



ADAPTATION FUND

AFB/EFC.21/7  
3 October 2017

---

Adaptation Fund Board  
Ethics and Finance Committee  
Twenty-first Meeting  
Bonn, Germany, 10-11 October 2017

Agenda item 6 b)

## **FIF COLLABORATION PLATFORM INVESTMENT APPRAISAL**

## **Background**

1. The Adaptation Fund Board (the Board), at its eighteenth meeting in August 2012, approved the one-off cost of US\$ 150,000 as part of the trustee budget to build a new integrated trustee-secretariat information technology system (Decision B.18/34).
2. The system, named Financial Intermediary Funds (FIF) Collaboration Platform, has become operational by phases and completed the initial development stage in FY17. The system was transferred from the trustee to the secretariat and it is under the responsibility of the secretariat from FY18. The secretariat discussed with the World Bank's service provider to obtain precise information and analyzed the worthiness of the capital investment against final deliverables that can be produced by the FIF Collaboration Platform. While the discussion was ongoing, the secretariat received a provisional quote for the continued operation and maintenance of the FIF Collaboration Platform from FY18 onward just before the twenty-ninth meeting of the Board in March 2017. The provisional quote indicated the enhancement cost of US\$ 290,000 for FY18 and FY19 respectively and the annual maintenance cost of US\$ 60,000 for FY18 and US\$ 75,000 for FY19. At a request of the secretariat, the Board approved the annual maintenance cost of the FIF Collaboration Platform (US\$ 60,000) as part of the FY18 Board and Secretariat administrative budget. The secretariat also gave the Board the introductory presentation on the status of the system and potential functions which can be built by further enhancements.
3. The Board, at its twenty-ninth meeting, decided to request the secretariat to assess the option of further development of the FIF collaboration platform and to prepare a recommendation for consideration by the Ethics and Finance Committee at its twenty-first meeting (Decision B.29/37).
4. The secretariat will present the updates of the discussion with the World Bank's service provider and financial and non-financial values of the system enhancement.

## **Status of the FIF Platform**

5. The FIF Platform is a stand-alone online system built on a Share Point interface and has not been integrated to any key systems yet such as the SAP-based the accounting system (the SAP system) on which the trustee manages fund transfers as well as the Adaptation Fund's external website.
6. The Platform has fields to record basic information of project proposals regardless of their stages (approved, not approved, concept endorsed etc.). The Platform also has fields to record disbursement schedules as well as actual disbursed amounts and dates. Since the Platform is not linked to the SAP system, the secretariat takes the disbursement information from the SAP system first and enters it in the Platform manually. The Platform was built for several FIFs so it covers some common needs and requirements among the FIFs but some customization and enhancement is required for the Adaptation Fund to make use of the Platform.

7. The Platform has functions to track expected results on the outcome level (Outcome 1 to 7) but not on the further-down output indicator level. Table 1 indicates an example of the Adaptation Fund's expected results and indicators for projects. The secretariat has been lately frequently requested by external stakeholders to provide project results up to output indicator levels. Since the Platform does not track results on output indicator levels, the secretariat compiles them manually on an ad-hoc basis.

**Table 1: Example of the Adaptation Fund expected results and indicators for projects**

Outcome level (Expected result)	Output indicator level
Outcome 3: Strengthened awareness and ownership of adaptation and climate risk reduction processes at local level	3.1. Percentage of targeted population aware of predicted adverse impacts of climate change, and of appropriate responses
	3.2. Modification in behavior of targeted population

8. The secretariat's usage of the Platform is still limited to storing project information in the system while a few other FIFs are more advanced in the enhancement and utilization their respective, related systems. In order to give the Platform functions beyond information storage and to eventually make it an effective tool to improve the secretariat operational efficiency, enhancements would be necessary.

