



ADAPTATION FUND

AFB/EFC.9/4/Rev.1  
20 June, 2012

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Adaptation Fund Board  
Ethics and Finance Committee  
Ninth Meeting  
Bonn, Germany, 26-27 June 2012

Agenda item 5

## **PROJECT PERFORMANCE REPORT (PPR) REVIEW PROCESS**

## Introduction

1. At its sixteenth meeting in December 2011, the Board considered the paper *Annual Performance Report AFB/EFC.7/4/Rev 2*. The report provided the details of the performance monitoring and reporting system for the Adaptation Fund, an analysis of project approvals and project concept endorsements, a presentation of the management effectiveness and efficiency indicators, and an analysis of the accreditation process to date.

2. After reviewing the report the Board approved the reporting process requirements outlined, and requested the secretariat to develop a review process of the project performance reports (PPRs) and establish a set of criteria for clearing PPRs.

3. As part of the AF's reporting requirements, implementing entities are required to submit a PPR on an annual basis to the Ethics and finance Committee (EFC) through the secretariat.<sup>1</sup> The PPR should be submitted on a rolling basis, one year after the start of project implementation (date of inception workshop) and the last such report should be submitted six months after project completion. This will be considered the project completion report.<sup>2</sup> PPRs shall be submitted no later than two months after the end of the reporting year.

4. The PPR requires reporting on a number of areas including, financial, procurement, risk, implementation progress, and progress toward outputs and outcomes, and against the identified milestones. The Board made the decision to link the disbursement schedule to the submission of the PPR. Once the PPR is submitted, the secretariat will review the report and provide a recommendation to the Board as to whether additional funds should be transferred. In order to ensure that projects/programmes are not delayed the Board agreed to clear the recommendation and subsequent disbursement of funds intersessionally on a "non-objection" basis. The Secretariat will circulate the recommendation and the PPR document for two weeks. If any Board member objects to the recommendation, then the PPR for the project/programme will be discussed at the next Board meeting.

5. Since disbursements are tied to the clearance of PPRs, it is important to have a Board approved review process that the secretariat will utilize when reviewing PPRs and recommending clearance of disbursements. While the review process of the PPR is not designed to specifically detect misuse of funds, it does provide a structured process that will allow the secretariat to flag irregular reporting. This may lead to further examination and trigger other review mechanisms the Board has at its disposal.

6. The proposed process for the secretariat review of PPRs is outlined in the following sections.

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<sup>1</sup> An annual report is the minimum requirement. There may be cases where the Board requests more frequent reporting or additional reports, as for example through requirements linked to the accreditation of an implementing entity.

<sup>2</sup> The standard legal agreement requires a project/programme completion report (p.6): "including any specific [Project]/[Programme] implementation information, as reasonably requested by the Board through the Secretariat, within six (6) months after [Project]/[Programme] completion."

## Project/Programme Performance Report Sections

7. The Board approved a comprehensive Project Performance Report (PPR) template, which each project/programme will submit to the Ethics and Finance Committee (EFC), through the secretariat on a yearly basis.

