ADAPTATION FUND

AFB/PPRC.11/3
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Adaptation Fund Board
Project and Programme Review Committee
Eleventh Meeting
Bonn, Germany, 2-3 April 2013

Agenda Item 4

# REPORT OF THE SECRETARIAT ON INITIAL SCREENING/TECHNICAL REVIEW OF PROJECT AND PROGRAMME PROPOSALS

## I. BACKGROUND

1. This document presents to the Project and Programme Review Committee (PPRC) of the Adaptation Fund Board (the Board) an overview of the project/programme proposals submitted by Implementing Entities (IE) to the current meeting, and the process of screening and technical review undertaken by the secretariat.

2. The analysis of the proposals mentioned above is contained in a separate addendum to this document.

## II. PROJECT/PROGRAMME PROPOSALS SUBMITTED BY IMPLEMENTING ENTITIES

3. Accredited IEs submitted seven proposals to the secretariat, with the total requested funding amounting to US$ 48,676,809. Among the proposals were two project concepts, with a total requested funding of US$ 14,396,868 and five fully developed proposals, with a total requested funding of US$ 34,279,941. During the technical review carried out by the secretariat, two of the proposals, including one concept and one fully-developed proposal, were withdrawn by their proponents, and after the initial review the budget requests of others were altered. The final total requested funding of the five remaining proposals amounted to US$ 35,253,943, including US$ 9,904,868 for the one concept, and US $25,349,075 for the four fully developed proposals. The proposals included US$ 2,499,050 or 7.6%[1] in Implementing Entities management fees and US$ 2,203,404 or 6.7%[2] in execution costs.

4. The National IE (NIE) for Argentina, the *Unidad para el Cambio Rural* (UCAR), submitted a fully-developed project document. The NIE for Rwanda, Ministry of Natural Resources (MINIRENA) submitted a project concept. The United Nations Development Programme (UNDP) submitted two fully-developed project documents, for Ghana and Uzbekistan. The World Bank (WB) submitted a fully-developed project document for Belize. Details of these proposals are contained in the separate PPRC working documents, as follows:

AFB/PPRC.11/4 *Proposal for Rwanda (MINIRENA);*

AFB/PPRC.11/4/Add.1 *Project Formulation Grant for Rwanda (MINIRENA);*

AFB/PPRC.11/5 *Proposal for Argentina (UCAR);*

AFB/PPRC.11/6 *Proposal for Belize (The World Bank);*

AFB/PPRC.11/7 *Proposal for Ghana (UNDP)*;

AFB/PPRC.11/8 *Proposal for Uzbekistan (UNDP).*

5. All of the five submissions are proposals for regular projects and programmes, i.e. they request funding exceeding US$ 1,000,000.

[1] The implementing entity management fee percentage is calculated compared to the project budget including the project activities and the execution costs, before the management fee.

[2] The execution costs percentage is calculated as a percentage of the project budget, including the project activities and the execution costs, before the implementing entity management fee.

6. The funding requests for the four fully-developed proposals amount to US$ 25,349,075, with an average of US$ 6,337,269, including management fees charged by the IEs. These proposals do not request management fees in excess of 8.5% and are thus in compliance with Board Decision B.11/16 to cap management fees at 8.5%. In accordance with the same Decision B.11/16, all proponents of fully-developed project documents provide a budget on fee use.

7. The funding request of the concept proposal from Rwanda is US$ 9,904,868, including the management fee charged by the IE. This concept proposal is in compliance with the Board Decision B.11/16 to cap management fees at 8.5%.

8. All proposals request funding below the cap of US $10 million decided on a temporary basis, for each country, as per Decision B.13/23.

9. In the 12th meeting, the Board instituted a cap of 50 per cent for project funds directed through MIEs, having 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)*

10. In its 17th 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 <u>following</u> 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)*

11. In its 19th meeting, having considered the comments and recommendations of the 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)*

12. In the 19th meeting, the total funding request of project and programme proposals recommended by the PPRC for approval by the Board exceeded, for the first time, the 50 per cent cap. Therefore, two proposals that were prioritized according to the criteria presented in Decisions B.17/19 and B.19/5 and for which funding was available, were approved by the Board. The other four proposals, for which funding was not available, were placed in the pipeline in the order of the above prioritization criteria with a Board decision 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)*

13. According to the report prepared by the trustee for the 20th Board meeting (AFB/EFC.11/4) the cumulative funding decisions for projects submitted by MIEs as of December 31, 2012

amounted to US$ 150.13 million, and the cumulative funding decisions for all projects amounted to US$ 178.80 million. According to the latest financial Summary Status Report as at February 28, 2013, funds available to support AF Board funding decisions amounted to US$ 123.84 million[3].