### **Analysis of the current manual operations vs the enhanced FIF platform**

8. The secretariat's internal process related to funding projects consists of multiple steps such as receiving and reviewing project proposals, publishing proposals on the website, signing agreements, requesting the trustee to process cash transfers, and receiving and reviewing performance reports for subsequent fund transfers. The secretariat assessed the current manual operations from perspectives of efficiency of its business process, workflow management and data analysis, and identified a few challenges in the current operations (see also Annex 1) which the FIF platform could potentially mitigate, as follows:

- (a) Duplication of work: Project proposals are raw information source that several staff members refer to. Projects information is used to produce deliverables in different stages of the process, for example, legal agreements, cash transfer request forms and website contents. With the enhancement, the Platform will pull out required information from the system and produce standard documents as well as the website contents for project pages. Data entry will be just one-time in the FIF platform so significant reduction of manual work and staff time is expected.
- (b) Absence of reporting requirement tracking system: Currently, the secretariat has no practical system to alert and remind implementing entities (IEs) of reporting due dates. For example, the average number of days that IEs have taken between project inception and submission of the first project performance report (PPR) is 497 days. (IEs are required

to submit the first PPR within 425 days<sup>1</sup> after project inception.) With the enhancement, the Platform will send a reminder of the reporting due date to both IEs and the secretariat. These reports include PPRs, mid-term evaluation/review reports and final evaluation reports. As the number of approved projects increases, the number of reporting requirements will also increase. Reporting requirements are entailed with project formulation grants and the readiness grants as well. This reporting management function will be an acute need for the secretariat to improve the report collection days and to enhance project monitoring capacity of the secretariat. This function will also help the secretariat to issue a statement of disbursement and report submission status for IEs periodically.

- (c) Risk of human errors and information/interpretation inconsistency: In the current operations, the secretariat uses the cash transfer reports which are available on the trustee managing accounting system (the SAP system) to track project fund transfer status. The secretariat takes amounts and dates of the transfers from the report and enters the information in its own Excel sheet that better serves for the secretariat operations. Similarly, two secretariat staff members carry out almost similar data entry for 1) the FIF platform and 2) the external website respectively. These manual information handling operations always create the risk of human errors and information/interpretation inconsistency between the trustee and the secretariat as well as between the different mediums within the secretariat. With the integration of the FIF platform to the SAP system and the Fund's external website, manual data handling will not be necessary in between, therefore the above said risk will be reduced.
- (d) Challenges to produce the annual performance reports (APRs): Production of the APRs has been a recurring challenge for the secretariat, and each year the secretariat has hired seasonal short-term staff to support the report production. The hired individual has changed every time. The work of the staff starts from filling gaps and missing information in the project database. The information in the APRs is manually extracted from the master data in the excel files, raw data in project proposals and other files that the staff prepared just for the report production on an ad-hoc basis. The current FIF platform has a very limited feature of results tracking and data analysis. With the enhancement, the system will be customized for the Fund's specific needs and serve as a results tracker and programmed to produce and analyze information for the APRs and other internal and external requests periodically.
- (e) Heavy reliance on e-mail exchanges and individual memory: In a number of financially- or non-financially binding operations, and in accordance with the Fund's Operational Policy and Guidelines, a non-objection has to be made by Board members for the decision related to the operation to be approved. The secretariat has to request those non-objection responses from the Board and subsequently notify the Board of the final decisions. This operation has been undertaken by e-mail exchanges and the aggregation of the non-

