the same set of standards, and are approved by the Board on this basis. Therefore, insofar as the review criteria are met, it would be challenging to apply additional quantitative analysis using indicators to prioritize proposals. The options outlined below, therefore, explore the prioritization of proposals that will not necessitate additional methodologies, resources, or analyses, thereby allowing the Board greater flexibility to accommodate different conditions and funding situations in the future.

11. Given that to date, more than 37% of the cumulative resources of the Adaptation Fund Trust Fund have been committed to projects/programmes submitted by MIEs, and the demand for adaptation funding through MIEs exceeds the amount of available resources, the present document recommends the following options for the EFC to consider with regard to the prioritization of proposals. The recommendations, which are not mutually exclusive, were refined in accordance with the guidance of the EFC and PPRC Chairs and Vice-Chairs.

12. The EFC may wish to consider to recommend the Board to:

- (a) Maintain a "first-come-first-serve" procedure whereby funds are prioritized based on approval date, subject to the availability of funds. Approved projects/programmes in excess of the cap would be placed in a pipeline and funds committed as they become available. [Approved submissions of previously endorsed concepts would take precedence over one-step proposals]; or
- (b) Suspend submissions of new proposals from MIEs until the endorsed concept pipeline clears, or when the amount of funds committed to MIEs drops below a threshold of 40%. Recognizing that adaptation needs are urgent and immediate in many cases, this will ensure that approved projects/programmes do not remain in the pipeline indefinitely, but rather, considered only when they can be accommodated. Endorsed concepts submitted by MIEs would remain prioritized for a year after endorsement date; or
- (c) Prioritize approved projects/programmes in excess of the cap in a pipeline based on the 'net' cost of the project (total project/programme cost minus the Implementing Entity fee). Those projects/programmes that can be accommodated within the cap will be funded and the rest placed in a pipeline and funded when funds become available.

13. The EFC may also wish to consider:

- (a) Whether to include RIEs within the 50% cap on MIEs or not.

**Annex I: Submission from Mr. Monowar Islam, Alternate, Bangladesh – LDCs**

Serial	Indicator	Weightage
1	Vulnerability of the ecosystem	20 marks
2	Ratio of human displacement due to climatic disorder	20 marks
3	Impact on human health	20 marks
4	Impact on agriculture	20 marks
5	Impact on biodiversity	20 marks
	Total	100 marks

Apart from the above indicators, the Board may also consider national, regional, global environmental benefits of the projects and programmes of the MIEs.

## Annex II: Submission from Mr. Anton Hilber, Member, Switzerland, WEOG

### *Introduction of impact indicators for MIE project / program prioritization*

January 15, 2012

At its 12th meeting the AF Board decided 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<sup>1</sup>. All new MIE project/program proposals and endorsed MIE concepts are to be prioritized in the future and board members are invited to propose concepts that provide applicable approaches.<sup>2</sup>

To enable the AF Board to translate its decision into tangible results while addressing its core objective (to reduce vulnerability and increase adaptive capacity to respond to the impacts of climate change, including variability at local and national levels) this document provides a concept how MIE project/program proposals can be prioritized. In order to ensure access to the fund in a balanced and equitable manner<sup>3</sup> (by improving learning, transparency and accountability) this is to propose an approach for pre-estimating and monitoring **three impact indicators** for assessment of impact of AF projects and programs. These indicators **allow the prioritization of MIE submissions** according to their expected impact.

#### **Introducing a set of impact indicators**

While the AFB has defined the desired impact of adaptation projects<sup>4</sup> as “increased resiliency [...] to climate variability and change”, indicators for measuring the impact have never been set. The optimum group of indicators selected to track the impact should be limited to just a few to allow comparison and selection of the most effective projects. A purely economic assessment of improved resilience will fail to capture resilience of the most vulnerable. Therefore, the following **three indicators** are proposed **for assessing the impact of adaptation projects** submitted by MIE,

- 1) Saved Wealth (SW)
- 2) Saved Health (SH)

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<sup>1</sup> See AFB 12<sup>th</sup> meeting/Decision B.12/8/45 a)

<sup>2</sup> See AFB/B.16/L.1/Add. 1 – 24(a) and 24(b)

