



ADAPTATION FUND

AFB/PPRC.24/7
27 February 2019

Adaptation Fund Board
Project and Programme Review Committee
Twenty-fourth Meeting
Bonn, Germany, 12-13 March, 2019

**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 2018 (AFB/EFC.24/6), the cumulative funding decisions for projects/programmes submitted by MIEs amounted to US\$ 297.57 million, and the cumulative funding decisions for all projects/programmes amounted to US\$ 531.64 million. Funds available to support AF Board funding decisions amounted to US\$ 273.49 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\$ 115 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 (RIEs) accredited by the Board.

8. The Board 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, 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 regards 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. At its thirty-first meeting, the Board subsequently decided:

(a) *To merge the two pipelines for technically cleared regional proposals established in decision B.28/1(b)(ii), so that starting in fiscal year 2019 the provisional amount of funding for regional proposals would be allocated without distinction between the two categories originally described in document AFB/B.25/6/Rev.2, and that the funding of regional proposals would be established on a 'first come, first served' basis; and*

(b) *To include in its work programme for fiscal year 2019 provision of an amount of US\$ 60 million for the funding of regional project and programme proposals, as follows:*

(i) *Up to US\$ 59 million to be used for funding regional project and programme proposals in the two categories of regional projects and programmes: ones requesting up to US\$ 14 million, and others requesting up to US\$ 5 million; and*

(ii) *Up to US\$ 1 million for funding project formulation grant requests for preparing regional project and programme concepts or fully-developed project and programme documents.*

(Decision B.31/3)

12. The total amount funded for regional projects and programmes in the fiscal year 2019 to-date is US\$ 45,830,400, and US\$ 417,174 in project formulation grant requests for preparing regional projects and programmes.

13. 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 Decisions B.27/5 and B.31/3, and reviewed them, as explained below.

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

14. Accredited implementing entities submitted 27 single-country project proposals to the secretariat, with the total requested funding amounting to US\$ 170,434,610. Of these, 25, totaling US\$ 150,434,610, were found to be complete and could proceed through the project review cycle. These proposals included US\$ 11,432,679 or an average of 8.09%¹ in Implementing Entities management fees and US\$ 11,841,959 or an average of 8.33%² in execution costs.

15. Of these, fifteen are fully-developed project documents, while the other ten single-country proposals are concept note documents. The projects were submitted by National Implementing Entities (NIE) for Armenia, Indonesia, Dominican Republic, and United Republic of Tanzania. A project was submitted by a Regional Implementing Entity (RIE) Caribbean Development Bank for Saint Lucia. Proposals for Afghanistan, Bangladesh, Iran, Tajikistan and Turkmenistan were submitted by the United Nations Development Programme (UNDP); Cambodia, Lao People's Democratic Republic, Pakistan and Viet Nam by United Nations Human Settlements Programme (UN-Habitat); Georgia, Moldova and Sierra Leone by International Fund for Agriculture and Development (IFAD); Lesotho and Republic of Congo by World Food Programme (WFP); Malawi and Uganda by African Development Bank (AfDB); and Zimbabwe by United Nations Educational, Scientific and Cultural Organization (UNESCO). Details of the single-country proposals are contained in the separate PPRC working documents, as follows:

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.

PPRC Document number	Country
AFB/PPRC.24/8	Indonesia (1)
AFB/PPRC.24/9	Armenia
AFB/PPRC.24/10	Dominican Republic
AFB/PPRC.24/11	Indonesia (2)
AFB/PPRC.24/12	Saint Lucia
AFB/PPRC.24/13	Bangladesh
AFB/PPRC.24/14	Cambodia
AFB/PPRC.24/15	Georgia
AFB/PPRC.24/16	Iran (Islamic Republic of)
AFB/PPRC.24/17	Lao People's Democratic Republic
AFB/PPRC.24/18	Lesotho
AFB/PPRC.24/19	Sierra Leone
AFB/PPRC.24/20	Tajikistan
AFB/PPRC.24/21	Turkmenistan
AFB/PPRC.24/22	Uganda
AFB/PPRC.24/23	United Republic of Tanzania (1)
AFB/PPRC.24/24	United Republic of Tanzania (2)
AFB/PPRC.24/25	United Republic of Tanzania (3)
AFB/PPRC.24/26	Afghanistan
AFB/PPRC.24/27	Congo (Republic of)
AFB/PPRC.24/28	Malawi
AFB/PPRC.24/29	Moldova
AFB/PPRC.24/30	Pakistan
AFB/PPRC.24/31	Viet Nam
AFB/PPRC.24/32	Zimbabwe