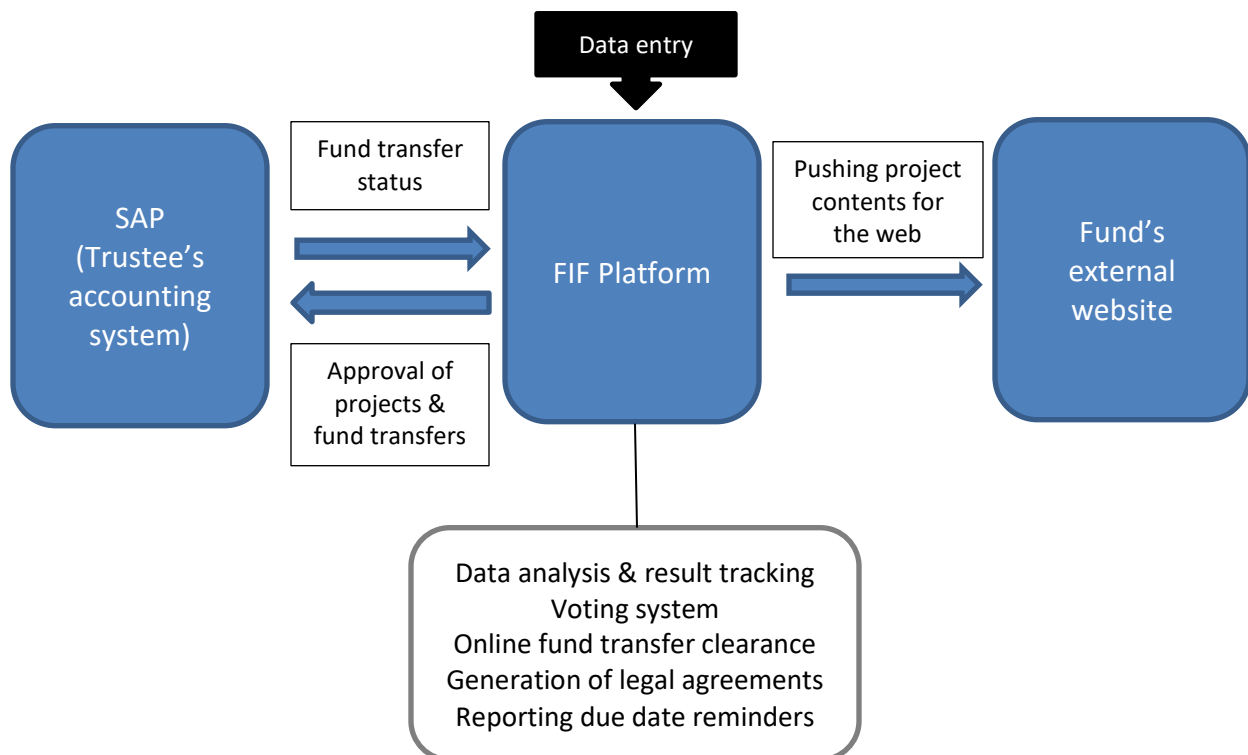
---

<sup>1</sup> After the inception of projects, IEs are given 365 days plus additional 60 days to prepare and submit the first PPR.

objection responses received from the Board members and the adherence to the response deadline solely relies on a memory of an individual staff member. There are some cases that a staff member is managing a few non-objection cycles in parallel therefore the processes are under the risk of delay if the staff fails to remember the deadline or is occupied with other urgent operations. Similarly, the secretariat exchanges e-mails with the Board Chair to obtain his clearance on fund transfers for projects as many as a few times a week and with the trustee to request for actual fund transfers after that. The Platform could be enhanced to build the online non-objection management functions as well as the online fund transfer clearance and execution functions.

