



ADAPTATION FUND

AFB/PPRC.13/3
4 October 2013

Adaptation Fund Board
Project and Programme Review Committee
Thirteenth Meeting
Bonn, Germany, 29-30 October 2013

Agenda Item 3

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

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.

PROJECT/PROGRAMME PROPOSALS SUBMITTED BY IMPLEMENTING ENTITIES

3. Accredited IEs submitted nine proposals to the secretariat, with the total requested funding amounting to US\$ 83,354,116. Among the proposals were five project concepts, with a total requested funding of US\$ 45,136,375 and four fully developed proposals, with a total requested funding of US\$ 38,217,741. The budget requests from some proposals were altered by proponents following the initial review. The final total requested funding of the nine proposals amounted to US\$ 83,516,295, including US\$ 45,106,375 for the five concepts, and US\$ 38,409,920 for the four fully developed proposals. The proposals included US\$ 5,474,710 or 7.0%¹ in Implementing Entities management fees and US\$ \$6,105,979 or 7.8%² in execution costs.
4. This is the second meeting in which submissions from National IEs (NIEs) outnumber those from the Multilateral IEs (MIEs), and the difference between the former, seven, to the latter, two, has increased from the previous meeting. This observation may be attributed to the fact that funding is currently not readily available to proposals submitted by MIEs, and that there are already seven proposals in the pipeline, which have first priority to receive funding when the resources available reach a sufficient level. Concepts were submitted by NIEs for Chile (*Agencia de Cooperación Internacional de Chile, AGCI*), Costa Rica (*Fundecooperación para el Desarrollo Sostenible, Fundecooperacion*), Jordan (Ministry of Planning and International Cooperation, MOPIC) and Morocco (Agency for Agricultural Development, ADA). The NIEs for Benin (National Environment Fund, FNE), Kenya (National Environment Management Authority, NEMA) and Rwanda (Ministry of Natural Resources, MINIRENA) submitted fully-developed project/programme documents. The World Food Programme (WFP) submitted a project concept and a fully-developed project document, for Indonesia and Nepal, respectively. Details of these proposals are contained in the separate PPRC working documents, as follows:

AFB/PPRC.13/4 *Proposal for Chile (AGCI)*;

AFB/PPRC.13/4/Add.1 *Project Formulation Grant for Chile (AGCI)*;

AFB/PPRC.13/5 *Proposal Costa Rica (Fundecooperacion)*;

AFB/PPRC.13/5/Add.1 *Project Formulation Grant for Costa Rica (Fundecooperacion)*;

AFB/PPRC.13/6 *Proposal for Jordan (MOPIC)*;

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.

AFB/PPRC.13/6/Add.1 Project Formulation Grant for Jordan (MOPIC);

AFB/PPRC.13/7 Proposal for Morocco (ADA);

AFB/PPRC.13/8 Proposal for Indonesia (WFP);

AFB/PPRC.13/9 Proposal for Benin (FNE);

AFB/PPRC.13/10 Proposal for Kenya (NEMA);

AFB/PPRC.13/11 Proposal for Rwanda (MINIRENA);

AFB/PPRC.13/12 Proposal for Nepal (WFP)

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

6. The funding requests for the four fully-developed proposals amount to US\$ 38,409,920, with an average of US\$ 9,602,480, 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 five concept proposals amount to US\$ 45,106,375, including management fees charged by the IEs. The proposal for Chile proposes a management fee of 8.7% which is above the cap of 8.5% set by the Board Decision B.11/16. All the other proposals are in compliance with the cap.

8. All proposals are in compliance with Board Decision B.13/17 to cap execution costs at 9.5% of the project/programme budget. The execution costs in the fully-developed project/programme documents submitted to this meeting total US\$ 2,407,979 and range from 1.48% proposed by WFP for the Nepal project, to 8.7% proposed by the Benin and Kenya NIE proposals. It should be noted that in the case of the Nepal project, the execution cost has been set at less than 1.5% in accordance with Decision B.17/17 applicable to IEs acting as executing entities for the same project. In addition, in accordance with Decision B.18/30, the government of Nepal has provided a letter explaining the reasons for requesting the IE to provide execution services to the project.

9. 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.