16. All except one of the twenty-five proposal submissions are for regular projects and programmes, i.e. they request funding exceeding US\$ 1,000,000.

17. The 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%. In accordance with the same Decision B.11/16, all proponents of fully-developed project documents provide a budget on fee use.

18. All proposals are in compliance with Board Decision B.13/17 to cap execution costs at 9.5% of the project/programme budget.

19. 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.

Project/programme proposals submitted by implementing entities: regional proposals

20. Accredited MIEs submitted to the secretariat eight proposals for regional projects and programmes, totaling US\$ 96,721,869. Of these, seven, totaling US\$ 82,721,869, were found to be complete and could proceed through the project review cycle. Among the proposals were five fully-developed project proposals with a total requested funding of US\$ 56,461,369, one concept of US\$ 14,000,000, and one pre-concepts of US\$ 12,260,500. The requested funding for the regional projects included US\$ 6,420,271 in Implementing Entities' management fees, or 8.43%, on average, and US\$ 6,443,370 or 8.47%, on average, in execution costs.

21. The fully-developed project documents were submitted by the Development Bank of Latin America (CAF), Sahara and Sahel Observatory (OSS), UNDP, United Nations Environment Programme (UN Environment), and UN-Habitat. UN-Habitat also submitted a regional concept, and UN Environment a pre-concept as well. Details of the regional proposals are contained in the separate PPRC working documents, as follows:

PPRC Document number	Region/Countries
AFB/PPRC.24/33	Argentina, Uruguay
AFB/PPRC.24/34	Benin, Burkina Faso, Niger
AFB/PPRC.24/35	Albania, North Macedonia, Montenegro
AFB/PPRC.24/37	Madagascar, Malawi, Mozambique, Comoros
AFB/PPRC.24/38	Thailand, Viet Nam
AFB/PPRC.24/39	Jordan, Lebanon
AFB/PPRC.24/40	Belize, Guatemala, Honduras

The review process

22. In accordance with the operational policies and guidelines, the secretariat screened and prepared technical reviews of the each of the thirty-five project and programme proposals that were initially submitted. Of these, thirty-three met the requirements for undergoing a complete technical review.

23. In line with the Board request at its tenth meeting, the secretariat shared the initial technical review findings with the Implementing Entities that had submitted the proposals and solicited their responses to specific items requiring clarification. Responses were requested by e-mail, and the time allowed for the Implementing Entities to respond was one week. In some cases, however, the process took longer. The Implementing Entities were offered the opportunity to discuss the initial review findings with the secretariat by telephone.

24. The secretariat subsequently reviewed the resubmissions that IEs' responses to the clarification requests, and compiled comments and recommendations that are presented in the addendum to this document (AFB/PPRC.24/7/Add.1/Rev.1).

III. ISSUES IDENTIFIED DURING THE REVIEW PROCESS

25. A significant number of submissions did not conform to the new policy on proposal length, Decision B.32/6, and there were a number of resubmissions that exceeded the page limit even, following the first review which contained the relevant corrective action request (CAR.) Given that this was the first review cycle since the decision had been taken, the secretariat exercised leniency in enforcement of the rule. However, going forward, in order to operationalize the rule, the secretariat plans to consider communicating that from now on it would not review proposals that do not conform to the rule. The excessive length of some of the submissions proved once again to require additional resources in order to meet minimum quality standards. At the same time, some of the regional project IEs in particular expressed concerns regarding the new rules, finding the page limits difficult to conform to both for the main document as well as the annexes.

