



ADAPTATION FUND

AFB/PPRC.7/5
1 December, 2011

Adaptation Fund Board
Project and Programme Review Committee
Seventh Meeting
Durban, 12 December, 2011

PROPOSAL FOR URUGUAY

I. Background

1. The Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund, adopted by the Adaptation Fund Board, state in paragraph 41 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 approval by the Board. In the second step, the fully-developed project/programme document would be reviewed by the PPRC, and would finally require Board's approval.

2. The Templates Approved by the Adaptation Fund Board (Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund, Annex 3) 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. Based on the Adaptation Fund 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 Adaptation Fund was sent out on April 8, 2010.

6. According to the paragraph 41 of the operational policies and guidelines, a project or programme proposal needs to be received by the secretariat not less than nine weeks before a Board meeting, in order to be considered by the Board in that meeting.

7. The following fully developed project titled "Building Resilience to Climate Change and Variability in Vulnerable Smallholders" was submitted by the Agencia Nacional de Investigación e Innovación (ANII), which is a National Implementing Entity of the Adaptation Fund. This is the second submission of the project. It was first submitted as a project concept, using the two-step proposal process, for the 13th Adaptation Fund Board meeting, and was endorsed by the Board.

8. The following observations were made at the endorsement:
- a) The fully-developed proposal should expand on the information provided in the project, particularly on Part III of the proposal, and on the ecosystem based adaptation approach that it is promoting;
 - b) The fully-developed proposal should include the most recent data collected through the project of the Food and Agricultural Organization of the United Nations on livestock vulnerability;
 - c) The fully-developed proposal should present technology investment options focusing more on climate-proofing the extensive livestock system: the increase in competitiveness should be an added value of the project and not its objective;
 - d) The fully-developed proposal should provide an elaborated risk/mitigation table;
 - e) The fully-developed proposal should quantify the expected results in more detail;
 - f) In the fully-developed proposal, the framework table should be brought better in line with the results stated in the text, and in particular result 1 of the framework table which is not in line with the objectives of project component 1;
 - g) The fully-developed proposal should provide a budget on the implementing entity management fee use; an explanation and a breakdown of all administrative costs associated with the project, including the execution costs; as well as a disbursement schedule with time-bound milestones;
 - h) The fully-developed proposal should provide information on the scenarios for climate change in the areas being addressed by the project;
 - i) The fully-developed proposal should provide a strategy for scaling-up the project; and
 - j) The fully-developed proposal should explain how the project would reduce vulnerability to climate change.

9. The current submission of a fully-developed project document was received by the secretariat in time to be considered in the 16th Adaptation Fund Board meeting. The secretariat carried out a technical review of the project proposal, assigned it the diary number URY/NIE/Agri/2011/1, and filled in a review sheet.

10. In accordance with a request to the secretariat made by the Adaptation Fund Board in its 10th meeting, the secretariat shared this review sheet with the ANII, and offered it the opportunity of providing responses before the review sheet was sent to the Project and Programme Committee of the Adaptation Fund.

11. The secretariat is submitting to the Project and Programme Review Committee the summary of the project, prepared by the secretariat, in Annex 1. The secretariat is also submitting to the Committee the technical review sheet and the responses provided by the ANII, in an addendum to this document.

II. Project Summary

Uruguay – Building Resilience to Climate Change and Variability in Vulnerable Smallholders

Implementing Entity: ANII

Project/Programme Execution Cost: USD 480,000

Total Project/Programme Cost: 9,470,000

Implementing Fee: USD 500,000

Financing Requested: USD 9,970,000

Project/Programme Background and Context: Although in Uruguay there is a highly variable rainfall pattern, an increase in frequency of severe drought events has been recorded during the last ten years. This is especially relevant in drought sensitive areas presenting shallow soils with low water storage capacity. The project targets the Basalto and East Hills Regions (7,640 farmers), which comprise these vulnerable areas. The agricultural sector is regarded as the backbone of the Uruguayan economy: it has represented around 14% of GDP in the past years and represents two thirds of total exports. However extreme meteorological events in the past decade have affected the sector, with devastating effects on the country economy. As an example, the direct losses of the livestock sector caused by the 2008-2009 droughts were estimated at USD 342 million.

The proposed project concept seeks to contribute to building national capacity to adapt to CC and variability focusing on the extensive livestock sector, targeting more specifically the vulnerable smallholders. It will do so by adopting a territorial approach that seeks to reinforce resilience in a systemic way. Smallholders and organizations are expected to be key players in identifying both, threats and resilient management practices at the landscape scale, allowing combination of traditional knowledge with scientific knowledge.

The specific objectives include:

- a) Reducing vulnerability and building resilience to climate change and variability in small farms engaged in livestock production (mainly rearing and complete closed cycle) located in extremely drought-sensitive Landscape Units of the Basaltic Cuesta and East Hills eco-regions.
- b) Strengthening local institutional networks at the selected LU level targeting climate change adaptation (prevention) and response to extreme events (emergency) in highly drought-sensitive areas.
- c) Developing mechanisms for a better understanding and monitoring of the impacts and variability of CC, anticipating and assessing negative events and eliciting lessons learned and identifying and validating best practices and toolkits for adapting to increasing variability of CC.

The **overall goal** of the proposed project is to contribute to building national capacity to adapt to CC and variability focusing on critical sectors for the national economy, employment and exports.

Component 1: Resilience increase at the farm level in smallholders located in extremely drought-sensitive Landscape Units (USD 7,260,000)

This component is providing comprehensive support to the most vulnerable producers within drought-sensitive LU in the Basalto and East Hills regions, to facilitate the adoption of the adaptation measures identified with the extension and research services. The support would consist of partial subsidies for investments and technical assistance and training in line with current policies of the MGAP. The potential beneficiaries are all livestock smallholders located in the Basalto and East Hills regions.

Integrated livestock management measures, including better infrastructure for water and shadow, improved pasture management and biodiversity conservation, are at the core of the technical options to increase resilience to CC and variability in these small farmers. The project would finance a higher share of the investment costs for “transition” smallholders and would promote the establishment of recovery schemes at the local level involving grass root organizations.

Component 2: Development of a local network for climate change monitoring, awareness and response (USD 950,000)

This second component would strengthen a specific network embedded in the existing institutional basis of Rural Development Boards promoted by the MGAP to build local capacity to take appropriate and timely action in face of climate variability and extreme events. The purpose of the network is to stand for the territory and to promote participation, democracy and social responsibility within the territory. The objectives of the network are: a) to keep its members informed and aware of CC situation and variability and on technical options available to reduce vulnerability and increase resilience; b) to prepare and implement action plans according to warning levels and particularly in face of extreme events; c) to coordinate with research and extension institutions to focus on the technological needs of the territory in face of CC and variability and the knowledge gaps that need to be addressed; and d) to make proposals and negotiate with public and private institutions the implementation of projects and programmes that contribute to increase resilience to CC and to raise competitiveness and income on a sustainable basis.

Component 3: Knowledge Management on CC and variability (USD 780,000)

This component contributes to differentiate this project from the different policy instruments under implementation or under design. The KM component is supporting the whole intervention by involving relevant policy making, research and extension and education institutions in a systematic and participatory assessment of results. This component has two main areas: one is the financing of studies, research and infrastructure to improve knowledge and information on CC and variability and the other is the creation, exchange and systematization of knowledge and experience among all public and private institutions that are currently working on CC and variability to create an open forum where all institutions may share advances and coordinate actions. The systematic thinking of experiences is not restricted to review and assess project activities: the project would promote coordination and an efficient use of existing resources by sharing information, knowledge and experience to avoid duplication.