



CASE STUDY 1:

Project/programme with unjustified Unidentified Sub-Projects (USPs)

This case study describes a case where a project proposal includes USPs but does not provide an adequate justification for the use of USPs. Otherwise it largely complies with the Adaptation Fund Environmental and Social Policy (ESP) and Gender Policy (GP) requirements for funding of projects with USPs.

THE CASE

STRENGTHENING CROP PRODUCTION AND RESILIENCE OF FARMERS TO ADAPT TO CLIMATE CHANGE IMPACTS.

A project proposal was submitted for funding to the Adaptation Fund by an Implementing Entity. The project had been identified in response to the growing impact of climate change on farming communities that were already suffering from land degradation and reduced crop productivity.

The area in which the project is planned is characterised by smallholding farming, with crops mostly grown using rainwater. Most crops are used for subsistence farming and for sale in local markets.

Crop production has been affected by degradation of soil fertility, lack of crop diversification and pest infestation. Fields have been abandoned due to soil degradation and all farming villages have an increasing area of abandoned agriculture lands. All those issues are further exacerbated and accelerated by climate change impacts such as erratic rainfall and increasing temperatures.

Local development planning has been a devolved responsibility for a long time and is well established at all levels on a subsidiarity basis. Village Development Committees are the basic planning unit with democratically elected members.

The overall goal of the project is to build capacity and invest in agriculture value chains to strengthen crop production and improve farming families' resilience to adapt to the impacts of climate change.

The project has selected a number of target communities that will be involved based on the extent of agriculture area loss and the impact of climate change. Communities will have a choice of four packages of technical assistance and investments that have been designed to increase their adaptive capacity to climate change impacts. The four packages are:

- ▶ intensification of production, including irrigation development, soil fertility improvement and pest management;
- ▶ expansion of production area;
- ▶ adding post-harvest value to crops through improved marketing and processing; and
- ▶ development of alternative livelihoods, in particular based on rearing of small farm animals (goat, chicken).

These packages have been designed so as to offer similar adaptation benefits. Communities will select a package in the early stages of project implementation. The Village Development Committees will make this selection for their community under their devolved planning remit. Communities are expected to select the package that is most aligned with their existing village development plans.

The proposed project consists of four components, summarised as follows:

Component	Budget (USD)
Component 1: Supporting communities to select adaptation package of technical assistance and investment	1,250,000
Component 2: Increasing the climate resilience of agriculture production	3,550,000
Component 3: Strengthening farmers' adaptive capacity to climate change impacts	3,500,000
Component 4: Lessons learned and dissemination	400,000
Execution cost	700,000
Implementation cost	600,000
Total project funding	10,000,000

During the formulation of the project, extensive consultations were held with beneficiaries and other stakeholders. A qualitative and where possible quantitative gender assessment was carried out. Gender-disaggregated data were collected and used to inform the project activities, and to formulate gender-sensitive goals, monitoring indicators and results.

As part of the project formulation, environmental and social risks were identified to comply with the ESP. However, identifying environmental and social risks for the bulk of the funding, i.e. the adaptation packages, was said not to be possible before submission of the proposal as the communities had yet to select their package. Therefore, the activities of component 2 and 3 were to be treated as Unidentified Sub-Projects (USPs), and compliance with the ESP and GP would be ensured during implementation. The USPs make up over 70% of the total project funding.

The environmental and social risks associated with the other activities of the proposal have been identified and an assessment of the impacts was made. The proposal includes an environmental and social management plan (ESMP) with measures for mitigation, management and monitoring of the identified impacts. It also includes a detailed process to identify environmental and social risks for the activities of component 2 and 3 and for subsequent actions that may be required to comply with the ESP.

THE ISSUE

The AF ESP requires that all the environmental and social risks of projects or programmes funded by the AF have been identified by the time of submission of the funding application. The implementing entity demonstrates compliance with the ESP by completing the relevant sections of the funding application template.

