



ADAPTATION FUND

AFB/PPRC.22/5
4 March 2018

Adaptation Fund Board
Project and Programme Review Committee
Twenty-Second Meeting
Bonn, Germany, 20-21 March 2018

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 2017 (AFB/EFC.22/6), the cumulative funding decisions for projects/programmes submitted by MIEs amounted to US\$ 264.68 million, and the cumulative funding decisions for all projects/programmes amounted to US\$ 462.5 million. Funds available to support AF Board funding decisions amounted to US\$ 216.98 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\$ 88.2 million.

Funding Window for Regional Projects and Programmes

6. Since its inception and until March 2017, the Adaptation Fund Board had 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 relation with decision B.28/1 (iii), the Board at its twenty-ninth meeting decided:

a) *To include in its work plan for fiscal year 2018 a program of work amounting to US\$ 30 million for the funding of regional project and programme proposals, as follows:*

- (i) Up to three proposals requesting up to US\$ 5 million for funding;*
- (ii) One proposal requesting up to US\$ 14 million of funding;*
- (iii) Up to five project formulation grant (PFG) requests, of up to US\$ 100,000 each, for preparing project and programme concepts or fully-developed project documents requesting up to US\$ 5 million of funding;*
- (iv) Up to five project formulation grant (PFG) requests, of up to US\$ 100,000 each, for preparing project and programme concepts or fully-developed project documents requesting up to US\$ 14 million of funding.*

(Decision B.29/4)

12. The total amount funded for regional projects and programmes since the inception of the pilot programme is US\$ 25.8 million, for two large projects, i.e. requesting up to US\$ 14 million of funding and one medium size project, i.e. requesting up to US\$ 5 million of funding. To recall, through the pilot programme, a cap of US\$ 30 million was set to fund up to one large size project and up to three medium size projects, and US 1 million was set aside to fund PFGs. Following the establishment of a permanent funding window for regional projects and programmes through decision B.28/1, the Board had decided to include in its work plan for fiscal year 2018 a program of work amounting to US\$ 30 million for the funding of regional project and programme proposals, for up to one large size project and up to three medium size projects, and US\$ 1 million to fund PFGs.

13. The three regional projects funded so far are as follows:

- (i) Under the pilot programme for regional projects and programmes:
 - Burundi, Kenya, Rwanda, Tanzania and Uganda: Adapting to Climate Change in Lake Victoria Basin (UN Environment; US\$ 5,000,000);
 - Ethiopia, Kenya and Uganda: Agricultural Climate Resilience Enhancement Initiative (ACREI) (WMO; US\$ 6,800,000); and
- (ii) Under the work program for FY18:
 - Colombia and Ecuador: Building adaptive capacity to climate change through food security and nutrition actions in vulnerable Afro and indigenous communities in the Colombia-Ecuador border area (WFP; US\$ 14,000,000).

14. 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

15. Accredited IEs submitted 14 single-country proposals to the secretariat, with the total requested funding amounting to US\$ 90,384,118. Among the proposals were four project concepts,

with a total requested funding of US\$ 24,556,008 and 10 fully developed proposals with a total requested funding of US\$ \$65,828,110. Following the initial technical review carried out by the secretariat, two fully-developed proposals were withdrawn due to lack of endorsement by the countries' Designated Authorities, and budget requests from some proposals were altered. The final total requested funding for the remaining 12 proposals amounted to US\$ 70,491,401, with US\$ 24,556,008 for the four concepts, and US\$ 45,935,393 for the eight fully developed proposals. The proposals included US\$ 5,281,501 or 8.1%¹ in Implementing Entities management fees and US\$ 5,153,585 or 7.9%² in execution costs.

