



ADAPTATION FUND

AFB/PPRC.20/5/Rev.1
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Adaptation Fund Board
Project and Programme Review Committee
Twentieth Meeting
Bonn, Germany, 14-15 March 2017

Agenda Item 7

**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; [...]

(Decision B.17/19)

5. According to the latest Financial Report prepared by the Trustee as of 31 December 2016 (AFB/EFC.20/6), the cumulative funding decisions for projects/programmes submitted by MIEs amounted to US\$ 218.58 million¹, and the cumulative funding decisions for all projects/programmes amounted to US\$ 357.79 million. Funds available to support AF Board funding decisions amounted to US\$ 234.42 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\$ 77.52 million.

¹ This amount is lower than the amount of US\$ 219.91 million previously reported by the Trustee in its report as at 30 June 2016 to the Ethics and Finance Committee at its nineteenth meeting. That is explained by the cancellation in July 2016 of one project that was submitted by the World Food Programme and approved for Indonesia, for an amount of US\$ 5,995,666. At the 28th Board meeting, only one MIE project was approved, submitted by UN-Habitat for the Lao People's Democratic Republic, with an amount of US\$ 4,500,000.

Pilot Programme for Regional Projects and Programmes

6. 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)

7. 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.

8. 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)

9. 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)

10. The proposal requested in (b) above was presented to the nineteenth meeting of the PPRC as document AFB/PPRC.19/5. The Board subsequently decided:

a) *With regard to the pilot programme approved by decision B.25/28:*

(i) *To prioritize the four projects and 10 project formulation grants as follows:*

1. *If the proposals recommended to be funded in a given meeting of the PPRC do not exceed the available slots under the pilot programme, all those proposals would be submitted to the Board for funding;*

2. *If the proposals recommended to be funded in a given meeting of the PPRC do exceed the available slots under the pilot programme, the proposals to be funded under the pilot programme would be prioritized so that the total number of projects and project formulation grants (PFGs) under the programme maximizes the total diversity of projects/PFGs. This would be done using a three-tier prioritization system: so that the proposals in relatively less funded sectors would be prioritized as the first level of prioritization. If there are more than one proposal in the same sector: the proposals in relatively less funded regions are prioritized as the second level of prioritization. If there are more than one proposal in the same region, the proposals submitted by relatively less represented implementing entity would be prioritized as the third level of prioritization;*

(ii) *To request the secretariat to report on the progress and experiences of the pilot programme to the PPRC at its twenty-third meeting; and*

b) *With regard to financing regional proposals beyond the pilot programme referred to above:*

(i) *To continue considering regional proposals for funding, within the two categories originally described in document AFB/B.25/6/Rev.2: ones requesting up to US\$ 14 million, and others requesting up to US\$ 5 million, subject to review of the regional programme;*

(ii) *To establish two pipelines for technically cleared regional proposals: one for proposals up to US\$ 14 million and the other for proposals up to US\$ 5 million, and place any technically cleared regional proposals, in those pipelines, in the order described in decision B.17/19 (their date of recommendation by the PPRC, their submission date, their lower "net" cost); and*

(iii) *To fund projects from the two pipelines, using funds available for the respective types of implementing entities, so that the maximum number of or maximum total funding for projects and project formulation grants to be approved each fiscal year will be outlined at the time of approving the annual work plan of the Board.*

(Decision B.28/1)

11. In addition, the Board considered, at that twenty-eighth meeting, two pre-concepts, five concepts and, for the first time, five fully-developed project documents for regional projects, and decided to endorse two pre-concepts and three concepts, so that in total by the twenty-eighth meeting there was four regional proposal endorsed at the concept level and eleven regional proposals endorsed at the pre-concept level.

12. At the present meeting 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 16 single-country proposals to the secretariat, with the total requested funding amounting to US\$ 99,205,166. Among the proposals were six project concepts, with a total requested funding of US\$ 27,244,992 and 10 fully developed proposals with a total requested funding of US\$ 71,960,174. Following the initial technical review carried out by the secretariat, budget requests from some proposals were altered. The final total requested funding amounted to US\$ 99,043,546, with US\$ 27,083,372 for the six concepts, and US\$ 71,960,174 for the ten fully developed proposals. The proposals included US\$ 6,939,857 or 7.5%² in Implementing Entities management fees and US\$ 7,511,984 or 8.2%³ in execution costs.

