



ADAPTATION FUND

AFB/PPRC.15/5
25 September 2014

Adaptation Fund Board
Project and Programme Review Committee
Fifteenth meeting
Bonn, Germany, 7-8 October 2014

Agenda Item 6 a)

PROPOSAL FOR CHILE

Background

1. The Operational Policies and Guidelines (OPG) for Parties to Access Resources from the Adaptation Fund (the Fund), adopted by the Adaptation Fund Board (the Board), state in paragraph 45 that regular adaptation project and programme proposals, i.e. those that request funding exceeding US\$ 1 million, would undergo either a one-step, or a two-step approval process. In case of the one-step process, the proponent would directly submit a fully-developed project proposal. In the two-step process, the proponent would first submit a brief project concept, which would be reviewed by the Project and Programme Review Committee (PPRC) and would have to receive the endorsement of the Board. In the second step, the fully-developed project/programme document would be reviewed by the PPRC, and would ultimately require the Board's approval.

2. The Templates approved by the Board (OPG, Annex 4) do not include a separate template for project and programme concepts but provide that these are to be submitted using the project and programme proposal template. The section on Adaptation Fund Project Review Criteria states:

For regular projects using the two-step approval process, only the first four criteria will be applied when reviewing the 1st step for regular project concept. In addition, the information provided in the 1st step approval process with respect to the review criteria for the regular project concept could be less detailed than the information in the request for approval template submitted at the 2nd step approval process. Furthermore, a final project document is required for regular projects for the 2nd step approval, in addition to the approval template.

3. The first four criteria mentioned above are:

1. Country Eligibility,
2. Project Eligibility,
3. Resource Availability, and
4. Eligibility of NIE/MIE.

4. The fifth criterion, applied when reviewing a fully-developed project document, is:

5. Implementation Arrangements.

5. It is worth noting that since the twenty-second Board meeting, the Environmental and Social (E&S) Policy of the Fund was approved and consequently compliance with the Policy has been included in the review criteria both for concept documents and fully-developed project documents. The proposals template was revised as well, to include sections requesting demonstration of compliance of the project/programme with the E&S Policy.

6. In its seventeenth meeting, the Board decided (Decision B.17/7) to approve "Instructions for preparing a request for project or programme funding from the Adaptation Fund", which further outlines applicable review criteria for both concepts and fully-developed proposals. The latest version of this document was launched in conjunction with the revision of the Operational Policies and Guidelines in November 2013.

7. Based on the Board Decision B.9/2, the first call for project and programme proposals was issued and an invitation letter to eligible Parties to submit project and programme proposals to the Fund was sent out on 8 April 2010.

8. According to the Board Decision B.12/10, a project or programme proposal needs to be received by the secretariat no less than nine weeks before a Board meeting, in order to be considered by the Board in that meeting.

9. The following fully-developed project document titled “Enhancing resilience to climate change of the small agriculture in the Chilean region of O’Higgins” was submitted by the Agencia de Cooperación Internacional de Chile (AGCI), which is the National Implementing Entity of the Adaptation Fund for Chile. This is the second submission of the proposal, using the two-step approval process. It was first submitted as a project concept to the twenty-second meeting of the Board, and the Board decided to:

(a) Not endorse the project concept, as supplemented by the clarification response provided by the Agencia de Cooperación Internacional (AGCI) to the request made by the technical review;

(b) Suggest that AGCI reformulates the proposal taking into account the observations in the review sheet annexed to the notification of the Board’s decision, as well as the following issues:

(i) The proposal should clearly articulate the expected climate change effects on rural farm communities in the O’Higgins region of Chile with respect to current climate variability and future climate change, in order that the appropriateness of the proposed adaptation measures can be assessed;

(ii) The proposal should describe how the proposed activities will deliver concrete adaptation benefits to smallholder and subsistence farmers to reduce their vulnerability to climate variability and climate change;

(iii) The proposal should explain how the project intends to collect, analyse and disseminate climatic information that will be directly relevant to smallholder and subsistence farmers in a timely and appropriate manner;

(iv) The proposal should discuss how the maintenance and support of the proposed activities has been considered, with a view to ensuring the long-term sustainability of the outcomes achieved through the project;

(v) The proposal should reduce the requested Implementing Entity management fee to be within the cap of 8.5 per cent, as well as ensure the requested total financing is reported consistently throughout.

(c) Not to approve the Project Formulation Grant of US\$ 30,000; and

(d) Request AGCI to transmit the observations referred to in sub-paragraph (b) to the Government of Chile.

