



ADAPTATION FUND

AFB/PPRC.2/3
September 10, 2010

Adaptation Fund Board
Project and Programme Review Committee
Second Meeting
Bonn, September 15, 2010

**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) an overview of the work undertaken by the secretariat in screening and reviewing the project/programme proposals submitted, following the operational policies and guidelines. It consists of the following sections:

- a) An overview of the project/programme proposals submitted by national and multilateral implementing entities; and
- b) Issues identified during the screening/technical review process that the PPRC may want to consider and draw to the attention of the Board.

2. In accordance with the views of the Board expressed in its 10th meeting, the secretariat has understood that the technical reviews of project and programme proposals carried out by the secretariat should not be made public at this stage, and therefore the analysis of the proposals mentioned above is contained in a separate, confidential addendum to this document.

II. PROJECT/PROGRAMME PROPOSALS SUBMITTED BY NIEs AND MIEs

3. Accredited national and multilateral implementing entities submitted 10 proposals to the secretariat, with the total requested funding amounting to US\$60,991,487. Later, following the initial technical review carried out by the secretariat, two of the proposals were withdrawn by their proponents. The 8 remaining proposals amounted to US\$52,057,000 of requested funding, including US\$4,230,326 or 8.1% in implementing entities' management fees. The 8 proposals included 3 fully developed documents and 5 concepts.

4. The only National Implementing Entity (CSE, Senegal) submitted a fully developed programme proposal version of the concept that the Board decided to endorse in its previous meeting. The UNDP submitted two fully developed project documents, one for the concept for Egypt, which the Board decided to defer in the previous meeting, and another for Honduras, which is submitted for the first time following the one-step approval process. The UNDP further submitted 3 project concepts, for Guatemala, Mongolia and Niue, respectively. UNEP submitted a project concept for Madagascar, and WFP submitted a programme concept for Uganda. Details of these proposals are contained in the separate PPRC working documents, as follows:

AFB/PPRC.2/4 *Proposal for Senegal;*

AFB/PPRC.2/5 *Proposal for Egypt;*

AFB/PPRC.2/6 *Proposal for Guatemala;*

AFB/PPRC.2/7 *Proposal for Honduras;*

AFB/PPRC.2/8 *Proposal for Madagascar;*

AFB/PPRC.2/9 *Proposal for Mongolia;*

AFB/PPRC.2/10 *Proposal for Niue;* and

AFB/PPRC.2/11 Proposal for Uganda.

5. All of the 8 submissions are proposals for regular projects and programmes, i.e. they request funding exceeding US\$1,000,000. The funding requests in the fully-developed proposals totalled US\$20,037,000 and ranged from US\$5,698,000 (Honduras) to US\$8,619,000 (Senegal), with an average of US\$6,679,000, including management fees charged by the implementing entities. Among these, the UNDP proposes a 10.0% management fee, and CSE a 5.1% management fee. The funding request in the 5 concept-stage proposals totalled US\$32,020,000 and ranged from US\$3,465,000 (Niue) to US\$13,050,000 (Uganda), with an average of US\$6,404,000, including management fees. Among these, UNDP again proposes a 10.0% management fee, UNEP a 9.2% fee and WFP a 9.0% fee.

6. In accordance with the operational policies and guidelines, the secretariat screened and prepared technical reviews of the 10 project and programme proposals submitted during the reporting period, two of which were withdrawn by the proponents after the review findings were sent to them. In performing this review task, the dedicated team of officials of the secretariat was supported by 7 members of the GEF secretariat technical staff.

7. As per 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 for 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. All implementing entities that had submitted proposals were offered the opportunity to discuss the initial review findings with the secretariat on the phone.

8. 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.2/3/Add.1).

III. ISSUES IDENTIFIED DURING THE SCREENING/TECHNICAL REVIEW PROCESS

9. During the screening/technical review process, the secretariat identified the following issues that the PPRC may want to consider:

- a) Revision of review process timeline; and
- b) Adequate adaptation reasoning in projects and programmes.

a) *Revision of review process timeline*

10. As explained in paragraph 7 above, the secretariat followed a revised review process, in which feedback was sought from the proponents during the process. The secretariat observed that being able to communicate with the proponents before formulating a final review opinion helped to identify and raise with the Implementing Entities issues of various degrees, ranging from contradicting formulations that turned out to be typographic errors and were quickly solved, to real fundamental issues of project design that determined its viability.

11. With this additional step in the project review process, to complete a project/programme review and forward the relevant documentation to the PPRC takes about 6 to 7 weeks, including 3

weeks for initial review, 2 weeks for the proponent to provide clarification to issues raised at the initial review, and 1 week for consolidation of the review result based on the clarification response. In order to allow the PPRC enough time to consider the recommendations by the secretariat, it is suggested that the whole review cycle be extended to start 10 weeks before each meeting. Two alternative solutions would be either to revert back to the original process without consultation, or to limit the consultation to very minor issues, and thus shorten the time allowed for responding.

12. The PPRC may want to discuss and consider recommending to the Board revision of the project and programme review process as described above, to begin 10 weeks before each PPRC meeting.

b) Adequate adaptation reasoning in projects and programmes

13. The mandate of the Adaptation Fund, as stated in the guidance from the Conference of the Parties, and as specified in the strategic priorities, policies and guidelines of the Fund, is to finance *concrete adaptation projects and programmes*. The PPRC already discussed, in its first meeting, how to interpret “concrete” as used in the mandate, but did not come to a definite conclusion and decided to reconsider the issue at a future meeting of the Committee.

