



ADAPTATION FUND

AFB/PPRC.13/4/Add.1
18 October 2013

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

Agenda Item 4 a)

PROJECT FORMULATION GRANT FOR CHILE

I. Background

1. The Board at its eleventh meeting discussed the document “Funding for Project Formulation Costs” (AFB/11/6) and agreed, in its Decision B.11/18, that:

- i. project formulation grants (PFG) should be given once a project concept has been approved*
- ii. consideration should be given in terms of differentiating between NIEs and MIEs, since some NIEs might have financial difficulties in trying to formulate project or programme proposals;*
- iii. a flat rate should be given for project formulation costs;*
- iv. a list of eligible activities and items still needed to be prepared;*
- v. the grant should be additional to the project cost; and*
- vi. the fate of funds if the final project document was rejected should be determined.*

2. There was consensus that a three tiered system should be considered for project formulation grants: endorse a project concept with a PFG amount, endorse a project concept without a PFG amount, or reject the project concept.

3. Following the discussion, the Board decided:

To request the secretariat to reformulate the document, to include a comparison of eligible activities provided by other funds for project formulation grants, to take into account guidance provided by the Board at the present meeting, and to submit the document to the Board at its twelfth meeting, through the EFC. The EFC should review and finalize the process and policy of the project formulation grant focusing, in particular, on: the issue of unspent project funds; the procedures followed by other funds in that regard; and the determination of a flat-rate.

4. A document was prepared by the secretariat in response to the above mandate and presented at the third EFC meeting, which made specific recommendations to the Board at its twelfth meeting. Having considered the recommendation of the Ethics and Finance Committee, the Board, in its Decision B.12/28, decided that :

- (a) Project Formulation Grants (PFGs) will only be made available for projects submitted through NIEs. The Board would continue reviewing the question of PFGs for projects submitted through MIEs and would solicit comments from members and alternate members by February 14, 2011; the views would be compiled by the secretariat for presentation to the Board at its March 2011 meeting;
- (b) If a country required a project formulation grant, a request should be made at the same time as the submission of a project concept to the secretariat. The secretariat will review and forward it to the PPRC for a final recommendation to the Board. A PFG could only be awarded when a project concept was presented and endorsed;
- (c) A PFG form, reproduced in Annex V, should be submitted;
- (d) Only activities related to country costs would be eligible for PFG funding;

- (e) A flat rate of up to US\$ 30,000 shall be provided, inclusive of the management fee, which cannot exceed 8.5 per cent of the grant amount. The flat fee would be reviewed by the Board at its thirteenth and all subsequent meetings;
- (f) If the final project document is rejected, any unused funds shall be returned to the Adaptation Fund Trust Fund;
- (g) Once a project/programme formulation grant is disbursed, a fully developed project document should come to the Board for approval within 12 months. No additional grants for project preparation can be received by a country until the fully developed project/programme document has been submitted to the Board; and
- (h) The Trustee was instructed to remove the set-aside of US\$ 100,000 for project preparation that had been decided at the June 2010 meeting, as project preparation would be approved on a project-by-project basis.

II. The Project Formulation Grant Request

5. This addendum to the document AFB.PPRC.13.4 "Proposal for Chile" includes the Project Formulation Grant, requesting a budget of US\$30,000, which was received by the secretariat along with the concept for the project CHL/NIE/Agri/2013/1 "Enhancing resilience to climate change of the small agriculture in the Chilean region of O'Higgins". This proposal was submitted on time by the *Agencia de Cooperación Internacional (AGCI)*, which is the National Implementing Entity of the Adaptation Fund for Chile, for consideration by the Adaptation Fund Board at its twenty-second meeting.

6. In accordance with Decision B.12/28 paragraph (b), the secretariat carried out a review of the PFG request and found that the requested funds are justified and the sought activities are aligned with the goal of the project. The projected activities would help in collecting key additional information, undertaking the necessary consultations and cost benefit analyses and organizing the final validation and translation, to formulate a fully-developed project.

7. Therefore, the PPRC may want to consider and recommend to the Board to approve the PFG Request provided that the related concept proposal is endorsed.



Project Formulation Grant (PFG)

Submission Date:

Adaptation Fund Project ID:

Country/ies: **CHILE**

Title of Project/Programme: **Enhancing Resilience to Climate Change of the Small Agriculture in the Chilean Region of O'higgins**

Type of IE (NIE/MIE): **NIE**

Implementing Entity: **AGENCIA DE COOPERACIÓN INTERNACIONAL DE CHILE (AGCI)**

Executing Entity/ies: **MINISTRY OF AGRICULTURE; MINISTRY OF ENVIRONMENT**

A. Project Preparation Timeframe

Start date of PFG	November 2013
Completion date of PFG	March 2014

B. Proposed Project Preparation Activities (\$)

Describe the PFG activities and justifications:

List of Proposed Project Preparation Activities	Output of the PFG Activities	USD Amount
<p>Specialized technical consultancies to design project:</p> <p>Regarding this item, we hope to incorporate specialized technical assistance to develop a participatory process to facilitate an integral discussion with the interested parties, both at the regional as well as local level (in the target communities), with the objective of designing the final project with the greatest level of relevance and pertinence for the local sociocultural and economic conditions as well as a high level of validation by the stakeholders. This also implies having the necessary resources to finance the implementation of participatory workshops at the regional and local level, with all of the necessary support to ensure an adequate participatory process. Technical assistance would also be provided to strengthen the process of drafting the final project document, particularly regarding the specific technical areas that are contemplated in the different project components as well as the requirements that are generated during the consultative process, including the identification of relevant indicators to measure the progress and achievement of the expected results and the systematization of baseline indicators.</p>	Project designed	21.500
<p>Consultancy to evaluate the project from an economic point of view (cost-benefit analysis, etc.):</p>	Economic evaluation of the project	6.000

An ex-ante evaluation of the final project design document is considered, with special emphasis on cost-benefit levels, to be able to suggest eventual modifications in the original project design to strengthen the achievement of the project goals with the highest level of impact and most efficient use of resources.		
Translation service: We hope to be able to use a translation service (Spanish-English) for the documentation that will be presented as part of the final project to guarantee its on-time delivery and optimum comprehension.	Final project translated into English	2.500
Total Project Formulation Grant		30.000

C. Implementing Entity

This request has been prepared in accordance with the Adaptation Fund Board's procedures and meets the Adaptation Fund's criteria for project identification and formulation

Implementing Entity Coordinator, IE Name	Signature	Date (Month, day, year)	Project Contact Person	Telephone	Email Address
Jorge Daccarett Bahna, Executive Director AGCI	 	September 25, 2013	Enrique O`Farrill-Julien, Head of the Bilateral and Multilateral Cooperation Department	(56-2) 28275756	eofarrill@agci.cl

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