



ADAPTATION FUND

AFB/B.27-28/1
27 April 2016

Adaptation Fund Board

**REQUEST FOR PROJECT BUDGET REVISION:
UNEP (TANZANIA)**

Background

1. The Adaptation Fund Board (the Board) at its sixteenth meeting, approved the project “Implementation of Concrete Adaptation Measures to Reduce Vulnerability of Livelihoods and Economy of Coastal Communities of Tanzania” proposed by the United Nations Environment Programme (UNEP) in Tanzania (decision B.16/19). As mandated by the decision, an agreement was prepared and signed between the Board and UNEP. Following the Fund’s standard legal agreement template the agreement states:

4.03. Any material change made in the original budget allocation for the Project by UNEP, in consultation with the Executing Entity, shall be communicated to the Board for its approval. “Material change” shall mean any change that involves ten per cent (10%) or more of the total budget.

2. UNEP submitted to the Board, on 14 March 2016, through the secretariat, a request for budget revision. According to that request, its background is “a change in the cost estimates for infrastructure work (sea walls in Ocean road and Kigamboni and drainage in Dar es Salaam). The project partnered with [United Nations Office for Project Services] in early 2015 to deliver these critical components of the project, drawing on their great technical expertise and ability to facilitate an efficient procurement process. As part of this partnership UNOPS undertook a detailed feasibility study that was completed in early 2016, including [Bill of Quantities] and revised cost estimates for all infrastructure elements.”

3. The request is further explained: “This feasibility study and updated cost estimate revealed two things: 1. A potential cost saving of around \$700,000 on the sea wall components and 2. The restoration work (clearing/restoration) initially planned for drainage infrastructure was severely underestimated in the original budget. The project had initially intended to work in 5 specific sites (not defined in [project document]). However, rather than the simple renovation initially anticipated the feasibility study revealed that significant structural work would be needed to effectively improve capacity of the drains in response to future climate change. The combined estimated costs of fully climate proofing the 5 drains were in excess of \$4,000,000. Following discussions with UNOPS two of the five sites have been identified that could achieve a meaningful intervention for around \$900,000 (i.e. the original \$200,000 + the \$700,000 liberated from the sea walls). The above, however, would imply a move of \$700,000 from output 1.1 to output 1.2.”

4. The letter containing the request mentions that the proposed strategy has been discussed and agreed among the key stakeholders including UNEP (the implementing entity), Vice President’s Office (the executing entity and organization hosting the Designated Authority) and UNOPS (partner in the project). Therefore, the change is in line with the requirement for consultation contained in paragraph 4.03. of the project agreement. Further, the strategy was endorsed by the Project Steering Committee during their meeting on March 11, 2016.

5. The secretariat conducted a review of the request, including the revised budget, the revised results framework, and other supporting documents. In the process requested UNEP was asked to provide additional information, and UNEP also revised some of the initially submitted documents for further clarity.

6. The request was complemented by the following documents:

- a) Letter of endorsement by the Designated Authority for Tanzania;
- b) Revised budget;
- c) Revised results framework;
- d) Baseline assessment;
- e) Response sheet prepared by UNEP following the initial review;
- f) Feasibility study on drainage systems;
- g) Feasibility study on sea walls; and
- h) Project cost estimates, design drawings and Bills of Quantities.

Secretariat's review of the revised project document

7. The revised budget has the same total amount as the one originally approved through decision B.16/19. The changes are only related to allocation of funds among outputs (budget) and the activities undertaken towards those outputs. The changes are summarized in Table 1 below.

	Original	Revised	Difference
Output 1.1	3,337,500	2,553,000	-784,500
Output 1.2	200,000	900,000	700,000
Output 1.3*	0	87,590	87,590
Output 2.1	76,500	72,500	-4,000
Output 2.2	145,000	147,100	2,100
Output 2.3	67,500	57,500	-10,000
Output 3.1	30,000	19,975	-10,025
Output 3.2	90,000	93,667	3,667
Output 3.3	15,000	10,000	-5,000
Output 3.4	90,000	99,875	9,875
Output 3.5	190,000	166,990	-23,010
Execution	374,688	407,991	33,303
M&E	104,688	104,491	-197
Other exec.	270,000	303,500	33,500
Total	4,616,188	4,616,188	0

Table 1: Comparison of original and revised budget (in US\$). Output 1.3 (environmental and feasibility studies) was not present in the original budget.

8. The main proposed changes between the original and the revised budget have taken place between outputs 1.1 (Sea walls raised or rehabilitated) and 1.2 (storm and flood drainage systems), with smaller changes to other outputs. As explained in the request letter, the proposed change in Output 1.1 from US\$ 3,337,500 to US\$ 2,553,000 relates to the cost saving of \$784,500 on the sea wall components.

9. The change in Output 1.2 from US\$ 200,000 to US\$ 900,000 mostly corresponds, according to the request letter, to the significant structural work for drainage infrastructure that is needed in addition to clearing and restoration and that was “severely underestimated” at the project proposal stage work (clearing/restoration) initially planned for drainage infrastructure was severely underestimated in the original budget. A small part of this change was allocated to an output that was not included in the original budget, on environmental and feasibility studies. Execution costs have been increased from US\$ 374,688 to US\$ 407,991, which is still below the cap of 9.5 per cent set by the Board through decision B.13/17.

10. The secretariat’s review finds that in light of the baseline assessment, the feasibility studies and cost-related information provided, the conclusion can be supported that for the overall goal of reducing coastal flooding, further investment in drainage infrastructure and restoration is justified, and the budget revision can be supported.

Recommendation

11. The secretariat finds that UNEP has provided adequate reasoning for the changes made in the project budget.

12. Therefore the Board may consider and decide to: approve the revised budget for the project “Implementation of Concrete Adaptation Measures to Reduce Vulnerability of Livelihoods and Economy of Coastal Communities of Tanzania”, as requested by the United Nations Environment Programme (UNEP).

Annexes:

1. The request to the Board to approve the revised project budget, dated 29 February 2016, submitted by UNEP through the secretariat.
2. Letter of endorsement by the Designated Authority for Tanzania.
3. Revised budget;
4. Revised results framework;
5. Baseline assessment;
6. Response sheet prepared by UNEP following the initial review;
7. Feasibility study on drainage systems¹;
8. Feasibility study on sea walls²; and
9. Project cost estimates, design drawings and Bills of Quantities³.

¹ Available via web link contained in the response sheet (Annex 6) or by request from the secretariat.

² Idem.

³ Idem.