(Decision B.22/4)

10. The current submission was received by the secretariat in time to be considered in the twenty-fourth Board meeting. The secretariat carried out a technical review of the project

proposal, with the diary number CHL/NIE/Agri/2013/1, and completed a review sheet. In accordance with a request to the secretariat made by the Board in its tenth meeting, the secretariat shared this review sheet with AGCI, and offered it the opportunity of providing responses before the review sheet was sent to the PPRC.

11. The secretariat is submitting to the PPRC the summary and, pursuant to Decision B.17/15, the final technical review of the project, both prepared by the secretariat, along with the final submission of the proposal in the following section.

Project Summary

Chile – Enhancing resilience to climate change of the small agriculture in the Chilean region of O’Higgins

Implementing Entity: AGCI

Project/Programme Execution Cost: USD 450,000

Total Project/Programme Cost: USD 9,460,000

Implementing Fee: USD 500,000

Financing Requested: USD 9,960,000

Programme Background and Context:

Chile is vulnerable to climate change with respect to its low-elevation coastal areas, arid and semi-arid areas, afforested areas and areas exposed to deforestation and fragile ecosystems in the Andean and coastal regions. The main objective of the proposed project is to increase the resilience of rural farm communities in the coastal and inner dry lands of the O’Higgins region with respect to current climate variation and future climate changes. The specific objectives include: incrementing resilience of farm communities vulnerable to climate variation and climate change by implementing capacity building and conducting training on cattle, crop, water and soil management; improving agroclimatic information management by local MINAGRI professionals and farmer communities; and increasing water resources availability for rural communities through measures and technologies.

Component 1: Capacity building in climate variability and climate change related appropriate farming practices with respect to soil, livestock, water and crop management (USD 8,710,000)

Through this component, the rural farmers communities are expected to increase their resilience capacity to the negative impacts of climate variability and climate change through: (i) enhancement of abilities in soil, livestock, water and crop management; (ii) access to an agricultural machinery pool for soil management; and (iii) increase of water availability and crop productivity in 550 farm holds in the project area. The agro-technology transfer concept of the project consists of a combination of “learning by doing” and “learning by seeing”, where the farmers together with the local training and advisory teams will generate the expected concrete outputs. The project aims to establish 9 demonstration fields including its infrastructure and equipment (fencing, water troughs, electrical power supply, etc.) to demonstrate appropriate farm management for climate adaptation and resilience building.

Component 2: Installation of an information system for agro-climatic risk management and climate change adaptation (USD 300,000)

The main goal of this component is to strengthen the National Agro-Climatic Network (RAN) in the project region, to improve its products and to make them available on a regular basis for the farmer population for climate hazards and climate change related decision making. In this context, the project will acquire and install 4 automatic meteorological stations (AMS) for relevant sites of the project area and will enable their data transmission and automatic processing through to the RAN-network, including the elaboration of weather reports and forecasts and its dissemination to the local farmer communities. The component will also build capacity in weather and climate data analysis and develop farm management indicators.



ADAPTATION FUND

**ADAPTATION FUND BOARD SECRETARIAT TECHNICAL REVIEW
OF PROJECT/PROGRAMME PROPOSAL**

PROJECT/PROGRAMME CATEGORY: Regular-sized Project Concept

Country/Region: **Chile**
 Project Title: **Enhancing resilience to climate change of the small agriculture in the Chilean region of O'Higgins**
 AF Project ID: **CHL/NIE/Agri/2013/1**
 IE Project ID: Requested Financing from Adaptation Fund (US Dollars): **9,960,000**
 Reviewer and contact person: **Daniel Gallagher** Co-reviewer(s): **Mikko Ollikainen**
 IE Contact Person: **Enrique O'Farrill-Julien**

Review Criteria	Questions	Comments 14 Aug 2014	Comments 12 Sept 2014
Country Eligibility	1. Is the country party to the Kyoto Protocol?	Yes	
	2. Is the country a developing country particularly vulnerable to the adverse effects of climate change?	Yes, Chile is vulnerable to climate change with respect to its low-elevation coastal areas, arid areas, afforested areas and areas exposed to deforestation and fragile ecosystems in the Andean and coastal regions.	
Project Eligibility	1. Has the designated government authority for the Adaptation Fund endorsed the project/programme?	Yes	

