



AFB/B.32-33/5
8 November 2018

Adaptation Fund Board

**REQUEST FOR PROJECT DISBURSEMENT SCHEDULE
REVISION: DRFN (NAMIBIA)**

Background

1. The Adaptation Fund Board (the Board) at its thirtieth meeting, approved the project “Pilot rural desalination plants using renewable power and membrane technology” proposed by the Desert Research Foundation of Namibia (DRFN) for Namibia (decision B.30/20). The project is executed by the Namibia Water Corporation Limited (NamWater). As mandated by the decision, an agreement was prepared and signed between the Board and DRFN. The fully-developed project document for this project, presented in document AFB/PPRC.21/21 and approved by the Board, contained, in Section III.H (Table 52), a disbursement schedule which was included in the project agreement following the standard project agreement template.
2. DRFN submitted to the Board, on 25 October 2018, through the secretariat, a request for revising the disbursement schedule (Annex 1). According to that request, at the project inception workshop that took place on 16 and 17 July 2018, various important project matters were discussed and concluded. Amongst others NamWater presented its final strategy for executing the project. Adoption of this strategy necessitated changes to be made to both the execution schedule and the projected annual cash flows under the Project Activities Cost that were presented in the approved project proposal. Such changes created the need to also revise the agreed project tranche structure, also referred to as the Grant disbursement schedule.
3. The request included the original execution schedule and annual cash flow for Project Activity Cost (Tables 1 and 2) and their respective proposed revised versions (Tables 3 and 4).
4. The secretariat conducted a review of the request.

Secretariat’s review of the revised project document

5. The revised disbursement schedule has the same total amount as the one originally included in document AFB/PPRC.21/21 and approved through decision B.30/20. The changes are only related to the size and timing of individual tranches.
6. The secretariat’s review finds that in light of the information contained in the request (Annex 1), no negative effects of revising the disbursement schedule are identified. Therefore, the disbursement schedule revision can be supported.

Recommendation

7. The secretariat finds that DRFN has provided adequate reasoning for the changes made in the disbursement schedule.
8. Therefore, the Board may consider and decide to: approve the revised disbursement schedule for the project “Pilot rural desalination plants using renewable power and membrane technology”, as requested by the Desert Research Foundation of Namibia (DRFN).

Annex:

1. The request to the Board to approve the revised disbursement schedule, dated 24 October 2018, submitted by DRFN through the secretariat on 25 October 2018.



REQUEST FOR REVISED DISBURSEMENT SCHEDULE
for the project
**PILOT RURAL DESALINATION PLANTS USING RENEWABLE POWER
AND MEMBRANE TECHNOLOGY**
to be implemented at
BETHANIE AND GRÜNAU
in the
!KARAS REGION, NAMIBIA

24 October 2018

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1. INTRODUCTION

The 4-year project entitled “Pilot rural desalination plants using renewable power and membrane technology” is implemented by the Desert Research Foundation of Namibia (DRFN) and executed by the Namibia Water Corporation Limited (NamWater).

At the project inception workshop that took place on 16 and 17 July 2018, various important project matters were discussed and concluded. Amongst others NamWater presented its final strategy for executing the project. Adoption of this strategy necessitated changes to be made to both the execution schedule and the projected annual cash flows under the Project Activities Cost (A) that were presented in the approved project proposal. Such changes create the need to also revise the agreed project tranche structure, also referred to as the Grant disbursement schedule.

The need for and nature of these changes were initially described in Paragraph 7: Project Execution Plan of the Project Inception Report submitted to the AF Secretariat on 16 August 2018. In the covering email from the DRFN the AF Secretariat’s attention was drawn to these proposed changes. After further correspondence between the DRFN and the AF Secretariat, the DRFN was on 18 October 2018 requested to submit the proposed revised disbursement schedule for review by the AF Secretariat.

This document is the formal motivated request by the DRFN for a revision of the disbursement schedule.

2. ORIGINALLY PROPOSED EXECUTION PLAN

The originally proposed project execution schedule and annual cash flow projection for Project Activity Cost (A) are presented below.

Table 1: Originally execution schedule and annual cash flow for Project Activity Cost (A)

Project components	Year 1	Year 2	Year 3	Year 4
1: Development of pilot desalination plants				
2: Development of pilot energy plants				
3: Testing, commissioning & training				
4: Piloting of the plants				
5: Supply water to the communities				
6: Sensitize beneficiaries & local stakeholders				
7: Information and knowledge dissemination				

Table 2: Originally proposed annual cash flow for Project Activity Cost (A)

Grant sub-amount	Amount (US\$)				
	Year 1	Year 2	Year 3	Year 4	Total
Project Activity Cost (A)	3 812 059	175 620	139 531	43 024	4 170 234

3. REVISED PROJECT PLAN

Please refer to Table 3 for a description of Components and Level 1 activities.

