



ADAPTATION FUND

AFB/PPRC.19/4
23 September 2016

Adaptation Fund Board
Project and Programme Review Committee
Nineteenth meeting
Bonn, Germany, 4-5 October 2016

Agenda Item 6

**REPORT OF THE SECRETARIAT ON INITIAL
SCREENING/TECHNICAL REVIEW
OF PROJECT AND PROGRAMME PROPOSALS**

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.

Funding status and situation of the pipeline

3. At the twelfth meeting, the Board instituted a cap of 50 per cent for project funds directed through Multilateral Implementing Entities (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)

4. 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)

5. At 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)

6. At the nineteenth meeting in December 2012, for the first time, the total funding request of MIE project and programme proposals recommended by the PPRC for approval by the Board exceeded the 50 per cent cap and a pipeline of MIE projects and programmes was established. At the nineteenth meeting, 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. At the twentieth to twenty-third meetings, additional MIE proposals were placed in the pipeline. After the twenty-first meeting, new revenue received by the Fund allowed the Board to intersessionally approve pipeline proposals. The last proposal in the MIE project pipeline, proposed by the World Food Programme (WFP) for Indonesia, was approved intersessionally between the twenty-fifth and twenty-sixth meetings (Decision B.25-26/4).

7. According to the latest Financial Report prepared by the Trustee as of 30 June 2016 (AFB/EFC.19/10), the cumulative funding decisions for projects/programmes submitted by MIEs amounted to US\$ 219.91 million, and the cumulative funding decisions for all projects/programmes amounted to US\$ 338.47 million. Funds available to support AF Board funding decisions amounted to US\$ 168.55 million. In accordance with the Board decision B.12/9, the funds available for projects submitted by MIEs below the 50% cap amounted to US\$ 33.60 million.

Pilot Programme for Regional Projects and Programmes

8. Since its inception, the Adaptation Fund Board has only approved projects and programmes implemented in individual countries. At its twenty-fifth meeting, the Board considered a proposal for a pilot programme on regional projects and programmes, and decided to:

(a) Approve the pilot programme on regional projects and programmes, as contained in document AFB/B.25/6/Rev.2;

(b) Set a cap of US\$ 30 million for the programme;

(c) Request the secretariat to issue a call for regional project and programme proposals for consideration by the Board in its twenty-sixth meeting; [...]

(Decision B.25/28)

9. In accordance with the decision B.25/28 and the document AFB/B.25/6/Rev.2, the secretariat had issued, on 5 May 2015, an invitation to submit project and programme proposals for funding under the pilot programme. The invitation was sent to Designated Authorities for the

Adaptation Fund, and to Multilateral and Regional Implementing Entities accredited by the Board. In accordance with document AFB/B.25/6/Rev.2, the deadline for the first cycle of technical review was set to coincide with that of single-country proposals for the twenty-sixth meeting, i.e. 4 August 2015.

10. The Board considered, at its twenty-sixth meeting, seven pre-concepts for regional projects, and decided to endorse four of them, as well as approve project formulation grants for those four pre-concepts. The Board also decided, at its twenty-sixth meeting,

[...] to request the secretariat to inform the Multilateral Implementing Entities and Regional Implementing Entities that the call for proposals under the Pilot programme for Regional Projects and Programmes is still open and to encourage them to submit proposals to the AFB at its 27th meeting, bearing in mind the cap established by decision B.25/28.

(Decision B.26/3)

11. The Board considered, at its twenty-seventh meeting, two concepts and six pre-concepts for regional projects, and decided to endorse one concept and five pre-concepts, so that in total by the twenty-seventh meeting there was one regional proposal endorsed at the concept level and eight regional proposals endorsed at the pre-concept level. The Board also discussed, at its twenty-seventh meeting, issues related to the pilot programme on regional projects and programmes and decided to:

- (a) Continue consideration of regional project and programme proposals under the pilot programme, while reminding the implementing entities that the amount set aside for the pilot programme is US\$ 30 million;*
- (b) Request the secretariat to prepare for consideration by the Project and Programme Review Committee at its nineteenth meeting, a proposal for prioritization among regional project/programme proposals, including for awarding project formulation grants, and for establishment of a pipeline; and*
- (c) Consider the matter of the pilot programme for regional projects and programmes at its twenty-eighth meeting.*

(Decision B.27/5)

12. The proposal requested in (b) above is presented to the nineteenth meeting of the PPRC as document AFB/PPRC.19/5. In addition, the secretariat again received proposals for regional projects and programmes as encouraged by Decision B.26/3, and as observed in Decision B.27/5, and reviewed them, as explained below.