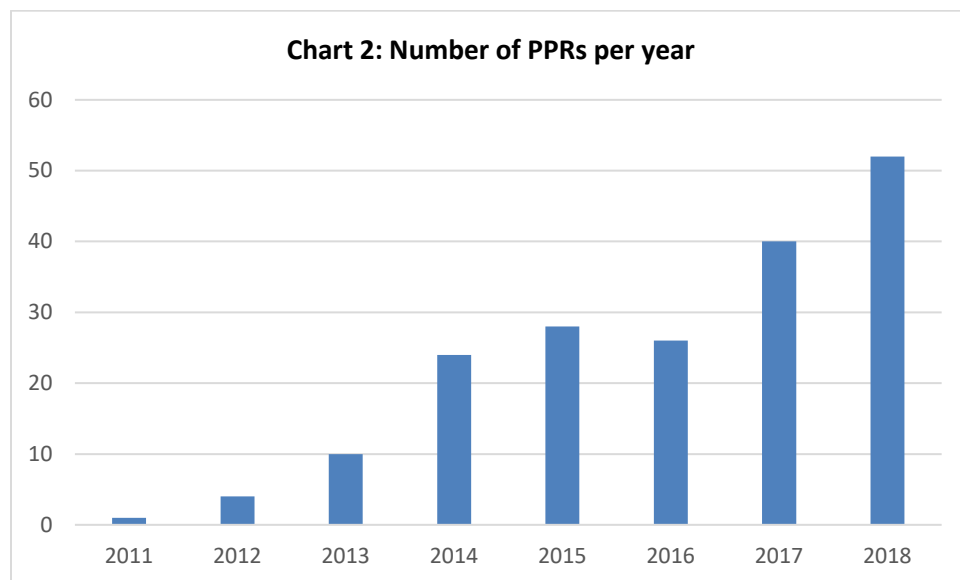
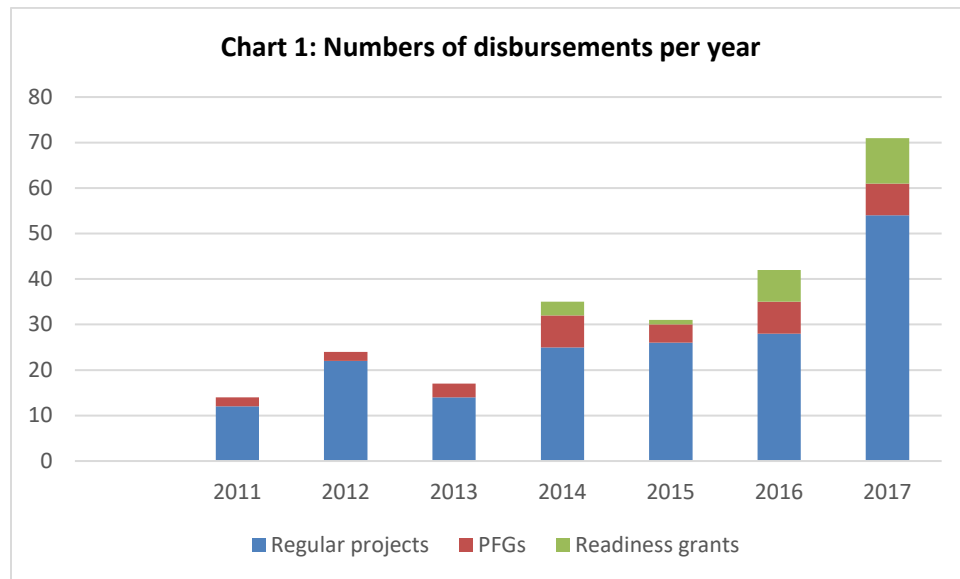
9. Having identified the above-mentioned areas of challenges, one of the essential enhancements is the integration of the Platform to the SAP system and the Fund's external website. Without the integration to the SAP system in particular, the Platform does not fulfil the initial purpose of the establishment of the "integrated trustee-secretariat information technology system". Figure 1 shows an image of the Platform after the integration to the SAP and the Fund's external website. As the image shows, the one-time data entry to the Platform will serve for a series of following processes in the workflow.

**Figure 1: Image of the FIF Collaboration Platform after integrated to the SAP and the Fund's external website**



10. Annex 1 also shows average time being taken per operation by an applicable unit. It suggests that the more projects are approved, the more PPR submissions come in and disbursements are made. Chart 1 and 2 below indicates the numbers of actual and expected

PPRs coming in and disbursements made since 2011. Both charts clearly show an increasing trend. The secretariat expects that this trend will continue in coming years and the staff time taken for the associated manual operations will increase accordingly. In the past years, the Fund's funding operation was dominated by project review and approval. While this operation grows steadily, the volume of the active projects and programmes has reached 59 (excluding seven closed projects) by the time that this document is issued. The project review operations have little areas to reduce the manual work therefore it is urgent to increase the secretariat's project monitoring capacity and operational efficiencies. One of the solutions could be holding additional staff in the secretariat but it is not a sustainable option in a long-term.