NamWater has indicated that Components 1 and 2, entailing development of the pilot plants at the two project sites, should be rescheduled for completion in Quarter 3 of Year 2, in contrast to the initially envisaged completion in Quarter 4 of Year 1. Under Component 3, the subsequent testing and commissioning of the plants and associated training, can thus only be carried out in Quarter 4 of Year 2. It was also realised that Activity 3.4 (knowledge dissemination to students) must take place throughout Year 1 and Year 2.

The implication of the foregoing changes on execution of the rest of the components and Level 1 activities is that:

- Activities 4.1 and 4.2 (operate, maintain and improve the plants) will only start in Quarter 1 of Year 3, but will still have a duration of 2 years as per the originally proposed execution schedule.
- Activities 4.3, 4.4 and 4.5 require no rescheduling at project year level.
- The supply of good quality water as per Component 5 also requires the same rescheduling as for Activities 4.1 and 4.2. Handover of infrastructure to NamWater is rescheduled to take place in the last quarter of the 2-year supply period that covers the last 2 years of the project.
- Component 6 (sensitise project beneficiaries and local stakeholders at Bethanie and Grünau) and Component 7 (Information and knowledge dissemination) require no rescheduling at project year level.

It is considered that achievement of the objectives under Components 6 and 7 will not be negatively affected by the rescheduling of the indicated activities under Components 1, 2, 3 and 4. Component 5 (supply of good quality water to the communities) will still have a duration of 2 years.

3.1 Revised execution schedule

The revised project execution schedule at Activity Level 1 appears in Table 3.

Table 3: Revised project execution schedule at Activity Level 1

Components and Level 1 activities		Year 1	Year 2	Year 3	Year 4
1: Development of pilot desalination plants					
1.1	Civil works				
1.2	Pilot water treatment plant				
1.3	Mechanical and electrical works				
2: Development of pilot energy plants					
2.1	Turbines				
2.2	Solar fields				
2.3	Battery banks				
2.4	Inverters and BOS				
2.5	Electrical & SCADA equipment				
2.6	Civil works safety and security system				

Components and Level 1 activities		Year 1	Year 2	Year 3	Year 4
2.7	Professional fees				
3: Testing, commissioning & training					
3.1	Test, correct shortcomings				
3.2	Training to staff				
3.3	Compile training and maintenance manuals				
3.4	Knowledge dissemination to students				
4: Piloting of the plants					
4.1	Operate, maintain, improve desal plants				
4.2	Operate, maintain, improve power plants				
4.3	Update manuals				
4.4	Collect information, record lessons learned				
4.5	Site visits by students, impart knowledge				
5: Supply water to the communities					
5.1	Operate and maintain the plants				
5.2	Handover infrastructure to NamWater				
6: Sensitize beneficiaries & local stakeholders					
6.1	Public meetings & demonstrations				
6.2	Target children at school with information				
6.3	Knowledge and skills to community women				
7: Information and knowledge dissemination					
7.1	Conduct workshops				
7.2	Distribute information & lessons learnt				

3.2 Revised annual cash flow for Project Activity Cost (A)

Changes to the schedule for project activities have implications on the annual cash flow under the Project Activities Cost (A), but not on the total cost of executing the activities. No changes are thus proposed to the approved budget amounts for any Level 1 activity.

The implications on cash flow are the following:

- Funds intended for all activities under Component 1 and Component 2 (development of plants) will be appropriated over Years 1 and 2, and not in Year 1 as was indicated in the project proposal.
- Funds intended for Activities 3.1, 3.2 and 3.3 (testing of plants, training of staff and compilation of manuals) will be required in Quarter 4 of Year 2, and not in Quarter 4 of Year 1.
- Funds for Activity 3.4 (involve a gender balanced group of tertiary institution students in all aspects of plant establishment to facilitate knowledge dissemination) will be spent during Year 1 and Year 2, and not only in Year 1 as was originally envisaged.
- The bulk of the funds intended for Component 4, namely for Activities 4.1 and 4.2 (operate, maintain and improve the plants) will be spent in Years 3 and 4, and not in Years 2 and 3 as was originally envisaged.

- Some of the funds initially intended for use in Years 1 and 2 for Components 6 and 7 need to be spent in Years 3 and 4 in addition to the funds initially indicated for Years 3 and 4.

The revised annual cash flow at Activity Level 1 appears in Table 4.