	<p>2. Does the project / programme support concrete adaptation actions to assist the country in addressing adaptive capacity to the adverse effects of climate change and build in climate resilience?</p>	<p>The proposed project aims to address the climate adaptation needs of rural smallholder farming communities. The approach is to pilot demonstration sites for agro-technology transfer, improve water availability on farm and improve meteorological information for decision-making. In principle, the project has potential to increase the adaptive capacity of the target communities to the effects of climate change, but some clarifications is required.</p> <p>CR1: Whilst the emphasis on tangible outcomes is clear, please clarify how the US\$ 2.8 million investment in agricultural machinery will enhance the adaptive capacity of farmer communities to water shortages and other climate impacts.</p>	<p>CR1: Addressed.</p> <p>Clarification provided on the deployment of machinery for agricultural and water-related adaptation activities, page 25-29.</p>
	<p>3. Does the project / programme provide economic, social and environmental benefits, particularly to vulnerable communities, including gender considerations, while avoiding or mitigating negative impacts, in compliance with the Environmental and Social Policy of the Fund?</p>	<p>Yes, the project activities are expected to provide multi-dimensional benefits to vulnerable groups.</p>	

	<p>4. Is the project / programme cost effective?</p>	<p>Yes, cost effectiveness has been considered in the Chilean context. While a detailed budget is not required from a concept, from the project components and financing table (pp. 18-23) it is not clear what the allocation for outputs 1.4 and 1.5 is.</p> <p>CR2: Please explain and justify the budgets of outputs 1.4 and 1.5, linking the training provided to the approximate number of people to be trained and the type of training.</p>	<p>CR2: Partially addressed.</p> <p>Information is provided on training activities but the budget allocation for activity 1.4 remains unclear. This should be addressed in the full proposal.</p>
	<p>5. Is the project / programme consistent with national or sub-national sustainable development strategies, national or sub-national development plans, poverty reduction strategies, national communications and adaptation programs of action and other relevant instruments?</p>	<p>Yes, consistent with the relevant strategies and plans.</p>	
	<p>6. Does the project / programme meet the relevant national technical standards, where applicable, in compliance with the Environmental and Social Policy of the Fund?</p>	<p>Yes, national standards are expected to be met by the project, which does not require a declaration of environmental impact under Chilean law.</p>	

	<p>7. Is there duplication of project / programme with other funding sources?</p>	<p>CR3: Please provide a brief discussion on the aspects of related initiatives that have been taken into account in the formulation of the present proposal, and describe how this proposal will avoid overlap with such initiatives.</p>	<p>CR3: Addressed. The present proposal builds on relevant existing initiatives, at a larger scale, and in a holistic manner combining practical measures with capacity building (page 36).</p>
	<p>8. Does the project / programme have a learning and knowledge management component to capture and feedback lessons?</p>	<p>Yes, knowledge management is a key sub-component, using a 'learning by seeing' and 'learning by doing' model to transfer information from the project area to 3,000 other farmers, and using international learning mechanisms. An on-going monitoring system will allow the project management team to receive feedback during implementation and apply corrective measures as needed.</p>	
	<p>9. Has a consultative process taken place, and has it involved all key stakeholders, and vulnerable groups, including gender considerations?</p>	<p>Yes, an initial consultation process has taken place. It is expected that wider consultation with target farmer communities and all relevant stakeholders will be undertaken for the fully developed proposal.</p>	
	<p>10. Is the requested financing justified on the basis of full cost of adaptation reasoning?</p>	<p>Yes</p>	
	<p>11. Is the project / program aligned with AF's results framework?</p>	<p>Yes</p>	
	<p>12. Has the sustainability of the project/programme outcomes been taken into account when designing the project?</p>	<p>CR4: It remains unclear how the sustainability of some measures has been considered, e.g. rainwater harvesting. What is the expected lifespan of such infrastructure and how is it</p>	<p>CR4: Addressed. The lifespan of the installed infrastructure is minimum 15 years and it has been tested in the regional context. Maintenance has</p>

		<p>expected to be maintained? Has it been tried and tested in the rural farm context in Chile or elsewhere, and what were the lessons learned from these schemes? Has renewable energy been tried and tested to power these, and how is this a socially and technologically appropriate measure? The proposal should address these issues, among others in a holistic manner, to demonstrate the sustainability of activities relating to rainwater harvesting.</p> <p>CR5: Much of the project’s success will relate to the degree that the adaptation measures are scaled up to other farms beyond the 9 demonstration sites and sustained in the long-term. What is the expected scale that the direct project benefits will reach and over what timespan? What measures will the project put in place to ensure that communities who do not benefit directly from the project have the opportunity to benefit in the long-run? Please explain whether financial mechanisms such as microfinance would be available for farmers from the project or other sources, to make investments during and after the project.</p>	<p>been considered and the use of small-scale renewable energies for irrigation has been justified against alternatives. The proposed use of such technologies should be further elaborated at the full-proposal stage.</p> <p>CR5: Addressed.</p> <p>The indirect benefits of the project are expected to reach a further 3,000 small-scale farmers in the nearby regions and efforts are made to diffuse technology transfer and capacity building through a programmatic approach integrated with existing programmes underway and led by the Ministry of Agriculture. A contract will be signed between the project and relevant institutions for this purpose. Further, economic instruments will be directed by the Ministry towards farmers not benefiting directly from this project to replicate its benefits.</p>
	<p>13. Does the project / programme provide an overview of</p>	<p>Yes, the proposal has been categorized as Category C, stating</p>	