The charts represent both actual and expected numbers in each year based on the number of approved projects by the time that this document is issued. With additional project approvals in 2017, the number of disbursements and PPRs would increase further.

## **Key facts and expected outcomes of the FIF platform operations**

11. The secretariat identified key facts to be noted for the enhancement of the Platform and expected outcomes of its operations as follows.

### Key facts

- (a) The initial investment and maintenance costs are required.
- (b) The accuracy of the data in the system becomes vitally important.

### Expected outcomes

- (a) Improvement in the secretariat's operational efficiency
- (b) Improvement in project monitoring operations (e.g. Improvement in reports collection days)
- (c) Better information management and more timely information sharing and publication
- (d) Improvement in the organization's image using the modernized system

## **Budget plans**

12. The secretariat continued the discussion with the World Bank's service provider and sought potential areas that would enable reducing the enhancement cost, given that the provisionally quoted enhancement cost was quite high, which is equivalent to 5.8 percent of the approved administrative budget for the Board and Secretariat for FY18. The secretariat gave a priority-based ranking to potential functions that can be built by the enhancement and submitted this list to the service provider again. The service provider gave a revised quote amounting to US\$ 150,000 for the enhancement. The reduction of the quoted amount has benefitted not only from the more selected functions to be enhanced but also from the fact that the service provider decided to charge the Adaptation Fund only the incremental staff hours which are required to customize the existed similar functions that have already been in place for other FIF collaboration platform users. Annex II shows the breakdown of the projected enhancement costs for FY18.

13. The secretariat also negotiated with the service provider on the annual maintenance cost of US\$ 60,000 which was previously estimated with an assumption of holding a dedicated full-time maintenance staff, and managed to reduce it to US\$ 20,000 with the 1/3-time availability of the maintenance staff.

14. In addition, the secretariat considered an option to save the cost by using an external vendor to undertake the enhancement. The structure of the Platform is shared with other FIFs and the individual platforms are all rooted in one system built in the World Bank's server.

Therefore, only one service team can engage in the enhancements. Since the Bank's service provider has been engaged, the Adaptation Fund does not have an option of using an external vendor on its own choice. The option of using an external vendor would become viable only if the secretariat would not use the existed Platform and would build a completely new platform instead. In addition, the secretariat anticipates some challenges that an external vendor would face when they work on the integration with the SAP system which is protected by the World Bank's security measure. The access to the Bank's internal system would not be granted to the external vendor easily, which requires for the enhancement.

15. Projected enhancement and maintenance costs for FY18, FY19 and FY20 onward are shown in Table 2 below. The secretariat aims to complete the planned enhancement by the end of FY18. Minor enhancement and adjustments are expected to be required in FY19, which is contingent on the completion of the enhancement and usage of the Platform. In the proposed plan, only the maintenance cost will be allocated as a recurring budget in FY20 and onward and any additional enhancement which may arise later will be managed within the maintenance cost.

**Table 2: Projected enhancement and maintenance cost for FY18, FY19 and FY20 onward**

	FY18	FY19	FY20 onward
Enhancement cost	\$150,000	Up to \$40,000*	
Maintenance cost** (1/3 staff time per month)	\$20,000	\$20,000	\$20,000
Total	\$170,000	\$60,000	\$20,000

\* Minor enhancements, adjustments and fixes that need to be done after the FY18 enhancement

\*\* Maintenance costs cover minor enhancements and bug fixing only. (Server maintenance is handled by central WB IT team and the Adaptation Fund needs not pay for it.)

16. The secretariat deems that the operation of the Platform can be managed by the staff members currently on board in a collaborative manner, benefiting from the reduction of duplicate and manual work after the enhancement of the Platform.