16. The National Implementing Entity (NIE) for Armenia, the Environmental Project Implementation Unit (EPIU), submitted one project concept, and two Multilateral Implementing Entities (MIE) submitted three project concepts: the World Food Programme for Lesotho and the African Development Bank (AfDB) for Mozambique and Uganda. Two NIEs submitted one fully developed project document each: the NIE for Cook Islands, the Ministry of Finance and Economic Management (MFEM) and the NIE for the Federated States of Micronesia, the Micronesia Conservation Trust (MCT). Two RIEs submitted one fully developed project proposal each: the *Banque Ouest Africaine de Développement* (BOAD, West African Development Bank) for Togo and *Banco de Desarrollo de America Latina* (CAF; Development Bank of Latin America) submitted one for Ecuador. Also, two MIEs submitted four fully developed project proposals: the United Nations Human Settlements Programme (UN-Habitat), for Cambodia and Mongolia, and the International Fund for Agricultural Development (IFAD) for Cameroon and Iraq. Details of the single-country proposals are contained in the separate PPRC working documents, as follows:

AFB/PPRC.22/6 Proposal for Armenia (EPIU)

AFB/PPRC.22/6/Add.1 Project Formulation Grant for Armenia (EPIU)

AFB/PPRC.22/7 Proposal for Lesotho (WFP)

AFB/PPRC.22/8 Proposal for Mozambique (AfDB)

AFB/PPRC.22/9 Proposal for Uganda (AfDB)

AFB/PPRC.22/10 Proposal for Federated States of Micronesia (MCT)

AFB/PPRC.22/11 Proposal for Cook Islands (MFEM)

AFB/PPRC.22/12 Proposal for Ecuador (CAF)

AFB/PPRC.22/13 Proposal for Togo (BOAD)

AFB/PPRC.22/14 Proposal for Cambodia (UN-Habitat)

AFB/PPRC.22/15 Proposal for Cameroon (IFAD)

AFB/PPRC.22/16 Proposal for Iraq (IFAD)

AFB/PPRC.22/17 Proposal for Mongolia (UN-Habitat)

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.

17. Of the 12 proposal submissions 11 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.

18. The average funding requested for the seven regular fully-developed proposals amounts to US\$ 6,423,628, and the small-size concept proposal amounts to US\$ 970,000, including management fees charged by the IEs including management fees charged by the IEs. The average funding requested for the four regular concept proposals amounts to US\$ 6,139,002, also including management fees charged by the IEs 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\$ 432,966.

19. 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 US\$ 397,659.

20. 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.

21. The funding requests of the fully-developed NIE project documents submitted to the current meeting amount to US\$ 3,969,125, including management fees. The project formulation grant (PFG) request from the NIE for Armenia amounts to US\$ 30,000 and is in accordance with Board Decision B.12/28. The current cumulative funding allocation for projects/programmes and PFGs submitted by NIEs is US\$ 158.06 million, which represented 24.2% of the sum of cumulative project/programme funding decisions and funds available to support funding decisions, as at 31 December 2017. If the Board were to decide to approve all the fully-developed NIE proposals and the PFG requests submitted to the thirty-first meeting, the cumulative funding allocation for NIEs would increase to US\$ 162.06, which would represent 24.7% 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 31st Adaptation Fund Board meeting

Country	IE	Financing requested (USD)	Stage	IE Fee, USD	IE Fee, %	Execution Cost (EC), USD	EC, % of Total
Armenia	EPIU	2,506,000	Project concept	196,000	8.48%	200,000	8.66%
Lesotho	WFP	9,801,608	Project concept	767,868	8.50%	783,749	8.68%
Mozambique	AfDB	9,999,400	Project concept	691,900	7.43%	807,500	8.68%
Uganda	AfDB	2,249,000	Project concept	162,004	7.76%	181,064	8.68%
Cook Islands	MFEM	2,999,125	Fully-developed project document	234,330	8.48%	262,581	9.50%

Micronesia (F. S. of)	MCT	970,000	Fully-developed project document	75,990	8.50%	84,930	9.50%
Ecuador	CAF	2,489,373	Fully-developed project document	119,373	5.04%	180,000	7.59%
Togo	BOAD	10,000,000	Fully-developed project document	728,405	7.86%	804,380	8.68%
Cambodia	UN-Habitat	5,000,000	Fully-developed project document	391,700	8.50%	437,788	9.50%
Cameroon	IFAD	9,982,000	Fully-developed project document	782,000	8.50%	600,000	6.52%
Iraq	IFAD	9,999,660	Fully-developed project document	779,790	8.46%	418,000	4.53%
Mongolia	UN-Habitat	4,495,235	Fully-developed project document	352,141	8.49%	393,593	9.50%
Total		70,491,401		5,281,501	8.10%	5,153,585	7.90%