<sup>3</sup>The criterion c) Ensuring access to the fund in a balanced and equitable manner’ forms an integrated part of set of seven AF allocation criteria under paragraph 16 Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund

<sup>4</sup> "Increased resiliency at the community, national, and regional levels to climate variability and change" (see AFB/EFC.1/3/rev.1 June 16, 2010; "An Approach to Implementing Results Based Management - RBM")

### 3) Environmental Benefits (EB)

The first indicator, **Saved Wealth** (SW) is measured by a mixed index of absolute and relative wealth savings due to the prevention or reduction of climate change impacts during the lifetime of the adaptation project. The index approach is chosen in order to both include economic value (absolute wealth savings) and vulnerability (relative wealth savings).

The second indicator, **Saved Health** (SH) applies to reduction of direct climate change impact on people's health by the adaptation project and is estimated using an established indicator from the health sector, the Disability Adjusted Life Years saved (DALYs). The Saved Health indicator uses a non-monetary parameter to achieve an equitable assessment of adaptation benefits to human health regardless of the wealth status.

The third indicator, **Environmental Benefits** (EB) addresses environmental benefits and services generated by the adaptation project that are not economically quantified in the SW indicator. Its purpose is to prevent environmental degradation due to adaptation projects.

For the calculation, data requirements and a more detailed description of the indicators, see Annex I.

To allow for prioritisation of MIE projects, the following reforms are needed:

- the standard project outcome indicators proposed in Annex I of document AFB/EFC.4/03 (p:4f) and selected according to the participatory approach described in step 4 of the document AFB/EFC.4/03 should be **complemented by estimates of the three impact indicators (saved wealth, saved health and environmental benefits)**.
- the three impact indicators shall be **linked to the project-specific output and outcome indicators**. As it is unlikely that the link between capacity/institutional building for local/national stakeholders and the proposed impact indicators can be properly quantified, **the capacity building part of a project proposal shall be excluded from the impact calculation**. Instead, the capacity building part shall be evaluated according to the existing AFB processes, including the outcome indicators "No. of targeted institutions" and the output indicator "No. of staff trained"<sup>5</sup>.
- the impact indicators (and their link to project outcomes) shall be estimated on a quantitative basis using **project type-specific estimation methodologies** that lead to consistent measuring across proposals. To reduce the burden of calculating the impact, methodologies shall include a series of default values to be applied by all projects.

#### **Utilisation of indicators for project prioritization**

After impact indicators have been established the Adaptation Fund Board may use the pre-estimation of impacts (according to the indicators) as a criterion for prioritizing MIE project proposals for funding. The illustrative example of the approach to project selection is introduced in the Annex II of this document. The application and selection procedure could be as following:

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<sup>5</sup> See AFB/EFC.4/3, p.4

1. **Development of estimation methodologies:** To facilitate and promote the initial application of impact indicators by MIEs, the AFB funds the development of 2-3 impact estimation methodologies for the main adaptation project/program types. The board decides about the types (e.g. water supply, coastal areas, agriculture/food security).
2. **Call for Proposals:** In regular intervals (e.g. 6 or 12 months), the AFB specifies a budget tranche available for disbursement to MIEs. The AF issues a call for MIE projects/programs with a deadline, notifying the available budget. This budget has to be in line with the overall remaining financial resources, of which about 50% are reserved for NIE proposals.<sup>6</sup>
3. **Submission of Proposal:** MIEs submit project proposals in the usual manner including an impact calculation on the basis of impact estimation methodologies developed by the AFB. MIEs can also use own methodologies but these would require approval by the AFB.
4. **Review of Proposals:** The Project and Programme Review Committee (PPRC) and / or AF secretariat reviews the estimation and asks for corrections and clarifications.
5. **Project Proposals Ranking:** The project/program proposals where all corrections and clarifications have been addressed are ranked according to their contribution to the impact indicators per \$US of funding requested (excluding funding for the capacity building part), with the indicators Saved Wealth and Saved Health weighted e.g. 50% each on the basis of the averages achieved for the entire project sample. If two projects have the same score, they are prioritised according to their environmental benefits. Projects with negative environmental benefits are excluded unless they provide compensation.
6. **Short-listing Project Proposals** are selected for funding starting from the most highly ranked, until sufficient projects have been selected to disburse the available budget tranche. In case a **country cap** for budget allocation<sup>7</sup> is reached during the ranking process, the projects that exceed the country budget will be declared ineligible for funding and the next highest ranked projects below the disbursement threshold are selected.
7. **Monitoring and evaluation:** Once a project proposal is approved for funding and implemented, the ***impact indicators (and their links to project outcomes) are monitored*** at specific times during their project duration, e.g. every two or three years. Hereby impact indicators may also be used to disburse part of the funding conditional of the **monitoring and evaluation results.**