10. In the twelfth 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)

11. 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)

12. In its nineteenth 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)

13. In the nineteenth 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 proposed projects and programmes, for which funding was not available were placed in the pipeline in the order of the above prioritization criteria. In the twentieth meeting, three additional proposals were added to the pipeline, and in the twenty-first meeting, one additional proposal, bringing the total number of projects and programmes in the pipeline to eight. 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. The remaining seven project/programmes in the pipeline have a total value of US\$ 48,674,519. If the Board were to decide to place the only fully-developed proposal submitted by MIE to the current meeting, with the funding request of US\$ 9,527,160 in the pipeline, the cumulative funding request of the project/programmes in the pipeline would increase to US\$ 58,201,679.

14. As of 30 September 2013, the cumulative funding decisions for project/programmes submitted by MIEs amounted to US\$ 155.55 million, and the cumulative funding decisions for all project/programmes amounted to US\$ 189.75 million. According to the latest financial Summary Status Report as at 31 August 2013, funds available to support AF Board funding decisions amounted to US\$ 131.06 million³.

15. The funding requests of the fully-developed NIE project and programme documents submitted to the current meeting totalled US\$ \$28,882,760, including 7.41% in management fees. The project formulation grant (PFG) requests from NIEs for Costa Rica, Chile and Jordan totalled US\$ 90,000 and are in accordance with Board Decision B.12/28. The current cumulative budget allocation for project/programmes and PFGs submitted by NIEs is US\$ 34,400,678, which represents 10.9% of the sum of cumulative project/programme funding decisions and funds available to support funding decisions. If the Board were to decide to approve the fully-developed NIE proposals and the PFG request submitted to the twenty-second meeting, the cumulative funding allocation for NIEs would increase to US\$ 63,373,438, which would represent 20.1% of total project/programme funds.

16. All of the fully-developed project/programme 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 twelfth 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. In accordance with the operational policies and guidelines, the secretariat screened and prepared technical reviews of the nine project and programme proposals submitted during the reporting period. In performing this review task, the dedicated team of officials of the secretariat was supported by several members of the GEF secretariat technical staff.

18. In line with the Board request at its tenth 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.

³ <http://trusteeqa.worldbank.org/trustee/index.php?type=fund&ft=af>. This was before approval of the Guatemala programme and its release from the pipeline.

Table 1: Project proposals submitted to the 21st Adaptation Fund Board meeting

Country	IE	Financing requested (USD)	Stage	IE Fee, USD	IE Fee, %	Execution Cost (EC), USD	EC, % of Total
Chile	AGCI	\$9,970,000	Project concept	\$800,000 ⁴	8.72%	\$810,000	8.83%
Costa Rica	Fundecoop-eracion	\$9,970,000	Programme concept	\$750,000	8.13%	\$860,000	9.33%
Jordan	MOPIC	\$9,226,000	Programme concept	\$723,000	8.50%	\$703,000	8.27%
Morocco	ADA	\$10,000,000	Project concept	\$0 ⁵	0%	\$850,000	8.50%
Indonesia	WFP	\$5,940,375	Project concept	\$463,375	8.46%	\$475,000	8.67%
Benin	FNE	\$8,913,255	Fully developed project document	\$669,000	8.11%	\$715,255	8.68%
Kenya	NEMA	\$9,999,886	Fully developed programme document	\$720,331	7.76%	\$805,076	8.68%
Rwanda	MINIRENA	\$9,969,619	Fully developed project document	\$602,637	6.43%	\$757,883	8.09%
Nepal	WFP	\$9,527,160	Fully developed project document	\$746,367	8.50%	\$129,765	1.48%
Total		\$83,516,295		\$5,474,710	7.02%	\$6,105,979	7.82%

19. The secretariat subsequently reviewed the IEs' responses to the clarification requests, and compiled comments and recommendations that are presented in the addendum to this document (AFB/PPRC.13/3/Add.1).

ISSUES IDENTIFIED DURING THE REVIEW PROCESS

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

⁴ The proposal submitted by AGCI for Chile includes an Implementing Entity management fee at the level of 8.72% of the project budget, which is above the cap of 8.5% set by the Board Decision B.11/16.

⁵ The proposal submitted by ADA for Morocco includes only one category of administrative costs. While it has been named in a non-standard way, its level and description imply that it refers to execution costs.