14. The strategic priorities, policies and guidelines further state that

12. Funding for projects and programmes will be on a full adaptation cost basis to address the adverse effects of climate change.

15. The operational policies and guidelines further specify that

14. [...] Full cost of adaptation means the costs associated with implementing concrete adaptation activities that address the adverse effects of climate change. The Fund will finance projects and programmes whose principal and explicit aim is to adapt and increase climate resilience. The project proponent is to provide justification of the extent to which the project contributes to adaptation and climate resilience. The Board may provide further guidance on financing priorities, including through the integration of information based on further research on the full costs of adaptation and on the lessons learned.

16. This is taken to mean, among other things, that unlike for activities funded from some other sources of adaptation finance, co-financing from other sources of funding is not required for projects and programmes funded from the Adaptation Fund, nor is co-financing considered as a decisive factor in deciding whether or not to grant funding to a given project or programme. If funding is granted to a project or programme, it is granted in full, and there is no possibility of balancing the acceptability of a project or programme by financing some part of it from other sources.

17. In terms of reviewing project and programme proposals submitted to the Adaptation Fund, from the above follows that in addition to determining whether a proposed project or programme is concrete enough to meet the mandate of the Fund, it is critical to determine as precisely as possible, to which degree the proposed project or programme aims principally and explicitly to climate change adaptation. This requirement is spelled out in two of the review criteria of the Adaptation Fund contained in Annex 3 of the operational policies and guidelines, under “Project Eligibility”:

- Does the project / programme support concrete adaptation actions to assist the country in addressing the adverse effects of climate change?
- Has the project provided justification for the funding requested on the basis of the full cost of adaptation?

18. There are two reasons why it is difficult to determine the answers to these questions in absence of more specific guidance:

- a) Adaptation projects almost invariably incur some proportion of expenses for which it is more difficult to show what the direct contribution to addressing the adverse effects of climate change is. These may include, *inter alia*, expenses related to activities that are likely to address climate change effects *indirectly*, or activities that are needed to *support* the implementation of more direct activities; and
- b) Adaptation projects seldom only address challenges caused by climate change (adaptation deficit) but they usually simultaneously address also other challenges that are not climate related (development deficit), and which are often pre-existing but, like adaptation challenges, change with time.

19. There is no universally accepted methodology for determining the degree to which a project or programme represents adaptation, whether by considering different activities within the project or programme, or by assessing to which extent the aim of the project or programme as a whole is to adapt and increase climate resilience, as opposed to achieving other goals.

20. The PPRC may want to discuss and to consider recommending to the Board provision of further guidance to the secretariat through:

- a) Establishment of appropriate and more specific criteria to assess the adequate adaptation reasoning of project and programme proposals submitted to the Adaptation Fund, and/or
- b) Establishment of a process to be followed to determine the adequate adaptation reasoning of project and programme proposals submitted to the Adaptation Fund.

IV. ITEM REMAINING FROM THE FIRST MEETING OF THE PPRC: PROJECT AND PROGRAMME REVIEW CRITERIA

21. In its first meeting, the PPRC considered the agenda item “Project and Programme Review Criteria”, which it decided to reconsider at a future meeting of the Committee. The item included the following three issues, identified by the secretariat during the screening and reviewing of the project/programme proposals, and possibly requiring amending the project review criteria:

Consultative process

22. The Adaptation Fund Project/Programme Proposal template and the accompanying Instructions for Preparing a Request for Project and Programme funding, included in the operational policies and guidelines, Annex 3, Appendix A, require the project/programme proponents to “*Describe the consultative process undertaken during project design. List the*

stakeholders consulted and the methods of consultation". Unlike other items in the proposal template and instructions, assessing such description of stakeholder consultation is not included in the review criteria, also contained in Annex 3 of the operational policies and guidelines. The PPRC may wish to consider whether to recommend to the Board to add consideration of the consultative process undertaken during project/programme design in the project/programme review criteria, for consistency with the project/programme proposal template.

Sustainability of project outcomes

23. In assessing the viability of a project concept, it is crucial to address the sustainability, or duration of impact, of the project. In international development finance, requirement to demonstrate sustainability of project outcomes is a common project review criterion. The PPRC may wish to consider whether to recommend to the Board to address this issue in revision of the project review criteria.

Programme review criteria.

24. In reviewing submitted proposals, the secretariat has noted that in some cases a proposal includes several proposed activities that are not directly related to each other and do not contribute to a single adaptation challenge, and such a proposal might be better conceptualized as a programme, rather than a project. Currently the project review criteria as such are not completely suited to reviewing programmes, which may put programme proposals in a disadvantageous situation. The PPRC may wish to consider whether to recommend to the Board to provide additional guidance to proponents on choice between projects or programmes. Further, the PPRC may wish to consider whether to recommend to the Board to address this issue in revision of project review criteria.

25. Following the first meeting of the PPRC, the Board discussed in its 10th meeting project and programme criteria in general but did not elaborate on the above topics in depth. In closing this agenda item, the Chair stated that there was a need for further discussion.

26. The PPRC may want to discuss and to consider recommending to the Board revision of the project and programme review criteria regarding the issues mentioned above, or provision of additional guidance on them to the secretariat for the purposes of the technical review.

V. RECOMMENDATION

27. The PPRC may wish to consider the above outlined issues, identified by the secretariat, and recommend to the Board to take a decision on those issues, accordingly.