26. As in the past review cycles, for a number of submissions, the Letters of Endorsement by the Designated Authority were not submitted by the deadline, and, as before, materialized, in some, though not all, instances only later in the review process. The practice of the secretariat to date has been to review all submissions but only present to the Board those that are accompanied by valid Letters of Endorsement. This presents a number of challenges for the secretariat, especially while dealing with a growing volume of submissions. First, carrying out a review without an official proof of country-drivenness presents a potential reputational risk, which is limited, given that no such project is presented to Board for its consideration. However, such projects are normally included among the projects posted for public review and comment, and the first-round technical review at least is provided to the IE. Second, the review of such projects requires resources that are potentially invested in a project for which Letters of Endorsement, in some instances, may never come through and which will not progress further. With a growing volume of projects, it is expected that it will be increasingly burdensome to accurately keep track of compliance with this key requirement when the letters may be coming in an ad hoc basis during the length of the project review cycle period. Furthermore, given the Decision B.32/7, at least one of the justifications for the more flexible approach practiced to-date no longer stands.

27. A number of IEs raised to the secretariat the issue of time provided to them for the revision of the proposals after the communication of the first review. Currently, IEs are given one week to make revisions to the documents in response to the first review and resubmit them to the secretariat. The IEs mentioned that this presents a challenge even in case of very small changes required, such as when there is need for coordination or clearances need to be obtained, particularly in the case of regional projects, where there is staff capacity or other resource constraints, particularly in the case of NIEs and RIEs, and when the week, for instance, coincides with a major national holiday. In addition, with a growing volume of projects, it is increasingly challenging for the secretariat to extend individual support early enough during the revision process to also allow the IEs to make most effective use of that input as well. In such cases, for small changes to be made to the proposal, one IE suggested increasing the proposal revision time, following the receipt of the first technical review from the secretariat, from one to three weeks. Furthermore, the NIEs in particular appear to be in demand for more on-going support (i.e. outside the review cycle) for getting their proposals ready for endorsement or approval.

28. Taking into account these matters, the PPRC may wish to consider recommending to the Board to request the secretariat to undertake a review of the project and programme review process, with the consideration of the Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund, and present it at the thirty-fourth meeting of the Board.

29. The amount of funding requested for the approval of regional project submissions in the current review cycle exceeded the remaining funding available for regional projects/programmes in FY19. The Board had, in the case of projects submitted by MIEs that could not be funded under the 50 per cent cap instituted by decision B.12/9, established, through decisions B.17/19 and B.19/5, a prioritization process to be undertaken should the PPRC recommend approval of a total amount greater than that which was available. The Board had also decided (decision B.28.1) to apply similar prioritization process in cases where regional projects and programmes recommended for approval during a fiscal year exceeded the funds tentatively set aside for such projects and programmes. In case there would be a need to establish a waitlist with regional projects/programmes that are recommended for approval by the PPRC but could not be immediately funded, the PPRC may wish to consider recommending to the Board to consider the waitlisted projects/programmes for approval, subject to the availability of funds, at a future Board meeting, or intersessionally, in the order in which they are prioritized on the waitlist.

30. Taking into account the demand for funding through the regional project and programme modality over the FY19, the PPRC may wish to consider recommend that the Board decide to include in its work plan for FY20 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, 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.

Annex I: Table: Project proposals submitted to the regular review cycle for consideration at the thirty-third Adaptation Fund Board meeting