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<sup>6</sup> The detailed design features of the cap for MIEs are not adopted yet but have to be based on decision AFB 12th meeting/Decision B.12/8/45 a) and AFB/B.16/L.1/Add. 1 – 24(a), (b) and (c)

<sup>7</sup> As required per Article 25 of the Operational Policies and Guidelines and reiterated in Paragraph 6 of AFB/B.12/5.

## Explanation of the indicators with illustrative examples

### Saved Wealth

Wealth can be measured in economic assets, made comparable in Purchasing Power Parity terms. To take into account vulnerability, a Mixed Index for Saved Wealth is proposed that multiplies the absolute level of wealth saved with the percentage of wealth saved.

#### Example of Mixed Index of Saved Wealth calculation

Consider two low-lying cities with 1 million inhabitants each. City One, which has a moderate level of wealth (10 billion \$), is able to save 2 billion \$ through a sea wall, whereas City Two is only able to save 1 billion \$ with the same kind of sea wall due to very low overall wealth (2 billion \$). The relative wealth saved would be 20% for City One, but 50% for City Two. The Mixed Index would thus be 0.4 ((billion \$)) for City One (0.2 x 2 billion \$), but 0.5 billion \$ for City Two (0.5 x 1 billion \$).

A key parameter for calculation of Saved Wealth is the projection of the autonomous development of the wealth of the relevant region during the duration of the adaptation project. On its basis, and on the basis of a frequency distribution of climate-change induced events the wealth that would be lost due to climate change in the absence of the adaptation project can be calculated. Finally, regional discount rates should be used to calculate the net present value of Saved Wealth.

#### Example of Saved Wealth calculation for a river embankment

A region in a river basin, populated by 0.5 million people, historically has not been touched by floods. Recently, rainfall patterns in the country have changed and much more heavy rainfall is observed in spring and fall whose runoff exceeds the capacities of the river bed, but so far no embankments have been established to protect human life and wealth. Climate change is expected to significantly worsen the situation and independent studies project a strong increase in frequency and power of flood events. The expected damage-frequency function is summarized below.

Type of wealth	Loss from floods <2% probability	Loss from floods 2-5% probability	Loss from floods 5-15% probability	Total wealth in region (\$)
Infrastructure	20%	5%	1%	0.5 billion
Private property	30%	10%	2%	2.5 billion
Total	28.3%	9.2%	1.8%	3 billion

From the damage function, the average annual damage can be calculated

Type of wealth	Loss from floods <2% probability	Loss from floods 2-5% probability	Loss from floods 5-15%	Total annual loss (% and million \$)
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			probability	
Infrastructure	0.2%	0.18%	0.1%	0.48% = 2.4
Private property	0.3%	0.35%	0.2%	0.86% = 21.4
Total	0.28%	0.32%	0.18%	0.78% = 23.8

Assuming a project lifetime of 50 years for an embankment, Saved Wealth is calculated as follows:

Absolute Saved Wealth: 23.8 million \$ \*50 years = 1019 million \$

Relative Saved Wealth: 23.8 million \$ / 3 billion \$\*0.5 million\*50 years = 19.8%

Mixed Index of Saved Wealth: 201.8 million

### Saved Health

Valuation of human life is fraught with ethical challenges and thus should be avoided. Therefore, the concept of Disability Adjusted Life Years Saved (DALYs) provides an indicator to compare health benefits. It consists of the number of years of life lost due to premature mortality and the number of years lived with disability. The basis for comparison is standard life expectancy, and different types of disability / illness get different weights. Calculation of Saved Health requires an estimate of the population in the project area throughout the project duration and of the health impacts of climatic-change induced events.