	environmental and social impacts / risks identified?	no expected adverse environmental/social impacts. The information currently presented in the concept does not reveal any evident areas where further assessment would be needed.	
Resource Availability	1. Is the requested project / programme funding within the cap of the country?	Yes	
	2. Is the Implementing Entity Management Fee at or below 8.5 per cent of the total project/programme budget before the fee?	Yes, fee is at 5.3 per cent	
	3. Are the Project/Programme Execution Costs at or below 9.5 per cent of the total project/programme budget (including the fee)?	Yes, fee is at 4.8 per cent	
Eligibility of IE	4. Is the project/programme submitted through an eligible Implementing Entity that has been accredited by the Board?	Yes	
Implementation Arrangements	1. Is there adequate arrangement for project / programme management?	N/A	
	2. Are there measures for financial and project/programme risk management?	N/A	
	3. Are there measures in place for the management of for environmental and social risks, in line with the Environmental and Social Policy of the Fund?	N/A	

	4. Is a budget on the Implementing Entity Management Fee use included?	N/A	
	5. Is an explanation and a breakdown of the execution costs included?	N/A	
	6. Is a detailed budget including budget notes included?	N/A	
	7. Are arrangements for monitoring and evaluation clearly defined, including budgeted M&E plans and sex-disaggregated data, targets and indicators?	N/A	
	8. Does the M&E Framework include a break-down of how implementing entity IE fees will be utilized in the supervision of the M&E function?	N/A	
	9. Does the project/programme's results framework align with the AF's results framework? Does it include at least one core outcome indicator from the Fund's results framework?	N/A	
	10. Is a disbursement schedule with time-bound milestones included?	N/A	

Technical Summary	The main objective of this proposed project is to increase the resilience of rural farm communities in the coastal and inner dry lands of the O'Higgins region in Chile with respect to actual climate variation and future climate changes. To achieve this, the project would implement capacity building and training systems to increment the resilience of farm communities that are vulnerable to climate variation and climate change with respect to cattle, crop, water and soil management. The project would also seek to improve the decision-supporting agroclimatic
-------------------	---

	<p>information management for current and future climate changes for local MINAGRI professionals and farmer communities. It would also implement measures and technologies for increasing water resources availability for rural communities in the coastal and inner dry lands of the O'Higgins region.</p> <p>The initial technical review found that the proposed project has potential to address the climate adaptation needs of rural smallholder farming communities. The approach to pilot demonstration sites for agro-technology transfer, improve water availability on farm and improve meteorological information for decision-making demonstrates a well-developed and comprehensive plan to increase the adaptive capacity of target communities.</p> <p>The following four areas of clarification were requested:</p> <p>CR1: Whilst the emphasis on tangible outcomes is clear, please clarify how the US\$ 2.8 million investment in agricultural machinery will enhance the adaptive capacity of farmer communities to water shortages and other climate impacts.</p> <p>CR2: Please provide a brief discussion on the aspects of related initiatives that have been taken into account in the formulation of the present proposal, and describe how this proposal will avoid overlap with such initiatives.</p> <p>CR3: It remains unclear how the sustainability of some measures has been considered, e.g. rainwater harvesting. What is the expected lifespan of such infrastructure and how is it expected to be maintained? Has it been tried and tested in the rural farm context in Chile or elsewhere, and what were the lessons learned from these schemes? Has renewable energy been tried and tested to power these, and how is this a socially and technologically appropriate measure? The proposal should address these issues, among others in a holistic manner, to demonstrate the sustainability of activities relating to rainwater harvesting.</p> <p>CR4: Much of the project's success will relate to the degree that the adaptation measures are scaled up to other farms beyond the 9 demonstration sites and sustained in the long-term. What is the expected scale that the direct project benefits will reach and over what time scale? What measures will the project put in place to ensure that communities who do not benefit directly from the project have the opportunity to benefit in the long-run?</p> <p>The final technical review finds that the revised proposal submitted by AGCI has adequately addressed the requests for clarification sought by the secretariat at the concept stage.</p>
Date:	12 September 2014