Project/programme proposals submitted by implementing entities: single country proposals

13. Accredited IEs submitted 19 single-country proposals to the secretariat, with the total requested funding amounting to US\$ 111,127,306. Among the proposals were nine project concepts, with a total requested funding of US\$ 49,364,653 and 10 fully developed proposals with a total requested funding of US\$ 61,762,653. Following the initial technical review carried out by the secretariat, two fully-developed project documents were withdrawn by the proponents. In addition, budget requests from some proposals were altered. The final total requested funding of the 17 proposals amounted to US\$ 99,868,873, with US\$ 43,832,539 for the nine concepts, and

US\$ 56,036,334 for the remaining eight fully developed proposals. The proposals included US\$ 7,027,969 or 7.6%¹ in Implementing Entities management fees and US\$ 7,601,955 or 8.2%² in execution costs.

14. The National Implementing Entity (NIE) for Namibia, the Desert Research Foundation of Namibia (DRFN), submitted two project concepts, and two NIEs submitted one project concept each: the NIE for the Dominican Republic, the Dominican Institute of Integral Development (IDDI), and the NIE for Indonesia, Partnership for Governance Reform in Indonesia (*Kemitraan*). Three Regional Implementing Entities (RIE) submitted project concepts: the *Banco de Desarrollo de America Latina* (CAF; Development Bank of Latin America) submitted a concept for Ecuador, the Secretariat of the Pacific Regional Environment Programme (SPREP) submitted a concept for the Marshall Islands, and the *Banque Ouest Africaine de Développement* (BOAD, West African Development Bank) submitted a concept for Togo. Two concepts were received from an MIE, the United Nations Human Settlements Programme (UN-Habitat), for Fiji and the Solomon Islands, respectively. Four NIEs submitted fully developed project proposals: the NIE for Antigua and Barbuda, the Department of Environment of Antigua and Barbuda (ABED), the NIE for Ethiopia, the Ministry of Finance and Economic Cooperation (MOFEC), the NIE for India, the National Bank for Agriculture and Rural Development (NABARD), and the NIE for Panama, Fundación Natura (FN). Two RIEs submitted one fully developed project proposal each: SPREP for the Federated States of Micronesia and CAF for Peru, respectively. Also two MIEs submitted a fully developed project proposal each: UN-Habitat for Lao People's Democratic Republic and United Nations Environment Programme (UNEP) for Paraguay. Details of the single-country proposals are contained in the separate PPRC working documents, as follows:

AFB/PPRC.19/6 Proposal for Namibia (1) (DRFN)

AFB/PPRC.19/6/Add.1 Project Formulation Grant for Namibia (1) (DRFN)

AFB/PPRC.19/7 Proposal for Namibia (2) (DRFN)

AFB/PPRC.19/7/Add.1 Project Formulation Grant for Namibia (2) (DRFN)

AFB/PPRC.19/8 Proposal for the Dominican Republic (IDDI)

AFB/PPRC.19/8/Add.1 Project Formulation Grant for the Dominican Republic (IDDI)

AFB/PPRC.19/9 Proposal for Indonesia (Kemitraan)

AFB/PPRC.19/9/Add.1 Project formulation grant for Indonesia (Kemitraan)

AFB/PPRC.19/10 Proposal for Ecuador (CAF)

AFB/PPRC.19/11 Proposal for the Marshall Islands (SPREP)

AFB/PPRC.19/12 Proposal for Togo (BOAD)

AFB/PPRC.19/13 Proposal for Fiji (UN-Habitat)