#### Example of Saved Health calculation for a river embankment

Using the same example again, we estimate health loss from flooding.

Type of health loss	Loss from floods <2% probability	Loss from floods 2-5% probability	Loss from floods 5-15% probability
Deaths	0.1%	0.05%	0.01%
Fractures	2%	1%	0.1%
Diarrhoea	20%	5%	1%

The numbers of cases accruing over 50 years are:

Type of health loss	Loss from floods <2% probability	Loss from floods 2-5% probability	Loss from floods 5-15% probability
Deaths	250	438	250
Fractures	5000	8750	2500
Diarrhoea	50,000	43,752	25,000

We use the following disability weights DW for the health loss categories: death = 1, fractures = 0.27, diarrhoea = 0.11. Besides this, we assume that the average duration of fractures is two months, and the one of diarrhoea is 1 month. The average life expectancy is 70 years, the average age of people is 40 years. Total DALYs achieved by the embankment thus reach the following value

$$\text{DALY} = \text{YLL} + \text{YLD}$$

where:

YLL (years of life lost due to premature mortality) = N (number of deaths) \* L (standard life expectancy at age of death (in years)).

$$\text{YLL} = 938 * (70-40) = 28,140 \text{ DALYs}$$

YLD (Years lived with disability) = I (number of incident cases) \* DW (disability weight) \* L (average duration of disability (years)).

$$\text{YLD Fractures} = 16,250 * 0.27 * 0.167 = 733$$

$$\text{YLD Diarrhoea} = 118,752 * 0.11 * 0.083 = 1084$$

Total DALYs of the project amount to 29,957.

## **Environmental benefit**

Ecosystem benefits of adaptation cannot be monetized in a generally accepted way. Therefore, qualitative assessments like a checklist of different environmental areas (e.g. water, air, soil, and biodiversity) evaluate whether the project has only positive, only negative impact or a mix of the two.

### Project prioritization process –illustrative example

After check of the MIEs overall budget availability restricted by the 50% threshold, the AFB announces a MIE selection round for a budget of 25 million \$. Before the deadline, 5 project proposals are submitted with the following characteristics:

Table All-1: Project pipeline

Project no.	Country	Funding requested (million \$)	Saved Wealth (million \$)	Saved Health (DALYs)	Environmental Benefit
1	A	5	10	500	Positive
2	B	8	4	200	Neutral
3	C	3	6	100	Positive
4	D	9	12	500	Positive
5	E	14	20	300	Negative
∅	NA	7.8	10.4	320	

The ranking of projects gives the following sequence, due to the calculation of the combined impact indicator which is weighted according to the average performance of the projects taken from the last line in:

Table All-2: Ranking of project pipeline

Project no.	Country	Saved wealth/funding	Saved Health/funding (DALYs/million \$)	Combined impact indicator
1	A	2.00 (0.6)	100 (1.06)	0.69 + 1.06 = 1.75
3	C	2.00 (0.6)	33 (0.35)	0.69 + 0.35 = 1.04
4	D	1.33 (0.46)	56 (0.6)	0.46 + 0.6 = 1.06
5	E	1.43 (0.5)	21 (0.22)	0.50 + 0.22 = 0.72
2	B	0.50 (0.17)	25 (0.27)	0.17 + 0.27 = 0.44
∅	NA	1.452 (0.5)	47 (0.5)	1

Now the allocation of the budget to the projects is done:

Table A II-3: Budget allocation

Project no.	Country	Funding requested (million \$)	Cumulative budget spent
1	A	5	1
3	C	3	8
4	D	9	17
5	E	14	31
2	B	8	39
∅	NA	7.8	7.8

Given the availability of 25 million \$, 3 projects including #4 from country D are selected. However the check of the country-specific AFB budget cap shows that country D has already exhausted its quota. Thus, the country's D project #4 will be excluded and project #5 from country E will receive funding.

## **Annex III: Submission from Ms. Medea Inashvili, Member, Georgia, Eastern Europe**

### **General introduction**

Having analyzed the history of the 50% cap, I found that this cap was first established by the Decision B 12/9; At the AFB15 it was decided to consider this issue at the both Board Committees.