14. The National Implementing Entity (NIE) for Armenia, the Environmental Project Implementation Unit (EPIU), 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 the Federated States of Micronesia, the Micronesia Conservation Trust (MCT). One Regional Implementing Entity (RIE), the *Banco de Desarrollo de America Latina* (CAF; Development Bank of Latin America), submitted a project concept for Ecuador and one Multilateral Implementing Entity (MIE), the Inter-American Development Bank (IDB), submitted a concept for Suriname. Three 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), and the NIE for Panama, *Fundación Natura*. Three RIEs submitted one fully developed project proposal each: the *Banque Ouest Africaine de Développement* (BOAD, West African Development Bank) for Guinea-Bissau, the Pacific Regional Environment Programme (SPREP) for the Federated States of Micronesia and CAF for Peru, respectively. Also three MIEs submitted four fully developed project proposals: the United Nations Human Settlements Programme (UN-Habitat), for Fiji and the Solomon Islands, respectively, the United Nations Development Programme (UNDP) for Honduras and the 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.20/6 Proposal for the Federated States of Micronesia (1) (MCT)

AFB/PPRC.20/6/Add.1 Project formulation grant for the Federated States of Micronesia (1) (MCT)

² 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.

³ 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.20/7 Proposal for Armenia (1) (EPIU)
- AFB/PPRC.20/7/Add.1 Project formulation grant for Armenia (1) (EPIU)
- AFB/PPRC.20/8 Proposal for Armenia (2) (EPIU)
- AFB/PPRC.20/8/Add.1 Project formulation grant for Armenia (2) (EPIU)
- AFB/PPRC.20/9 Proposal for the Dominican Republic (IDDI)
- AFB/PPRC.20/9/Add.1 Project formulation grant for the Dominican Republic (IDDI)
- AFB/PPRC.20/10 Proposal for Ecuador (CAF)
- AFB/PPRC.20/11 Proposal for Suriname (IDB)
- AFB/PPRC.20/12 Proposal for Antigua and Barbuda (ABED)
- AFB/PPRC.20/13 Proposal for Ethiopia (MOFEC)
- AFB/PPRC.20/14 Proposal for Panama (Fundación Natura)
- AFB/PPRC.20/15 Proposal for Guinea-Bissau (BOAD)
- AFB/PPRC.20/16 Proposal for the Federated States of Micronesia (2)(SPREP)
- AFB/PPRC.20/17 Proposal for Peru (CAF)
- AFB/PPRC.20/18 Proposal for Fiji (UN-Habitat)
- AFB/PPRC.20/19 Proposal for Honduras (UNDP)
- AFB/PPRC.20/20 Proposal for Paraguay (UNEP)
- AFB/PPRC.20/21 Proposal for Solomon Islands (UN-Habitat)

15. Of the 16 proposal submissions 15 are for regular projects and programmes, i.e. they request funding exceeding US\$ 1,000,000 and one is small-size project proposal, i.e. a proposal requesting up to US\$ 1,000,000.

16. The average funding requested for the 10 regular fully-developed proposals amounts to US\$ 7,196,017, including management fees charged by the IEs. The average funding requested for the five regular concept proposals amounts to US\$ 5,222,674, and the small-size concept proposal amounts to US\$ 970,000, 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\$ 498,676.

17. With the exception of the concept for Armenia (1), 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\$ 540,414.

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\$ 29,925,469, including management fees. The project formulation grant (PFG) requests from NIEs for Armenia, the Dominican Republic and Micronesia amount to US\$

117,000 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\$ 120,630,811, which represented 20.4% of the sum of cumulative project/programme funding decisions and funds available to support funding decisions, as at 31 December 2016. If the Board were to decide to approve all the fully-developed NIE proposals and the PFG requests submitted to the twenty-ninth meeting, the cumulative funding allocation for NIEs would increase to US\$ 150,553,280, which would represent 25.4% of the sum of cumulative project/programme funding decisions and funds available to support funding decisions.