22. 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

23. Accredited MIEs and RIEs submitted to the secretariat eight proposals for regional projects and programmes, for consideration by the Board at its thirty-first meeting. The total requested funding of those proposals amounted to US\$ 91,165,271. Among the proposals were three project pre-concepts with a total requested funding of US\$ 27,334,875, three project concepts with a total requested funding of US\$ 35,919,996, and two fully-developed project proposals with a total requested funding of US\$ 27,910,400. Following the initial technical review carried out by the secretariat, one fully-developed proposal was withdrawn. The final total requested funding for the remaining seven proposals amounted to US\$ 77,165,271, including US\$ 13,910,400 for the remaining fully developed proposal. The total requested funding for the fully-developed regional proposal included \$1,030,400 or 8.0% in Implementing Entity's management fees and US\$ 965,074 or 7.5% in execution costs.

24. The three pre-concepts were submitted by MIEs: the United Nations Development Programme (UNDP), the United Nations Environment Programme (UN Environment) and the World Meteorological Organization (WMO). Of the three concepts one was submitted by an RIE, CAF, while two were submitted by MIEs: UN-Habitat and WMO. The fully-developed project document was submitted by an RIE, CAF. Details of the regional proposals are contained in the separate PPRC working documents, as follows:

AFB/PPRC.22/18 Proposal for Albania, the Former Yugoslav Republic of Macedonia and Montenegro (UNDP).

AFB/PPRC.22/19 Proposal for Belize and Guatemala (UN Environment)

AFB/PPRC.22/20 Proposal for Chile, Colombia and Peru (WMO)

AFB/PPRC.22/20/Add.1 Project Formulation Grant for Chile, Colombia and Peru (WMO)

AFB/PPRC.22/21 Proposal for Argentina and Uruguay (CAF)

AFB/PPRC.22/21/Add.1 Project Formulation Grant for Argentina and Uruguay (CAF)

AFB/PPRC.22/22 Proposal for Benin, Burkina Faso, Cote d'Ivoire, Ghana, Mali and Togo (WMO)

AFB/PPRC.22/22/Add.1 Project Formulation Grant for Benin, Burkina Faso, Cote d'Ivoire, Ghana, Mali and Togo (WMO)

AFB/PPRC.22/23 Proposal for Côte d'Ivoire and Ghana (UN-Habitat)

AFB/PPRC.22/23/Add.1 Project Formulation Grant for Côte d'Ivoire and Ghana (UN-Habitat)

AFB/PPRC.22/24 Proposal for Chile and Ecuador (CAF)

25. All submitted proposals target the window for larger projects, i.e. up to US\$ 14 million. These proposals do not request administration costs, including implementing entity management fee and execution costs, that are in excess of 20% and are thus in compliance with the requirements for regional projects and programmes as described in document AFB/B.25/6/Rev.2.

26. One pre-concept was submitted together with a project formulation grant (PFG) request for 19,980 and the three concepts were submitted together with PFG requests at the level ranging from US\$ 80,000 to US\$ 100,000, and therefore in accordance with the requirements for regional projects and programmes as described in document AFB/B.25/6/Rev.2.

27. If the Board were to decide to approve all the PFG requests submitted to the thirty-first meeting with the regional proposals, totaling US\$ 299,980, this would correspond to 15% of the funding indicatively set aside for project formulation grants for regional projects and programmes, and raise the cumulative amount of PFG support in the programme to US\$ 720,000 or 36% of the funding indicatively set aside.

28. According to the current way of funding regional projects and programmes, which is based on the number of proposals to be funded in the two categories, no funding opportunity remains for large projects during FY18. If the one large fully-developed project document submitted to the thirty-first meeting was to be recommended for approval, it would have to be put in the pipeline for large proposals established under Decision B.28/1. There is, however, room for funding up to five proposals for up to US\$ 5 million: two under the pilot programme and three under the first annual allocation set for FY18.

