



ADAPTATION FUND

AFB/PPRC.14/3
27 February 2014

Adaptation Fund Board
Project and Programme Review Committee
Fourteenth meeting
Bonn, Germany, 18-19 March 2014

Agenda Item 5

**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 nine proposals to the secretariat, with the total requested funding amounting to US\$ 42,450,265. Among the proposals were five project concepts, with a total requested funding of US\$ 25,367,482 and four fully developed proposals, with a total requested funding of US\$ 17,082,783. 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\$ 42,053,454, including US\$ 24,848,397 for the five concepts, and US\$ 17,205,057 for the four fully developed proposals. The proposals included US\$ 3,208,363 or 8.3%¹ in Implementing Entities management fees and US\$ \$3,082,980 or 7.9%² in execution costs.

4. Only one proposal from a Multilateral IE (MIE) was submitted to this meeting. One Regional IE (RIE), the newly accredited Secretariat of the Pacific Regional Environment Programme (SPREP) submitted one concept for the Federated States of Micronesia. Three concept documents and two fully-developed proposals were submitted by the NIE for India (National Bank for Agriculture and Rural Development, NABARD), while the NIE for Morocco (Agence de Développement Agricole, ADA) submitted one concept. The NIE for Kenya (National Environment Management Authority, NEMA) submitted one fully-developed project/programme document. The World Food Programme (WFP) submitted a fully-developed project document for Indonesia. Details of these proposals are contained in the separate PPRC working documents, as follows:

AFB/PPRC.14/4 *Proposal for India (1) (NABARD)*

AFB/PPRC.14/4/Add.1 *Project Formulation Grant for India (1) (NABARD)*

AFB/PPRC.14/5 *Proposal for India (2) (NABARD)*

AFB/PPRC.14/5/Add.1 *Project Formulation Grant for India (2) (NABARD)*

AFB/PPRC.14/6 *Proposal for India (3) (NABARD)*

AFB/PPRC.14/6/Add.1 *Project Formulation Grant for India (3) (NABARD)*

AFB/PPRC.14/7 *Proposal for Morocco (ADA)*

AFB/PPRC.14/7/Add.1 *Project Formulation Grant for Morocco (ADA)*

AFB/PPRC.14/8 *Proposal for Federated States of Micronesia (SPREP)*

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.14/9 Proposal for India (4) (NABARD)

AFB/PPRC.14/10 Proposal for India (5) (NABARD)

AFB/PPRC.14/11 Proposal for Kenya (NEMA)

AFB/PPRC.14/12 Proposal for Indonesia (WFP)

5. Of the nine proposal submissions seven were for regular projects and programmes, i.e. they request funding exceeding US\$ 1,000,000 and, for the first time since the operationalization of the Fund, two small-size project proposals, i.e. proposals requesting up to US\$ 1,000,000, were submitted.

6. The average funding requested for the two regular fully-developed proposals amounts to US\$ 7,996,984 and US\$ 605,545 for the two small-size project proposals, including management fees charged by the IEs. The average funding requested for the five concept proposals amounts to US\$ 4,969,679, also 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. All but one proposals are in compliance with Board Decision B.13/17 to cap execution costs at 9.5% of the project/programme budget. The small-size fully-developed proposal for India included execution costs representing 9.6% of the project budget. The execution costs in the fully-developed project/programme documents submitted to this meeting total US\$ 1,435,912, with an average of US\$ 53,408 for the small size projects and US\$ 664,548 for the regular projects.

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 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)

10. 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)

11. 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)

12. Since the nineteenth meeting, the total funding request of project and programme proposals recommended by the PPRC for approval by the Board has exceeded the 50 per cent cap and a pipeline of projects and programmes has been established. Four projects and programmes, for which funding was not available at that meeting, 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. As a result of new revenue to the Fund, the Board was able to intersessionally approve, between the twenty-first and the twenty-second Board meeting, the first programme in the pipeline. In the twenty-second meeting, an additional project was placed in the pipeline, and during the intersessional period, new revenue obtained following the ninth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol allowed to approve intersessionally four projects that were in the pipeline, for a total value of US\$ 25,847,199. The remaining four project/programmes in the pipeline have a total value of US\$ 32,354,480.

13. If the Board were to decide to place in the pipeline the only fully-developed proposal submitted by MIE to the current meeting, with the funding request of US\$ 5,995,666, the

cumulative funding request of the project/programmes in the pipeline would increase to US\$ 38,350,146.

14. According to the latest financial Summary Status Report as at 31 December 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\$ 199.99 million. Funds available to support AF Board funding decisions amounted to US\$ 170.90 million³.

15. The funding requests of the fully-developed NIE project and programme documents submitted to the current meeting amount to US\$ \$11,209,391, including 8.25% in management fees. The project formulation grant (PFG) requests from NIEs (3) for India and Morocco amount to US\$ 119,600 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\$ 44,430,178, which represented 11.9% of the sum of cumulative project/programme funding decisions and funds available to support funding decisions, as at 31 December 2013. If the Board were to decide to approve the fully-developed NIE proposals and the PFG requests submitted to the twenty-second meeting, the cumulative funding allocation for NIEs would increase to US\$ 55,759,569, which would represent 14.9% 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. It is worth noting that for the first time since its approval, the secretariat has reviewed compliance of the project and programme proposals with the Environmental and Social (E&S) Policy of the Fund. Proponents had submitted proposals using the template that was revised in November 2013 and which included sections requesting demonstration of compliance of the project/programme with the E&S Policy. Review criteria had been updated accordingly, to take into account the new policy.

18. 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 Global Environment Facility secretariat technical staff.

19. 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 four projects/programmes and their release from the pipeline.

Table 1: Project proposals submitted to the 23rd Adaptation Fund Board meeting

| Country | IE | Financing requested (USD) | Stage | IE Fee, USD | IE Fee, % | Execution Cost (EC), USD | EC, % of Total |
|--------------|--------|---------------------------|------------------------------------|--------------------|--------------|--------------------------|----------------|
| India | NABARD | \$1,227,000 | Project concept | \$96,000 | 8.49% | \$107,000 | 9.46% |
| India | NABARD | \$1,737,864 | Project concept | \$136,146 | 8.50% | \$152,163 | 9.50% |
| India | NABARD | \$2,533,533 | Project concept | \$198,480 | 8.50% | \$221,830 | 9.50% |
| Morocco | ADA | \$9,970,000 | Project concept | \$781,060 | 8.50% | \$872,950 | 9.50% |
| Micronesia | SPREP | \$9,380,000 | Project concept | \$711,875 | 8% | \$293,125 | 3.38% |
| Kenya | NEMA | \$9,998,302 | Fully developed programme document | \$720,217 | 7.76% | \$804,948 | 8.68% |
| India | NABARD | \$590,602 | Fully developed project document | \$46,268 | 8.50% | \$52,450 | 9.64% |
| India | NABARD | \$620,487 | Fully developed project document | \$48,610 | 8.50% | \$54,366 | 9.51% |
| Indonesia | WFP | \$5,995,666 | Fully developed project document | \$469,707 | 8.50% | \$524,148 | 9.49% |
| Total | | \$42,053,454 | | \$3,208,363 | 8.38% | \$3,082,980 | 8.74% |

20. 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.14/3/Add.1).

III. ISSUES IDENTIFIED DURING THE REVIEW PROCESS

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