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
Armenia	EPIU	\$1,385,380	Project concept	\$0	0.00%	\$88,805	6.41%
Armenia	EPIU	\$2,483,000	Project concept	\$210,000	9.24%	\$178,000	7.83%
Micronesia	MCT	\$970,000	Project concept	\$75,854	8.48%	\$81,286	9.09%
Dominican Republic	IDDI	\$9,954,000	Project concept	\$780,000	8.50%	\$796,000	8.68%
Ecuador	CAF	\$2,489,373	Project concept	\$119,373	5.04%	\$180,000	7.59%
Suriname	IDB	\$9,801,619	Project concept	\$767,869	8.50%	\$783,750	8.68%
Antigua and Barbuda	ABED	\$9,970,000	Fully developed project document	\$434,000	4.55%	\$636,240	6.67%
Ethiopia	MOFEC	\$9,987,910	Fully developed project document	\$501,443	5.29%	\$465,404	4.91%
Panama	FN	\$9,967,559	Fully developed project document	\$772,394	8.40%	\$797,754	8.68%
Guinea Bissau	BOAD	\$9,970,000	Fully developed project document	\$781,000	8.50%	\$798,000	8.68%
Micronesia (F.S. 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%

Fiji	UN-Habitat	\$4,200,000	Fully developed project document	\$329,032	8.50%	\$335,825	8.68%
Honduras	UNDP	\$4,398,932	Fully developed project document	\$343,110	8.46%	\$381,802	9.41%
Paraguay	UNEP	\$7,128,450	Fully developed project document	\$558,451	8.50%	\$596,400	9.08%
Solomon Islands	UN-Habitat	\$4,395,877	Fully developed project document	\$344,377	8.50%	\$351,500	8.68%
Total		\$99,868,873		\$6,939,857	7.53%	\$7,511,984	8.16%

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 seven 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\$ 63,223,822. Among the proposals were three project concepts with a total requested funding of US\$ 23,513,422, and four fully-developed project proposals with a total requested funding of US\$ 39,710,400. The total requested funding for the three concepts included US\$ 1,883,892 or 8.7% in Implementing Entities' management fees and US\$ 1,952,023 or 9.0% in execution costs. The total requested funding for the four fully-developed regional proposals included \$3,096,905 or 8.5% in Implementing Entities' management fees and US\$ 3,130,280 or 8.5% in execution costs.

22. Of the three concepts one was submitted by an RIE: the Central American Bank for Economic Integration (CABEI), while two were submitted by MIEs: UNDP and UN-Habitat. One of the fully-developed project documents was submitted by an RIE, CAF, and three were from MIEs: UNEP, the United Nations World Food Programme (WFP) and the World Meteorological Organization (WMO). Details of the regional proposals are contained in the separate PPRC working documents, as follows:

AFB/PPRC.20/22 Proposal for Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama (CABEI)

AFB/PPRC.20/22/Add.1 Project formulation grant for Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama (CABEI)

AFB/PPRC.20/23 Proposal for the Comoros, Madagascar, Malawi and Mozambique (UN-Habitat)

AFB/PPRC.20/23/Add.1 Project formulation grant for the Comoros, Madagascar, Malawi and Mozambique (UN-Habitat)

AFB/PPRC.20/24 Proposal for Cuba, the Dominican Republic and Jamaica (UNDP)

AFB/PPRC.20/24/Add.1 Project formulation grant for Cuba, the Dominican Republic and Jamaica (UNDP)

AFB/PPRC.20/25 Proposal for Chile and Ecuador (CAF)

AFB/PPRC.20/26 Proposal for Burundi, Kenya, Rwanda, Tanzania and Uganda (UNEP)

AFB/PPRC.20/27 Proposal for Colombia and Ecuador (WFP)

AFB/PPRC.20/28 Proposal for Ethiopia, Kenya and Uganda (WMO)

23. Of the three concepts, one targets the window for larger projects and two the window for smaller projects. The fully-developed project proposals include three targeting the window for larger projects and one 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. The three concepts were submitted together with project formulation grant (PFG) requests, at the level ranging from US\$ 80,000 to US\$ 100,000, 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\$ 260,000, this would correspond to 26% 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\$ 680,000 or, to 68% 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
Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Dominican Republic	CABEI	\$5,000,000	Concept	\$391,705	8.50%	\$437,788	9.50%	\$100,000
Cuba, Dominican	UNDP	\$4,969,367	Concept	\$431,132	9.50%	\$431,235	9.50%	\$80,000