Environmental and social risks associated with a project or programme activity are determined by two main factors: **(i) risks that are inherent to an activity, and (ii) risks that are associated with the specific environment and social setting in which the activity will take place.** To adequately determine the environmental and social risks, sufficient information is required for both risk determining factors. When either or both are insufficiently known, adequate risks identification may not be possible.

As a consequence, compliance with the ESP requires that project or programme activities have been sufficiently identified and formulated to the level of detail where risk identification is possible. This implies that the location in which the activity will be implemented needs to be known.

What was the approach taken by the IE?

The implementing entity acknowledged that for the activities under components 2 and 3, adequate risks identification was not possible at the time of submission of the proposal. They also provided a justification for the USP approach, by indicating that the selection of the activities of component 2 and 3 would only take place during the initial phases of the project. At the time of submission, the communities would not be ready to select the package most appropriate for them.

What are the shortcomings of their approach?

The main shortcoming to the IE's approach in applying the USP approach is that there is no valid justification for the use of USPs.

It is clear from the proposal that all the elements to identify environmental and social risks for all the project activities are available and that doing so would be feasible prior to proposal submission.

- ▶ The nature of each of the four packages of technical assistance and investments has been defined.
- ▶ The target communities have been identified and are known from the consultations and the gender assessment.
- ▶ The selection of the package for each community could have been carried out in a fairly straightforward manner since the village development plans to which the package needs to be aligned are available. Furthermore, the communities most likely have the capacity to make that selection already.

Main Shortcomings

- ▶ The added value of the USP approach for components 2 and component 3 is not demonstrated.
- ▶ The budget allocation for the selection of the assistance and investment packages (component 1) seems excessive considering the existing capacity and that the consultations were already held.
- ▶ The village plans may probably leave little room for discussion or the need for external assistance in that process.

THE SOLUTION

In a case like the one at hand where there is no adequate justification for the use of USPs, a project or programme cannot be approved for funding. **The solution depends on the underlying reasons for submitting a proposal without adequate USP justification.**

In some cases, there may be particular benefits or added value to not formulating all the project or programme activities to the required level of specificity prior to submission of the proposal. A proposal may still be considered for funding when this is the case provided that a number of conditions have been met, as specified in AF Board Decision B.32-33/17 . Such activities that have not been identified are considered USPs.

The first condition is that the funding application provides a valid justification of why it has not been possible or desirable to fully identify and formulate all the project activities to the requirements of the ESP. Examples of such justification can be that a small grants facility will be established to select eligible project activities. Or project activities may only be identified during implementation after the completion of an essential, substantive enabling component.

The second condition is that for these USPs, compliance with the ESP and the GP is achieved during implementation of the project or programme, to the same standards that apply to fully formulated proposals. This means e.g. that for all the USPs, during implementation, the environmental and social risks need to be identified along the 15 principles of the ESP and that the risks findings need to be substantiated. The risks identification also needs to be comprehensive, including all AF-funded activities. For those principles where risks are identified, an impact assessment needs to be carried out commensurate to the risk. The project ESMP needs to be updated with any management or mitigation measures identified. This process needs to be subject to public consultation and ensure that compliance with the GP is also pursued. Monitoring and reporting on ESP compliance needs to be done by using appropriate indicators.

The second condition was met by the Implementing Entity by including in the ESMP a performant mechanism to identify ESP risks for the USPs during implementation. The first condition, that of justifying the use of USPs, was not met.

In other cases, the cost of formulating (part of) the project activities is deferred to during project implementation. This typically results in less well designed projects or programmes as a number of unforeseen factors may impact the timely identification and implementation of activities.

E.g. Community based vulnerability assessments might take longer than expected, government procurement processes might be lengthy, consultations might be impacted by unforeseen political and social concerns, potential duplication with on-going interventions resulting in re-designing part or all of certain activities, substantial real cost variations of proposed concrete interventions resulting in project redesign/ modifications requiring Adaptation Fund Board approval etc.

In addition, projects or programmes with USPs invariably carry higher risks of under- or non-compliance with the ESP. This use of USPs does not meet the conditions for funding.

The solution in these cases lies in further formulating project or programme activities to the point where adequate ESP risks identification becomes possible prior to submission.