### **Recommendation**

17. The secretariat recommends that the Ethics and Finance Committee, considering the challenges of the current manual operations and the expected benefits of the Financial Intermediary Fund (FIF) collaboration platform, which are contained in document AFB/EFC.21/7, recommend the Board to:

- a) Approve the cost of US\$ 150,000 for the enhancement of the FIF collaboration platform for FY18; and
- b) Request the trustee to transfer US\$ 110,000 to the Board and Secretariat administrative budget, considering that the US\$ 60,000 which has been approved as the maintenance cost of the Platform at the twenty-ninth meeting of the Board will supplement the remained enhancement cost of US\$ 40,000 and cover the revised maintenance cost of US\$ 20,000.



## Annex I: FIF Collaboration Platform

## Challenges in the manual operations and expected benefits and outcomes from the system enhancement

Key enhancement	Current operations	Time taken by current operation	Challenges in current operations	Expected benefits and outcomes from the system enhancement
<b>Secretariat business processes and workflow management</b>				
Non-objection or all must vote approval for intersessional submitted projects and decisions	Prepare and circulate an e-mail to the Board members and trace their votes received by e-mail for 2 week voting period.	1 hour per project	<ul style="list-style-type: none"> <li>• Due dates for voting rely on personal memory.</li> <li>• Difficult to trace the number of votes received by e-mail especially multiple proposals are under voting in parallel.</li> </ul>	<ul style="list-style-type: none"> <li>• Board members and alternates have access to the system. Board members only have specific credentials to be able to vote and are requested to vote through the system. The system tracks the number of votes and the voting period and notify the Board members the decision of approval/rejection etc.</li> <li>• The approval is notified to the trustee in real time so the trustee can make the fund commitment.</li> <li>• Reduction of manual work/e-mail exchanges, overlooking voting periods and creating a better workflow from approval to fund transfer.</li> </ul>
PPRs for review and clearance	Prepare and send an e-mail to the Board Chair for his clearance. Upon clearance, circulate another e-mail to the Board members for notify the clearance.	1 hour per PPR	E-mail exchanges between the secretariat and the Board Chair as well as the secretariat and the Board members.	<ul style="list-style-type: none"> <li>• The Board Chair will have specific credentials and can clear and sign off the PPRs on line and the notification of the clearance is sent by the system to the secretariat and the Board members. This, in turn, will create a better workflow from approval to fund transfer.</li> </ul>
Reminding due dates and clearance deadlines for PPR reception, TE reports, MTR reports	Administer due dates of reports in the excel sheet.	N/A (Currently not undertaken)	<ul style="list-style-type: none"> <li>• There is no systematic over-due report management in place.</li> <li>• Coming closer due dates can be done by visual check.</li> </ul>	<ul style="list-style-type: none"> <li>• Automatic e-mail reminders are sent to both the secretariat and the Implementing Entity.</li> <li>• Implementation of systematic over-due report management and improvement of report submission/collection days.</li> </ul>
Stand-alone project formulation grant (PFG)	<ul style="list-style-type: none"> <li>• PFGs information is recorded only as part of a single project record in the current FIF Platform.</li> <li>• Administer due dates of reports in the excel sheet.</li> </ul>	N/A (Currently not undertaken)	<ul style="list-style-type: none"> <li>• There is no way to trace and analyze PFGs as stand-alone grants.</li> <li>• Coming closer due dates can be done by visual check.</li> </ul>	<ul style="list-style-type: none"> <li>• A closure date of PFG can be traced more easily.</li> <li>• PFG specific analysis can be done.</li> <li>• Automatic reminder of due dates and clearance deadlines for reporting requirements.</li> <li>• Implementation of systematic over-due report management and improvement of report submission/collection days.</li> </ul>