14. In the intersessional period between the 19th meeting and the latest financial update on the status of the funds prepared by the trustee, as at February 28, 2013, the additional funds received in the Adaptation Fund Trust Fund did not provide adequate funds for financing the first of the four projects in the pipeline. The funding request of that project is US$ 5,425,000. The total funding request of the four projects in the pipeline is US$ 25,857,096. If the Board were to decide to place all the fully-developed proposals submitted by MIEs to the current meeting (US$ 19,709,705) in the pipeline, the cumulative funding request of the projects in the pipeline would increase to US$ 45,566,171.

15. The funding request of the fully-developed NIE project document submitted by UCAR for Argentina is US$ 5,640,000, including a 5.2% management fee. The project formulation grant (PFG) request from MINIRENA for Rwanda, submitted together with the project concept and included as an addendum to the project concept (AFB/PPRC.11/4) is US$ 30,000, which is in accordance with Board Decision B.12/28. The current cumulative budget allocation for projects and PFGs submitted by NIEs is US$ 28,670,678, which represents 9.5% of the sum of cumulative project funding decisions and funds available to support funding decisions. If the Board were to decide to approve the fully-developed NIE proposal and the PFG request submitted to the 20th meeting, the cumulative funding allocation for NIEs would increase to US$ 34,340,678, which would represent 11.3% of total project funds.

16. All of the fully-developed project documents provide an explanation and a breakdown of their execution costs and other administrative costs, and are in compliance with the following Board Decision made in the 12th meeting:

> *(b) To request to the implementing entities that the project document include an explanation and a breakdown of all administrative costs associated with the project, including the execution costs.*
>
> *(Decision B.12/7)*

17. All proposals are in compliance with Board Decision B.13/17 to cap execution costs at 9.5% of the project budget. The execution costs in the fully-developed project documents submitted to this meeting total US$ 2,203,404 and range from 0% proposed by UCAR for the Argentina project, to 9.4% proposed by the World Bank for the Belize project. It should be noted that in the case of the Argentina project, the execution cost would be borne by each executing entity involved in the project and not charged to the project budget, while in the case of the Uzbekistan project proposed by UNDP, the implementing entity would finance part of the execution cost.

18. In accordance with the operational policies and guidelines, the secretariat screened and prepared technical reviews of the 5 project and programme proposals submitted during the reporting period and not withdrawn. In performing this review task, the dedicated team of officials of the secretariat was supported by several members of the GEF secretariat technical staff.

[3] http://trusteeqa.worldbank.org/trustee/index.php?type=fund&ft=af

**Table 1: Project proposals submitted to the 20th Adaptation Fund Board meeting**

| Country | IE | Financing requested (USD) | Stage | IE Fee, USD | IE Fee, % | Execution Cost (EC), USD | EC, % of Total |
|---|---|---|---|---|---|---|---|
| Rwanda | MINIRENA | $9,904,868 | Project concept | $675,067 | 7.11% | $791,467 | 8.56% |
| Argentina | UCAR | $5,640,000 | Full project document | $280,000 | 5.22% | $0 | 0.00% |
| Belize | WB | $6,000,000 | Full project document | $470,000 | 8.50% | $520,000 | 9.40% |
| Ghana | UNDP | $8,293,972 | Full project document | $649,758 | 8.50% | $532,759 | 6.97% |
| Uzbekistan | UNDP | $5,415,103 | Full project document | $424,225 | 8.50% | $359,178 | 7.20% |
| **Total** | | **$35,253,943** | | **$2,499,050** | **7.57%** | **$2,203,404** | **6.72%** |

19. In line with the Board request at its 10th meeting, the secretariat shared the initial technical review findings with the Implementing Entities that had submitted the proposals and solicited their responses to specific items requiring clarification. Responses were requested by e-mail, and the time allowed for the Implementing Entities to respond was one week. In some cases though, the process took longer. The Implementing Entities were offered the opportunity to discuss the initial review findings with the secretariat by telephone.

20. The secretariat subsequently reviewed the Implementing Entities' responses to the clarification requests, and compiled comments and recommendations that are presented in the addendum to this document (AFB/PPRC.11/3/Add.1).

## III. ISSUES IDENTIFIED DURING THE REVIEW PROCESS

17. There were no particular issues identified during this review process.