Republic, Jamaica								
Comoros, Madagascar, Malawi, Mozambique	UN- HABITAT	13,544,055	Concept	\$1,061,055	8.50%	\$1,083,000	8.68%	\$80,000
Chile, Ecuador	CAF	\$13,910,400	Fully- developed proposal	\$1,030,400	8.00%	\$965,074	7.49%	\$0
Burundi, Kenya, Rwanda, Tanzania, Uganda	UNEP	\$5,000,000	Fully- developed proposal	\$391,705	8.50%	\$399,806	8.68%	\$0
Colombia, Ecuador	WFP	\$14,000,000	Fully- developed proposal	\$1,096,800	8.50%	\$1,119,400	8.68%	\$0
Ethiopia, Kenya, Uganda	WMO	\$6,800,000	Fully- developed proposal	\$578,000	9.29%	\$646,000	10.38%	\$0
Total		\$63,223,822		\$4,980,797	8.55%	\$5,082,303	8.73%	\$260,000

The review process

25. In accordance with the operational policies and guidelines, the secretariat screened and prepared technical reviews of the 16 single-country project and programme proposals, and the seven 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, and by individual consultants.

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. 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.20/5/Add.1).

Issues identified during the review process

28. The secretariat would like to draw to the attention of the PPRC that, as reported in the previous sections, the four fully-developed project proposals submitted under the pilot programme for regional projects and programmes for the current meeting are requesting a total funding of US\$ 39,710,400, which is already above the envelope of US\$ 30 million allocated for the pilot

programme as per decision B.25/28⁴. The prioritization criteria for the projects and programme under the pilot programme have been clarified and a way forward for financing regional project and programme proposals beyond the pilot programme has been approved by the Board at its twenty-eighth meeting, as follows:

[...] b) With regard to financing regional proposals beyond the pilot programme referred to above:

(i) To continue considering regional proposals for funding, within the two categories originally described in document AFB/B.25/6/Rev.2: ones requesting up to US\$ 14 million, and others requesting up to US\$ 5 million, subject to review of the regional programme;

(ii) To establish two pipelines for technically cleared regional proposals: one for proposals up to US\$ 14 million and the other for proposals up to US\$ 5 million, and place any technically cleared regional proposals, in those pipelines, in the order described in decision B.17/19 (their date of recommendation by the PPRC, their submission date, their lower “net” cost); and

(iii) To fund projects from the two pipelines, using funds available for the respective types of implementing entities, so that the maximum number of or maximum total funding for projects and project formulation grants to be approved each fiscal year will be outlined at the time of approving the annual work plan of the Board.

(Decision B.28/1)

29. Referring to decision B.28/1b) (iii), it should be noted that the Board will discuss its annual work plan for fiscal year 2018 (FY18) at this twenty-ninth meeting and that between this and the meeting during which the work plan for FY19 will be discussed, there will be three opportunities for the submission of regional project and programme proposals, i.e. intersessionally between the twenty-ninth and the thirtieth meetings, during the thirtieth and thirty-first meetings.

30. Given the keen interest shown from countries and IEs for the regional projects and programmes, it could be anticipated that, by the thirty-first Board meeting, there will be a number of regional project and programme proposals technically cleared by the PPRC and put in one or both of the established pipelines.

31. Therefore, the PPRC may wish to consider to recommend that the Board decide to include in its work plan for FY18 the provision for an amount of US\$ 30 million to be provisionally set aside for the funding of regional project and programme proposals beyond the pilot programme, under the two pipelines established under decision B.28/1, and project formulation grants, as follows:

- Up to three proposals requesting up to US\$ 5 million of funding;
- One proposal requesting up to US\$ 14 million of funding;

⁴ This is not taking into account whether the fully-developed proposals are recommended for approval or not. It should also be noted that under the pilot programme, only one “large” proposal up to US\$ 14,000,000 is expected to be financed, together with three “small” proposals up to US\$ 5,000,000, each.

- Up to five project formulation grant requests for preparing project and programme concept or fully-developed project documents requesting up to US\$ 5 million of funding;
- Up to five project formulation grant requests for preparing project and programme concept or fully-developed project documents requesting up to US\$ 14 million of funding.