Table 4: Revised annual cash flow for Project Activity Cost (A)

Components and activities	Amount (US\$)				
	Year 1	Year 2	Year 3	Year 4	Total
Component 1: Development of pilot desalination plants at Bethanie and Grünau	485 595	1 798 635	0	0	2 284 230
Component 2: Development of pilot hybrid renewable energy plants at Bethanie and Grünau	182 098	1 304 056	0	0	1 486 154
Component 3: Testing and commissioning of plants & training of staff and students	1 820	17 341	0	0	19 161
Component 4: Piloting of the plants at Bethanie and Grünau	0	19 321	204 833	143 763	367 917
Component 5: Supply good quality water to the communities at the two project sites during piloting of the plants	0	0	0	0	0
Component 6: Sensitise project beneficiaries and local stakeholders at Bethanie and Grünau	911	913	2 737	2 737	7 298
Component 7: Information and knowledge dissemination	684	685	2 053	2 052	5 474
Project Activity Cost (A)	671 108	3 140 951	209 623	148 522	4 170 234

4. ORIGINAL AND REVISED ANNUAL CASH FLOW

The revised execution schedule affects the annual cash flow for the Project Activity Cost (A) but creates no requirement for changes in the annual cash flow for the Project Execution Cost (B) and the Project Management Cost (C). The original (approved) and revised cash flow projections are shown in Table 5 below. Amounts highlighted in green indicate where the revised cash flow projections differ from the original projections.

Table 5: Original and revised project annual cash flow projections

Project year	Original vs revised	Amount (US\$)			
		Project Activities Cost (A)	Project Execution Cost (B)	Project Management Cost (C)	Total (A+B+C)
1	Original	3 812 059	215 988	95 181	4 123 228
	Revised	671 108	215 988	95 181	982 277
2	Original	175 620	113 688	93 285	382 593
	Revised	3 140 951	113 688	93 285	3 347 924
3	Original	139 531	92 053	101 209	332 793
	Revised	209 623	92 053	101 209	402 885
4	Original	43 024	16 030	102 006	161 060
	Revised	148 522	16 030	102 006	266 588
Total budget	Original	4 170 234	437 759	391 681	4 999 674
	Revised	4 170 234	437 759	391 681	4 999 674

5. ORIGINAL AND REVISED DISBURSEMENT SCHEDULE

The total project grant is disbursed in the form of four annual tranches. The current grant disbursement schedule is based on the annual cash flow projection for the project as was presented in the approved project proposal. The disbursement schedule is set out in Schedule 2 to the Grant Agreement between the AF and the DRFN. The Agreement stipulates that any subsequent transfer of Grant funds to the DRFN after the first tranche shall only take place after approval of the AF Board of the relevant Annual Performance Report.

In consideration of the situation that:

- Tranche 1 has already been transferred to the NIE.
- Tranche 2 cannot be released until all activities originally scheduled to be executed under Tranche 1 have satisfactorily been completed.
- As per the revised execution schedule these activities will only be completed in Year 2.
- As a result, some activities under Components 4, 5, 6 and 7 originally scheduled for execution in Year 2 are now scheduled for execution in Years 3 and 4.

it is proposed that for Project Activities Cost (A) and in accordance with the revised execution schedule in Table 3:

- All funds already released under Tranche 1 for executing project activities should suffice for Years 1 and 2.
- Some of the funds allocated to execution of Components 4, 5, 6 and 7 in Year 2 be distributed to Years 3 and 4. This proposal means that the disbursement schedule in Schedule 2 to the Grant Agreement between the AF and the DRFN requires revision. Tranche 2 will contain no funds under Project Activities Cost (A), resulting in the change in the tranche breakdown and disbursement schedule amounts shown in Table 5. Amounts highlighted in green indicate where the revised disbursement schedule differs from the original (existing) schedule.

Table 6: Original and revised disbursement schedules

Tranche Number	Original vs proposed	Amounts in US Dollar (US\$)			
		Project Activities Cost (A)	Project Execution Cost (B)	Project Management Cost (C)	Total (A+B+C)
1	Original	3 812 059	215 988	95 181	4 123 228
	Revised	3 812 059	215 988	95 181	4 123 228
2	Original	175 620	113 688	93 285	382 593
	Revised	0	113 688	93 285	206 973
3	Original	139 531	92 053	101 209	332 793
	Revised	209 623	92 053	101 209	402 885
4	Original	43 042	16 030	102 006	161 060
	Revised	148 552	16 030	102 006	266 588
Total Grant	Original	4 170 234	437 759	391 681	4 999 674
	Revised	4 170 234	437 759	391 681	4 999 674

6. REQUEST FOR REVISED DISBURSEMENT SCHEDULE

The DRFN herewith submit the requested revised disbursement schedule in Table 7 for review by the AF Secretariat.

Table 7: Requested revised disbursement schedule

Tranche Number	Amounts in US\$			
	Project Activities Cost (A)	Project Execution Cost (B)	Project Management Cost (C)	Total (A+B+C)
1	3 812 059	215 988	95 181	4 123 228
2	0	113 688	93 285	206 973
3	209 623	92 053	101 209	402 885
4	148 552	16 030	102 006	266 588
Total Grant	4 170 234	437 759	391 681	4 999 674

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