AFB/PPRC.19/14 Proposal for the Solomon Islands (UN-Habitat)

AFB/PPRC.19/15 Proposal for Antigua and Barbuda (ABED)

AFB/PPRC.19/16 Proposal for Ethiopia (MOFEC)

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.19/17 Proposal for India (NABARD)

AFB/PPRC.19/18 Proposal for Panama (Fundación Natura)

AFB/PPRC.19/19 Proposal for the Federated States of Micronesia (SPREP)

AFB/PPRC.19/20 Proposal for Peru (CAF)

AFB/PPRC.19/21 Proposal for Lao People's Democratic Republic (UN-Habitat)

AFB/PPRC.19/22 Proposal for Paraguay (UNEP)

15. Of the 17 proposal submissions 15 are for regular projects and programmes, i.e. they request funding exceeding US\$ 1,000,000 and two are small-size project proposals, i.e. a proposal requesting up to US\$ 1,000,000.

16. The average funding requested for the eight regular fully-developed proposals amounts to US\$ 7,004,542, including management fees charged by the IEs. The average funding requested for the seven regular concept proposals amounts to US\$ 6,047,506, and for the two small-size concept proposals to US\$ 750,000, 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%. The average implementing entity fee requested by the fully-developed project/programme documents is US\$ 437,001.

17. With the exception of the concept for Indonesia, all proposals are in compliance with Board Decision B.13/17 to cap execution costs at 9.5% of the project/programme budget. The execution costs in the fully-developed project/programme documents submitted to this meeting average of US\$ 477,680.

18. 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.

19. The funding requests of the fully-developed NIE project documents submitted to the current meeting amount to US\$ 32,466,438, including 6.1% in management fees. The project formulation grant (PFG) requests from NIEs for Namibia, the Dominican Republic and Indonesia amount to US\$ 119,000 and are in accordance with Board Decision B.12/28. The current cumulative funding allocation for projects/programmes and PFGs submitted by NIEs is US\$ 118,032,167, which represented 23.3% of the sum of cumulative project/programme funding decisions and funds available to support funding decisions, as at 30 June 2016. If the Board were to decide to approve all the fully-developed NIE proposals and the PFG requests submitted to the twenty-eighth meeting, the cumulative funding allocation for NIEs would increase to US\$ 150,617,505, which would represent 27.9% of total project/programme funds.

Table 1: Single-country project proposals submitted to the 28th Adaptation Fund Board meeting

Country	IE	Financing requested (USD)	Stage	IE Fee, USD	IE Fee, %	Execution Cost (EC), USD	EC, % of Total
Namibia (1)	DRFN	\$750,000	Project concept	\$58,756	8.50%	\$65,668	9.50%

Namibia (2)	DRFN	\$750,000	Project concept	\$58,756	8.50%	\$65,668	9.50%
Dominican Republic	IDDI	\$9,954,000	Project concept	\$780,000	8.50%	\$796,000	8.68%
Indonesia	Kemitraan	\$3,808,416	Project concept	\$266,589	7.53%	\$369,716	10.44%
Ecuador	CAF	\$2,489,373	Project concept	\$119,373	5.04%	\$180,000	7.59%
Marshall Islands	SPREP	\$7,484,873	Project concept	\$586,373	8.50%	\$598,500	8.68%
Togo	BOAD	\$10,000,000	Project concept	\$770,834	8.35%	\$762,041	8.26%
Fiji	UN-HABITAT	\$4,200,000	Project concept	\$329,020	8.50%	\$335,825	8.68%
Solomon Islands	UN-HABITAT	\$4,395,877	Project concept	\$344,377	8.50%	\$351,500	8.68%
Antigua and Barbuda	ABED	\$9,970,000	Fully developed project document	\$434,000	4.55%	\$636,240	6.67%
Ethiopia	MOFEC	\$9,975,486	Fully developed project document	\$501,443	5.29%	\$465,405	4.91%
India	NABARD	\$2,556,093	Fully developed project document	\$200,000	8.49%	\$204,410	8.68%
Panama	Fundación Natura	\$9,964,859	Fully developed project document	\$744,509	8.07%	\$799,939	8.03%
Micronesia (Fed. Sts of)	SPREP	\$9,000,000	Fully developed project document	\$705,069	8.50%	\$788,018	9.50%
Peru	CAF	\$2,941,446	Fully developed project document	\$217,885	8.00%	\$253,200	9.30%
Lao People's Democratic Republic	UN-Habitat	\$4,500,000	Fully developed project document	\$352,535	8.50%	\$359,825	8.68%
Paraguay	UNEP	\$7,128,450	Fully developed project document	\$558,450	8.50%	\$570,000	8.68%
Total		\$99,868,873		\$7,027,969	7.57%	\$7,601,955	8.19%