8. The secretariat's review process are based on the eight sections of the template, they include the following:

- i. **Section 1 Basic Data:** This section contains a project/programme summary, milestone dates, project/programme contacts. Most parts of this section will only need to be filled out once during the project/programme lifetime.
- ii. **Section 2 Financial Data:** This section includes data on disbursements to date, expenditure data, and planned disbursement schedule for the following year. Data will be filled out every year.
- iii. **Section 3 Procurement Data:** This section includes data on the call for proposals, the number of contracts issued, and the number of bidders. Information should be filled out every year as applicable.
- iv. **Section 4 Project/programme Risk:** This section asks for risks identified through the project design stage, additional risks faced by the project/programme during implementation, and risk mitigation steps taken. Data will be filled in every year.
- v. **Section 5 Project/programme Implementation Rating:** This section will include a self-rating from the project management and implementing entity on implementation progress and any project delays. Data will be filled in every year.
- vi. **Section 6 Project/programme Indicators:** This section will track progress against project level outputs and outcomes. Data should be filled in every year as applicable.
- vii. **Section 7.AF Results Framework Tracker:** This section will be used to track project/programme indicators that align with the AF's strategic results framework. The indicators should be provided for the baseline either at the time of project approval or through the first PPR submitted. Actual progress should be reported at mid-term and again at project completion.<sup>3</sup>
- viii. **Section 8: Qualitative Questions and Lessons Learned:** This section will ask for answers to open-ended questions on implementation progress, adaptive management measures taken, and gender considerations undertaken. These questions should be filled out on an annual basis. The section will also ask questions related to the success of project/programme results, the contributions toward climate resiliency, and the lessons learned from implementing concrete

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<sup>3</sup> For those projects not required to have a mid-term review, the indicators should be submitted for the project baseline and again at project completion.

adaptation measures. These questions should be filled out at mid-term and project completion.<sup>4</sup>

9. Based on these sections, the secretariat has developed a simple review process for project performance templates.

### **Project/Programme Performance Report Review Procedures**

10. The proposed review process for the project/programme performance report is designed to be simple, transparent, and standardized. The steps are outlined below and the flow chart in figure 1 provides a visual representation of the process.

**Step 1:** Report submitted to secretariat and reviewed to ensure it is complete. If not complete the report will be sent back to the implementing entity to fill missing parts.

**Step 2:** The complete report is reviewed by secretariat using the proposed PPR checklist (see check list below)

**Step 3a:** If the score from the check list is lower than xx and/or if any flags have been triggered, the report will be sent back to the implementing entity for further clarification.

**Step 3b:** If clarification is satisfactory, will proceed to step 4

**Step 3c:** If clarification is not satisfactory, will trigger further review

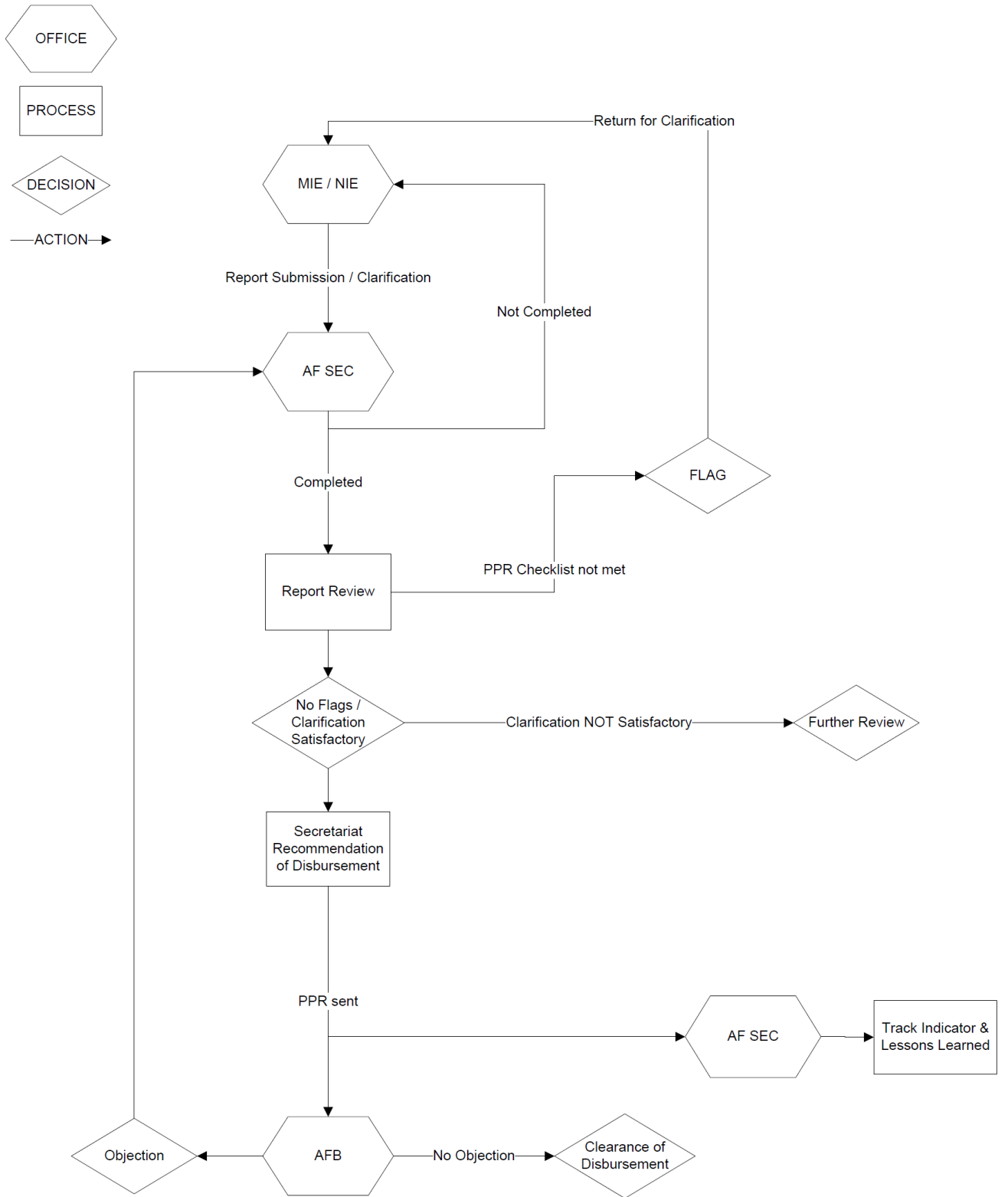
**Step 4:** If no flags have been triggered, the report will receive “clearance for disbursement” recommendation from the secretariat