Key enhancement	Current operations	Time taken by current operation	Challenges in current operations	Expected benefits and outcomes from the system enhancement
			<ul style="list-style-type: none"> <li>There is no systematic over-due report management in place.</li> </ul>	
Readiness Grants tracking function	<ul style="list-style-type: none"> <li>Readiness Grants are not incorporated in the current FIF Platform.</li> <li>Administer due dates of reports in the excel sheet.</li> </ul>	N/A (Currently not undertaken)	<ul style="list-style-type: none"> <li>There is no way to trace and analyze Readiness Grants.</li> <li>Coming closer due dates can be done by visual check.</li> <li>There is no systematic over-due report management in place.</li> </ul>	<ul style="list-style-type: none"> <li>A closure date of the readiness grants can be traced more easily.</li> <li>Readiness Grants specific analysis can be done.</li> <li>Automatic reminder of due dates and clearance deadlines for reporting requirements.</li> <li>Implementation of systematic over-due report management and improvement of report submission/collection days.</li> </ul>
<b>Result tracker/data analysis</b>				
Data analysis and strategic results breakdown at the output indicator level as per the strategic results framework	Extract data and information manually from project proposals, separately administered excel sheets and a combination with other sources.	Two months of junior short-term staff	Hiring a short-term staff to extract and compile data sets to produce an annual performance report (APR).	<ul style="list-style-type: none"> <li>Significant reduction of manual work and dedicated staff time.</li> <li>Mitigate human errors associated with manual data/information processing.</li> <li>Faster production of the APR.</li> <li>Integrated software Tableau will automate graphics that will be useful for communications and reporting purposes.</li> <li>The Fund's profile will improve by better information management/sharing and timely publication of the APR.</li> </ul>
<b>Trustee/SAP integration</b>				
Integration of the FIF Platform and the SAP (the Trustee's fund management system)	<ul style="list-style-type: none"> <li>The secretariat download and review the cash transfer report in the SAP and manually enter the transferred amounts in the FIF Platform and separately administered excel sheets.</li> <li>The trustee has no access to the FIF</li> </ul>	15 minutes per tranche	<ul style="list-style-type: none"> <li>Only a limited number of staff has access to the SAP. Most of the secretariat staff has no access.</li> <li>The SAP is not user friendly. Disbursements can be traced by country or implementing entity (IE) but not by project. It is difficult when there are multiple projects by a</li> </ul>	<ul style="list-style-type: none"> <li>On-time disbursement information sharing between the trustee and the secretariat.</li> <li>Reduction of the duplicate data entry being done by the secretariat and the trustee respectively. The integration of the FIF Platform and the trustee's SAP shares updates of disbursement status and approved projects in real time.</li> <li>Information gap and inconsistency between the secretariat and trustee can be mitigated, and with the integration to the external website, IEs can also view the disbursement status on the website in real time.</li> <li>The Fund's profile will improve in better information management/sharing and its timely publication.</li> </ul>