20. 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)

Project/programme proposals submitted by implementing entities: regional proposals

21. Accredited MIEs and RIEs submitted to the secretariat 12 proposals for regional projects and programmes, for consideration within the pilot programme approved by the Board at its twenty-fifth meeting. The total requested funding of those proposals amounted to US\$ 97,553,230. Among the proposals were two pre-concepts for regional projects, with a total requested funding of US\$ 18,544,055, six project concepts with a total requested funding of US\$ 48,400,000, and four fully-developed project proposals with a total requested funding of US\$ 30,609,175. Following the initial technical review carried out by the secretariat, one project concept was withdrawn by its proponent. In addition, the budget requests for some of the proposals were altered. The final total requested funding of the two pre-concepts amounted to US\$ 18,544,055. They included US\$ 1,411,055 or 8.2%³ in Implementing Entities' management fees and US\$ 1,433,00 or 8.4%⁴ in execution costs. The final total requested funding for the five remaining concepts amounted to US\$ 43,894,625, and they included US\$ 3,512,509 or 8.7% in Implementing Entities' management fees and US\$ 3,650,675 or 9.0% in execution costs. Finally, the final total requested funding for the four fully-developed regional proposals amounted to US\$ 30,609,175, and they included \$2,341,880 or 8.3% in Implementing Entities' management fees and US\$ 1,752,806 or 6.2% in execution costs.

22. One of the two pre-concepts was submitted by an RIE, the Sahara and Sahel Observatory (OSS), and the other by an MIE, UN-Habitat. Of the five concepts two were submitted by RIEs: the Central American Bank for Economic Integration (CABEI) and BOAD, while three were submitted by MIEs: the United Nations Development Programme (UNDP), the United Nations Educational, Scientific, and Cultural Organization (UNESCO) and the United Nations World Food Programme (WFP). One of the fully-developed project documents was submitted by an RIE, CAF, and three were from MIEs: UNEP, UNESCO and the World Meteorological Organization (WMO). Details of the regional proposals are contained in the separate PPRC working documents, as follows:

AFB/PPRC.19/23 Proposal for Benin, Burkina Faso and Niger (OSS)

AFB/PPRC.19/24 Proposal for the Comoros, Madagascar, Malawi and Mozambique (UN-Habitat)

AFB/PPRC.19/25 Proposal for Benin, Burkina Faso, Ghana, Niger and Togo (BOAD)

AFB/PPRC.19/25/Add.1 Project formulation grant for Benin, Burkina Faso, Ghana, Niger and Togo (BOAD)

AFB/PPRC.19/26 Proposal for Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama (CABEI)

³ 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.

⁴ 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.19/27 Proposal for Colombia and Ecuador (WFP)

AFB/PPRC.19/27/Add.1 Project formulation grant for Colombia and Ecuador (WFP)

AFB/PPRC.19/28 Proposal for Kyrgyzstan, Tajikistan and Uzbekistan (UNESCO)

AFB/PPRC.19/28/Add.1 Project formulation grant for Kyrgyzstan, Tajikistan and Uzbekistan (UNESCO)

AFB/PPRC.19/29 Proposal for Mauritius and Seychelles (UNDP)

AFB/PPRC.19/29/Add.1 Project formulation grant for Mauritius and Seychelles (UNDP)

AFB/PPRC.19/30 Proposal for Chile and Ecuador (CAF)