**Step 5:** The recommendation, checklist, and PPR will be circulated to the AFB for two weeks on a non-objection basis.

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<sup>4</sup> For those projects not required to have a mid-term review then the questions should be answered only at project completion.

**Figure 1: Flow Chart of Review Process**





## PPR AF Checklist

<b>Section 2: FINANCIAL INFORMATION</b>		<b>Assessment</b>
Has the estimated cumulative total disbursement been provided?	0. No 1. Yes	
Based on the year of implementation (i.e. 1st, 2nd ... final year), is the estimated cumulative total disbursement reasonable?	1. Not Reasonable 2. Somewhat Reasonable 3. Reasonable	
Have the expenditures for the reporting period been completed?	0. No 1. Yes	
Does the expenditure for the reporting period correlate with the original project document?	1. Low 2. Medium 3. High	
Has the estimated planned disbursement schedule been provided?	0. No 1. Yes	
Based on the year of implementation, is the planned disbursement schedule reasonable?	1. Not Reasonable 2. Somewhat Reasonable 3. Reasonable	
If applicable, has the cofinancing section been completed?	0. No 1. Yes	
<b>Section 3: PROCUREMENT DATA</b>		
Have any contracts more than \$2,500 been issued or awarded for this reporting period?	0. No 1. Yes	
If yes, have names of submitted bids, bid amounts, winning bids, and justification for the selection of the winner been fully provided?	0. No 1. Yes	
How reasonable is the justification of selection of the winner?	1. Not Reasonable 2. Somewhat Reasonable 3. Reasonable	
<b>Section 4: RISK ASSESMENT</b>		
Have all risks in project preparation phase been identified?	0. No 1. Yes	
If yes, are the steps taken to mitigate those risks adequate?	1. Not Adequate 2. Somewhat Adequate 3. Adequate	
Have any critical risks been identified (outside of project design)?	0. No 1. Yes	