1. Full Proposals: Single Country	Country	IE	Grant Size, USD	IE Fee	IE Fee %	Execution Cost	EC %
NIE							
	Indonesia (1)	Kemitraan	835,465	64,758	8.40%	68,373	8.87%
	Armenia	EPIU	2,506,000	196,290	8.50%	34,130	1.48%
	Dominican Republic	IDDI	9,953,692	779,782	8.50%	795,910	8.68%
	Indonesia (2)	Kemitraan	4,127,065	55,771	1.37%	353,217	8.68%
RIE							
	Saint Lucia	CDB	8,560,659	616,658	7.76%	689,206	8.68%
MIE							
	Bangladesh	UNDP	9,995,369	783,410	8.50%	875,576	9.50%
	Cambodia	UN-Habitat	5,000,000	391,705	8.50%	437,788	9.50%
	Georgia	IFAD	4,644,794	363,876	8.50%	358,727	8.38%
	Iran (Islamic Republic of)	UNDP	9,865,651	772,885	8.50%	829,839	9.13%
	Lao People's Democratic Republic	UN-Habitat	5,500,000	430,876	8.50%	481,567	9.50%
	Lesotho	WFP	9,999,891	783,402	8.50%	875,850	9.50%
	Sierra Leone	IFAD	9,916,925	776,902	8.50%	639,478	7.00%
	Tajikistan	UNDP	9,996,441	783,131	8.50%	776,000	8.42%
	Turkmenistan	UNDP	7,000,040	548,390	8.50%	559,000	8.66%
	Uganda	AfDB	2,249,000	162,004	7.76%	181,064	8.68%
<i>Sub-total, USD</i>			<i>100,150,992</i>	<i>7,509,840</i>		<i>7,955,725</i>	

2. Concepts: Single Country	Country	IE	Grant Size, USD	IE Fee	IE Fee %	Execution Cost	EC %
NIE							
	United Republic of Tanzania (1)	NEMC	1,400,000	109,000	8.44%	110,000	8.52%
	United Republic of Tanzania (2)	NEMC	1,200,000	86,554	7.77%	95,161	8.55%
	United Republic of Tanzania (3)	NEMC	1,280,000	92,204	7.76%	103,051	8.68%
MIE							
	Afghanistan	UNDP	9,432,556	738,956	8.50%	693,600	7.98%
	Congo (Republic of)	WFP	9,932,901	778,154	8.50%	794,247	8.68%
	Malawi	AfDB	4,662,000	365,000	8.49%	370,000	8.61%
	Moldova	IFAD	6,035,421	472,821	8.50%	482,600	8.68%
	Pakistan	UN-Habitat	6,094,000	477,410	8.50%	533,576	9.50%
	Viet Nam	UN-Habitat	5,754,840	450,840	8.50%	504,000	9.50%
	Zimbabwe	UNESCO	4,491,900	351,900	8.50%	200,000	4.83%
	Sub-total, USD		50,283,618	3,922,839		3,886,235	
3. Full Proposals: Regional	Region/Countries	IE	Grant Size, USD	IE Fee	IE Fee %	Execution Cost	EC %
RIE							
	Argentina, Uruguay	CAF	13,999,996	1,037,037	8.00%	962,959	7.43%
	Benin, Burkina Faso, Niger	OSS	11,536,200	903,750	8.50%	922,450	8.68%
MIE							
	Albania, North Macedonia, Montenegro	UNDP	9,927,750	777,750	8.50%	650,000	7.10%

	Madagascar, Malawi, Mozambique, Comoros	UN-Habitat	13,997,423	1,096,572	8.50%	1,119,252	8.68%
	Thailand, Viet Nam	UN Environment	7,000,000	548,388	8.50%	612,903	9.50%
	Sub-total, USD		56,461,369	4,363,497		4,267,564	
4. Concepts: Regional	Region/Countries	IE	Grant Size, USD	IE Fee	IE Fee %	Execution Cost	EC %
MIE							
	Jordan, Lebanon	UN-Habitat	14,000,000	1,096,774	8.50%	1,225,806	9.50%
	Sub-total, USD		14,000,000	1,096,774		1,225,806	
5. Pre-concepts: Regional	Region/Countries	IE	Grant Size, USD	IE Fee	IE Fee %	Execution Cost	EC %
MIE							
	Belize, Guatemala, Honduras	UN Environment	12,260,500	960,000	8.50%	950,000	8.41%
	Sub-total, USD		12,260,500	960,000		950,000	
GRAND TOTAL (1+2+3+4+5)			233,156,479				