Table 2: Regional project proposals submitted to the 31st Adaptation Fund Board meeting

Countries	IE	Size, USD	Size	PFG Request, USD	IE Fee, USD	IE Fee, %	Execution Cost (EC), USD	EC, % of Total
Albania, the Former Yugoslav Republic of Macedonia, Montenegro	UNDP	9,927,750	Large	-	777,750	8.50%	650,000	7.10%
Belize, Guatemala	UNEP	10,009,125	Large	-	784,125	8.50%	875,000	9.49%
Chile, Colombia, Peru	WMO	7,398,000	Large	19,980	548,000	8.00%	650,000	9.49%
Argentina, Uruguay	CAF	13,999,996	Large	100,000	1,037,037	8.00%	500,959	3.86%
Cote d'Ivoire, Ghana	UN-Habitat	14,000,000	Large	100,000	1,096,774	8.50%	1,483,870	11.50%
Benin, Burkina Faso, Cote d'Ivoire, Ghana, Mali, Togo	WMO	7,920,000	Large	80,000	670,000	9.24%	750,000	10.34%
Chile, Ecuador	CAF	13,910,400	Large	-	1,030,400	8.00%	965,074	7.49%
Total		77,165,271		299,980	5,944,086	8.35%	5,874,903	8.25%

The review process

29. In accordance with the operational policies and guidelines, the secretariat screened and prepared technical reviews of the 12 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.

30. 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.

31. 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.22/5/Add.1).

Issues identified during the review process

Regional projects and programmes

32. As stated above, a total funding of US\$ 26,520,000 has been provided so far to fund regional projects and programmes. Table 3 below shows that the current pipeline of proposals received so far, i.e. proposals for which at least a pre-concept has been endorsed, amounts to US\$ 178,670,124. There is funding available to fund up to five proposals of up to US\$ 5 million by end of FY19 and this covers the current pipeline of that category of projects/programmes. However, there is no funding available to fund proposals up to US\$ 14 million for the remainder of FY18.

33. Referring to decision B.28/1b) (iii), it should be noted that the Board will discuss its annual work plan for fiscal year 2019 (FY19) at this thirty-first meeting and that between this and the meeting during which the work plan for FY20 will be discussed, there will be three opportunities for the submission of regional project and programme proposals, i.e. intersessionally between the thirty-first and the thirty-second meetings, and during the thirty-second and thirty-third meetings.

Table 3: Pipeline of regional projects and programmes

Type of grants	Total amount	Funded projects	Endorsed concepts	Endorsed pre-concept
Medium size	24,411,617	5,000,000	9,869,367	9,542,250
Large size	154,258,507	20,800,000	43,094,055	90,364,452
PFG	720,000	-	560,000	160,000
Total	178,670,124	25,800,000	52,963,422	99,906,702

34. Analyzing the funding criteria set through the pilot programme and subsequently through decision B.28/1, i.e. to fund a number of projects and programmes within certain categories (up to one large size and up to three medium size) it appears that the amount of funding provisionally set aside for the pilot and the subsequent window will not be spent in total, due to the preference of countries and/or IEs towards larger projects and the fact that the maximum amounts may not correspond to actual funding needs of individual projects. For example, the approval of the regional project submitted by WMO for an amount of US\$ 6.8 million creates unused funds totaling US\$ 14 million – US\$ 6.8 million = US\$ 7.2 million. If the regional projects were not constrained by these categories, that remaining amount could have funded an additional medium or large size regional project.

35. Therefore, it is proposed that starting from FY19, the two pipelines established through decision B.28/1 be merged into one, and in the annually-established funding windows, no maximum numbers of projects per category per year will be defined in addition to the maximum provisional amount of funding to be allocated for regional projects. Therefore, funding for regional projects and programmes would be based on the first-come, first-served criterion regardless of the size category of project. Taking into account the volume of the existing pipeline, the PPRC may wish to consider recommend that the Board decide to include in its work plan for FY19 the provision for an amount of US\$ 60 million to be provisionally set aside, as follows:

- Up to US\$ 59 million for the funding of regional project and programme proposals, 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, and;
- Up to US\$ 1 million for the funding of project formulation grant requests for preparing regional project and programme concept or fully-developed project documents.

36. This would allow for a more flexible provision of funding to the two categories of regional projects and programmes, on a demand basis.