If yes, are the steps taken to mitigate risks those adequate?	1. Not Adequate 2. Somewhat Adequate 3. Adequate	
<b>Section 5: RATING ON IMPLEMENTATION PROGRESS</b>		
Has an overall IP rating been given?	0. No 1. Yes	
Has a rating been given from (at a minimum) the implementing entity and one from the executing entity?	0. No 1. Yes	
Based on expenditures over the reporting period is the rating reasonable?	1. Not Reasonable 2. Somewhat Reasonable 3. Reasonable	
<b>Section 6: PROJECT INDICATORS</b>		
Are all indicators identified in the project document accounted for?	0. No 1. Yes	
Are the targets that were set in the project document being tracked?	1. Not tracked 2. Mostly Tracked 3. All tracked	
<b>Section 7: QUALITATIVE MEASURES and LESSONS LEARNED</b>		
Have qualitative measures been addressed?	0. No 1. Yes	
If project is at the mid-term or completion, have the lessons for the 'adaptation section' been adequately addressed?	1. Not Adequate 2. Somewhat Adequate 3. Adequate	
<b>Section 8: Results Tracker</b>		
If project is at the mid-term or completion, has the results tracker been submitted?	0. No 1. Yes	

11. The check list is in an excel format that the secretariat will use to review submitted PPRs. Sections 2-8 of the reporting template are assigned either yes/no questions (1,0) or an ordinal three point scale. For example, not adequate, somewhat adequate, or adequate (1, 2, 3). Each section will receive a score through the check list. It is important to note, that the score does not relate to the performance of a particular project but is based instead on whether the report provided meets the standards of the AF.

12. In addition to the score several questions may trigger a flag. The focus of the flagging system will be sections 2, 3, and 4 (financial information, procurement data, and risk assessment). The financial and procurement data is the only information that provides a check of progress made against dollar amount spent, while the risk assessment section explains measures being taken to ensure the project implementation will remain on track. For this reason, if a PPR scores a 0 on any applicable yes/no questions or a 1 on any of the applicable questions in these sections a flag will be triggered and the implementing entity will need to provide clarification. For the remaining sections, there will be no flags but the scores from these

sections will contribute to the overall score requirement for clearance. If the total score of the checklist is 20 or higher and no flags have been triggered the PPR will be cleared. If the score is 20 or lower or if a flag has been triggered the secretariat will request further clarification from the implementing entity

13. If within the span of two Board meetings clarifications from an implementing entity are either not forthcoming or not satisfactory, the secretariat shall report to the Board for further action. While the PPR template and the review process are not designed to catch the misuse of funds the review may provide an indication that further examination of a project or programme is needed.<sup>5</sup>

14. The PPR will also be screened by the secretariat for performance issues, projects that are under performing will be required to provide information as to the steps being taken to improve implementation progress. All performance measures will be reported to the Board through the Annual Performance Report. The secretariat will also use the data within the PPRs to track indicators and lessons learned.

### **Recommended Decision**

15. Following consideration of document AFB/EFC.9/4, the EFC may want to recommend the Board to approve the process for the secretariat review of Project Performance Reports (PPRs) as outlined in the document and the revised PPR template, as contained in Annex 2 of document AFB/EFC.9/4/Add.1.

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<sup>5</sup> As outlined in paragraph 5.01 of the legal agreement "The Board may suspend the [Project] [Programme] for reasons that include, but are not limited to:

(i) financial irregularities in the implementation of the [Project] [Programme], or  
(ii) a material breach of this Agreement and/or poor implementation performance leading the Board to conclude that the [Project] [Programme] can no longer achieve its objectives;  
provided, however, that before the Board makes its final decision (a) the [Implementing Entity] shall be given an opportunity to present its views to the Board, through the Secretariat; and/or (ii) the [Implementing Entity] may make any reasonable proposal to promptly remedy the financial irregularities, material breach or poor implementation performance"