So, regarding this 50% cap we have AFB Decision only, that is not saying anything on procedure if the cap is reached. Now we should find a solution. This solution should be flexible enough to be regulated according to the conditions, and to keep approving the submitted projects even during the critical periods.

First of all, this is a decision and not an OPG issue. So, dealing with the problem we needn't make changes in the OPG that wouldn't be desirable. We may want to detain this decision temporarily;

Second, in all documentation referring the issue (since the Decision B12/9 up to the recent Draft AFB16 Report, para 23 a) there is no indication on both project documents – concepts and full docs; we only considered concepts at the last PPRC meeting; So, to ease our problem, I suggest not to extend the cap upon the endorsed concepts, as by the time they are approved as full docs, the entire budget figure will likely changed significantly. This measure can be, at least, temporal.

### **Suggestion itself**

There are several options to solve the problem related with the 50% cap for MIE-submitted projects. Some of them may be rejected, others can be combined or/and modified. We need to think over them and add, exclude, modify and find the best combination:

1. To stop (temporarily) the process of projects submission sending the Parties appropriate informing letter, and to cancel the restriction when the conditions get normalized;
2. To detain the Decision B12/9 regarding the 50% cap temporarily for the upcoming meeting (if the conditions are critical i.e. 50% is reached/exceeded as expected) until the Board makes the decision regarding the measures; it can be re-activated if the AFB17 adopts the procedure/measures offered by the Secretariat based on our intersessional suggestions;
3. To maintain the 50% cap all the time but to establish (at the next meeting) temporary procedure/measure, set every time when the cumulative budget approaches the critical level (some figure over 40%). To inform Parties and accredited MIEs about the procedure as soon as it is established;

**For the case #2** we could 'skip' one meeting (in March) without taking into consideration the cap, when we would approve the submitted projects in usual manner, giving usual recommendations to allocate them requested finances; at the same meeting AFB should give an ordinance to the Trustee to sell some part of the CERs to fill the gap between the needed and the actual budget. The AFB17 may also adopt Temporary measures for the case the conditions persist critical. Then, we would renew the activity of the Decision B12/9 since the next meeting (in June) when we'll have

either the conditions normalized or the Temporary Measures adopted at the AFB17 (for the case the conditions keep critical). The intersessional time between the March and the June meetings can be used for informing the parties and MIEs about the problem and the Measures, encouraging them to do appropriate corrections in the projects to be submitted.

The Temporary measures (for both cases ##2 and 3) could include:

-identification of the 'critical' threshold (40, 45 or other %) when the measures should be activated/launched and cancelled;

-identification of a mechanism to regulate the process of budget allocation to the approved projects so that the cap be kept.

This latter implies that in the case the Secretariat reports the PPRC that the submitted full projects' costs may exceed the cap:

- The PPRC is conducting the process of approval usually;
- After the PPRC meeting is over, the cap is checked anew against the approved full projects;
- If the cap is not exceeded, the Measure is not launched;
- If the cap is exceeded, the Measure is launched.  
The Measure itself consists of :
  - Making a queue of the approved full projects in the following order: the first will be the project with the least required 'netto costs' (that means full cost required from the AF minus Implementation fee for the MIE); the last in the queue should be the project with the worst 'netto cost' ;
  - Beginning from the top of the list the decision about the funds allocation will be stated in the standard decision recommendations (of the PPRC to the Board) for the projects until the cumulative amount reaches/approximates the cap.
  - For the rest of the approved projects in the list make an amendment in the standard statement in the decisions about funding adding words of a kind "subject to availability of the funds" ;
  - To identify total amount lacking for meeting those projects' requirements and give the Trustee a recommendation to sell CERs for that value (till the next meeting).
  - To inform the Parties and MIEs about the Temporary Measure and encourage them to lower the costs and fees to ensure getting the finances immediately after approval.

I would like also to link this problem on the 50%-cap with the 'delayed' projects because of the complications regarding legal agreements between the AF and some MIEs. But the task seems too difficult. Maybe we wouldn't consider those costs, for some time, in calculation of the cap?

Even if we don't relate this issue with the 50% cap, it should, anyway, be considered as soon as possible. Your suggestions in both issues would be welcome.