Key enhancement	Current operations	Time taken by current operation	Challenges in current operations	Expected benefits and outcomes from the system enhancement
	Platform. It requests for a project ID number of approved projects for the SAP entry and the secretariat communicates them by e-mail.		<p>same IE approved for one country (ef. India).</p> <ul style="list-style-type: none"> <li>The disbursement status can be checked only when the staff visits the SAP site to view the cash transfer report.</li> </ul>	
Auto-generation of legal agreements	Prepare a legal agreement (Word) manually by inserting information from a project proposal (PDF) in the approved agreement format.	<ul style="list-style-type: none"> <li>One hour for preparation per project</li> <li>30 minutes for final check per project</li> </ul>	<ul style="list-style-type: none"> <li>Basic but time-consuming to manually insert individual information in all blanks in the agreement format. Typically, several number of projects get approved at the same time.</li> <li>There is a risk of making human errors when manually entering information repetitively.</li> </ul>	<ul style="list-style-type: none"> <li>Significant reduction of the workload</li> <li>Reduction of risk of making human errors as the system insert individual information in the agreement template using the information already available in the FIF Platform.</li> <li>A review of the agreement by the final checker can be more focused on key information.</li> <li>Faster preparation and issuance of the agreements.</li> </ul>
Auto-generation of fund transfer request forms and the Chair's online clearance function	Prepare a fund transfer request form (Word) by tranche, send it to the Chair by e-mail for his clearance. Insert the Chair's signature in the form and send it to the trustee by e-mail for fund transfer process.	1 hour per tranche	<ul style="list-style-type: none"> <li>Duplicate data entry in the paper-based form, which is already available on the FIF Platform.</li> <li>E-mail exchanges between the secretariat and the Board Chair and the secretariat and the trustee with the paper based form.</li> </ul>	<ul style="list-style-type: none"> <li>Elimination of paper-based fund transfer request and e-mail exchanges.</li> <li>The Board Chair can log into the platform and provide an e-signature to cleared PPRs for next tranche release. Both the secretariat and the trustee are notified when the Board Chair clears the fund transfer.</li> <li>Transfer amounts are pulled out from the already available information in the FIF Platform so eliminate the duplicate work.</li> </ul>
<b>Integration with AF external website</b>				
Publication of key project information on the Fund's external website from the FIF Platform	Prepare a project information page by extracting key information from a project proposal.	1-2 hours per project page	Similar data entry is undertaken for the FIF Platform (45 minutes per project)	<ul style="list-style-type: none"> <li>Significant reduction of the duplicate work and staff time.</li> <li>More timely publication of project information and disbursed amounts</li> <li>Reduction of risk on information inconsistency between the external website and the FIF Platform.</li> </ul>

## Annex II: Projected enhancement cost for FY18 (breakdown)

	Module	Tasks	Delivery Time	Cost
<b><u>Proposed Minor Enhancements</u></b>	Project Identification	Ability to add new Supervising entities to drop-down list Project duration (Number of projects have a duration of 3.5 or 4.5 years, currently the system doesn't allow for 0.5) Sectors – Add "Food security" to drop down for Regional Projects Identify countries as LDC or SIDS (this is needed for communications briefing material)	4 weeks	<b>\$55,000</b>
	Financing Information	Project Financing Total in the "Title description" does not show the total approved amount for the project (project funds and EE cost + SE fees) but just presents the Project funds+ EE costs.	1 Week	
	Results Tracker	Strategic Results breakdown at the output indicator level as per the Strategic Results Framework	4 Weeks	
		Results Breakdown at the output level. This would be beneficial if the fund needs to present any disaggregated data on gender or financing components allocated towards specific output indicators such as training (2.1.1), percentage of population covered by adequate risk reduction systems (2.2.1), physical infrastructure	4 Weeks	
	Project Status	A status for projects delayed or in limbo – "delayed"	1 Week	
<b><u>Projects</u></b>	Cash Transfer Clearing & Monitoring	Add Few required fields	4 Weeks	<b>\$35,000</b>
		Online Commitment and Cash Transfer forms (Integration to the trustee's SAP)		
		Auto-Generation of Legal Agreements	6 Weeks	
	Readiness Grants	Data Gaps - Add few required fields	3 Weeks	
<b><u>All Reports</u></b>	Project Performance Reports (PPRs) and Clearance	Automatic reminders of due dates for – PPR reception and clearance deadlines, TE reports due dates, MTR reports due dates.	2 Weeks	<b>\$20,000</b>
		Board Chair can log into the Platform and provide an e-signature to cleared PPRs for next Tranche release.		
	All other Reports	Other Reports needed by AF business	4 Weeks	
<b><u>Others</u></b>	Voting system	Non-objection of all must vote approval for intersessionally submitted projects and decisions: 32 board members to access the system and vote online during a pre-set period	6 Weeks	<b>\$19,000</b>
	Generation of project pages on the external website	Pushing of the project data from the platform to the external website	3 Weeks	<b>\$6,000</b>
		Contingency		<b>\$15,000</b>
		<b>Total Effort &amp; Cost</b>	<b>42 Weeks</b>	<b>\$150,000</b>