AFB/PPRC.19/31 Proposal for Burundi, Kenya, Rwanda, Tanzania and Uganda (UNEP)

AFB/PPRC.19/32 Proposal for Cambodia, Lao People's Democratic Republic, Myanmar, Thailand and Viet Nam (UNESCO)

AFB/PPRC.19/33 Proposal for Ethiopia, Kenya and Uganda (WMO)

23. Of the two pre-concepts, one targets the funding window for larger projects, of up to US\$ 14 million, and the other targets the funding window of up to US\$ 5,000,000. Of the five concepts, three target the window for larger projects and two the window for smaller projects. The fully-developed project proposals include two targeting the window for larger projects and two targeting the window for smaller projects. These proposals do not request administration costs, including implementing entity management fee and execution costs, in excess of 20% and are thus in compliance with the pilot programme as described in document AFB/B.25/6/Rev.2.

24. Four of the concepts were submitted together with project formulation grant (PFG) requests, at the level ranging from US\$ 78,000 to US\$ 80,000, and therefore in accordance with the pilot programme as described in document AFB/B.25/6/Rev.2. If the Board were to decide to approve all the PFG requests submitted to the twenty-eighth meeting with the regional proposals, totaling US\$ 318,000, this would correspond to 31.8% of the funding indicatively set aside for project formulation grants in the pilot programme for regional projects and programmes, and raise the cumulative amount of PFG support in the programme to US\$ 498,000 or, to 50% of the funding indicatively set aside.

Table 2: Regional project proposals submitted to the 28th Adaptation Fund Board meeting

Countries	IE	Financing requested (USD)	Stage	IE Fee, USD	IE Fee, %	Execution Cost (EC), USD	EC, % of Total	Project Formul. Grant, USD
Benin, Burkina Faso and Niger	OSS	5,000,000	Pre-concept	\$350,000	7.53%	\$350,000	7.53%	\$0
Madagascar, Malawi, Mozambique and Union of Comoros	UN-HABITAT	13,544,055	Concept	\$1,061,055	8.50%	\$1,083,000	8.68%	\$0

Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama and Dominican Republic	CABEI	\$5,994,625	Concept	\$469,625	8.50%	\$525,000	9.50%	\$0
Benin, Burkina Faso, Ghana, Niger, Togo	BOAD	\$14,000,000	Concept	\$1,096,000	8.49%	\$1,331,000	10.31%	\$80,000
Mauritius, Seychelles	UNDP	\$4,900,000	Concept	\$425,114	9.50%	\$425,215	9.50%	\$80,000
Kyrgyzstan, Tajikistan, Uzbekistan	UNESCO	\$5,000,000	Concept	\$425,000	9.29%	\$250,000	5.46%	\$78,000
Colombia, Ecuador	WFP	\$14,000,000	Concept	\$1,096,770	8.50%	\$1,119,460	8.68%	\$80,000
Chile, Ecuador	CAF	\$13,910,400	Fully-developed proposal	\$1,030,400	8.00%	\$350,000	2.72%	\$0
Burundi, Kenya, Rwanda, Tanzania, Uganda	UNEP	\$5,000,000	Fully-developed proposal	\$391,705	8.50%	\$399,806	8.68%	\$0
Cambodia, Lao People's Democratic Republic, Myanmar, Thailand, Vietnam	UNESCO	\$4,898,775	Fully-developed proposal	\$341,775	7.50%	\$357,000	7.83%	\$0
Ethiopia, Kenya, Uganda	WMO	\$6,800,000	Fully-developed proposal	\$578,000	9.29%	\$646,000	10.38%	\$0
Total		\$93,047,855		\$7,265,444	8.47%	\$6,836,481	7.97%	\$318,000

The review process

25. In accordance with the operational policies and guidelines, the secretariat screened and prepared technical reviews of the 17 single-country project and programme proposals, and the 11 regional project and programme proposals. In performing this review task, the dedicated team of officers of the secretariat was supported by members of the Global Environment Facility secretariat

technical staff, particularly for proposals that had not been previously submitted by the implementing entities.

26. 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.

27. 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.19/4/Add.1).

Issues identified during the review process

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