



ADAPTATION FUND

AFB/PPRC.26.a-26.b/56
6 September 2020

Adaptation Fund Board
Project and Programme Review Committee

**PROVISION OF RESOURCES FOR REGIONAL PROJECTS
AND PROGRAMMES *AD INTERIM* IN FISCAL YEAR 2021**

I. Background

1. The strategic priorities, policies and guidelines of the Adaptation Fund (the Fund), as well as its operational policies and guidelines (OPG) include provisions for funding projects and programmes at the regional, i.e. transnational level. The Adaptation Fund Board (the Board), as well as its Project and Programme Review Committee (PPRC) and Ethics and Finance Committee (EFC) considered issues related to regional projects and programmes on a number of occasions between the Board's fourteenth and twenty-first meetings but the Board did not make decisions for the purpose of inviting proposals for such projects. Indeed, in its fourteenth meeting, the Board decided to:

- (c) Request the secretariat to send a letter to any accredited regional implementing entities informing them that they could present a country project/programme but not a regional project/programme until a decision had been taken by the Board, and that they would be provided with further information pursuant to that decision*

(Decision B.14/25 (c))

2. In its eighth meeting in March 2012, the PPRC made recommendations on certain definitions related to regional projects and programmes. However, as the subsequent seventeenth Board meeting took a different strategic approach to the overall question of regional projects and programmes, these PPRC recommendations were not included in a Board decision.

3. In its twenty-fourth meeting, the Board heard a presentation from the coordinator of the working group set up by decision B.17/20 and tasked with following up on the issue of regional projects and programmes. The Chair of the Board circulated a recommendation prepared by the working group, for the consideration by the Board, and the Board decided:

- (a) To initiate steps to launch a pilot programme on regional projects and programmes, not to exceed US\$ 30 million;*
- (b) That the pilot programme on regional projects and programmes will be outside of the consideration of the 50 per cent cap on multilateral implementing entities (MIEs) and the country cap;*
- (c) That regional implementing entities (RIEs) and MIEs that partner with national implementing entities (NIEs) or other national institutions would be eligible for this pilot programme, and*
- (d) To request the secretariat to prepare for the consideration of the Board, before the twenty-fifth meeting of the Board or intersessionally, under the guidance of the working group set up under decision B.17/20, a proposal for such a pilot programme based on consultations with contributors, MIEs, RIEs, the Adaptation Committee, the Climate Technology Centre and Network (CTCN), the Least Developed Countries Expert Group (LEG), and other relevant bodies, as appropriate, and in that proposal make a recommendation on possible options on approaches, procedures and priority areas for the implementation of the pilot programme.*

(Decision B.24/30)

4. The proposal referred to in decision B.24/30 d) was presented to the Board¹ at its twenty-fifth meeting. The proposed pilot programme for regional projects and programmes would cover the following thematic focal areas:

- (a) Food security;
- (b) Disaster risk reduction and early warning systems; and
- (c) Transboundary water management.

5. In addition to the thematic focal areas specified above, as a cross-cutting fourth theme the proposed pilot programme would seek to support activities that represent innovation in adaptation finance towards transformational impact. The programme would encourage MIEs and RIEs to develop innovative solutions to climate change adaptation, including new approaches, technologies and mechanisms. It would also be required that all proposals describe the innovation aspects of the project/programme.

6. The Board 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; and*
- d) *Request the secretariat to continue discussions with the Climate Technology Center and Network (CTCN) towards operationalizing, during the implementation of the pilot programme on regional projects and programmes, the Synergy Option 2 on knowledge management proposed by CTCN and included in Annex III of the document AFB/B.25/6/Rev.2.*

(Decision B.25/28)

7. The Secretariat had subsequently issued on 5 May 2015 an Invitation to Parties' Designated Authorities (DA) for the Adaptation Fund, and Multilateral and Regional Implementing Entities accredited by the Adaptation Fund Board, to submit project and programme proposals for funding under the pilot programme for regional projects and programmes of the Adaptation Fund.

8. For the twenty-sixth meeting, the secretariat received the first submission of a large number of proposals (16), demonstrating widespread interest in this new opportunity among accredited MIEs and RIEs.

9. The issue of the regional projects and programmes was also discussed at the twenty-seventh meeting of the Board, especially regarding the discontinuation or not of the call for proposals, given the high demand that transpired from submissions to the twenty-sixth and twenty-seventh meetings. The Board decided to:

¹ Document AFB/B.25/6/Rev.2

- 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 Board at its twenty-ninth meeting decided as follows:

- 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)

11. At the thirty-first meeting of the Board, the Board 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. Regarding the financing window for regional projects and programmes for fiscal year 2020, the Board at its thirty-third meeting decided to include in its work plan for fiscal year 2020 the provision for an amount of US\$ 60 million to be provisionally set aside, as follows:

- a) Up to US\$ 59 million for the funding of regional project and programme proposals;
and*
- b) 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.*

(Decision B.33/12)

13. In summary, the Board has, since the launch of the pilot in the amount of US\$ 30 million, approved annual provisions for regional programming amounting to US\$ 30 million, US\$ 60 million, and US\$ 60 million, for fiscal years (FY) 2018, 2019, and 2020, respectively.

14. The total regional projects and programmes approvals have reflected the increasing demand for this type of projects, which has in recent years, at times, exceeded the supply. For instance, there were three regional projects in the total amount of US\$ 39,533,619 waitlisted in FY2019 for funding approval, because they could not be funded before additional funding was made available through the approval for the FY2020 provision for regional programming.

15. Likewise, the FY2020 provision has been fully utilized and as of the date of this document, there is one regional project proposal that was waitlisted in FY2020 that can only be funded with an additional provision of funding. In addition to the aforementioned waitlisted regional project, there are two other regional projects being recommended by the PPRC to be waitlisted by the Board for approval, for a grand total of US\$ 27,473,509.

16. The allocation of funding for regional projects and programmes is linked to the allocation of project funding for single-country projects, which has been subject to a country cap of US\$ 10 million, established on an interim basis in 2011 through decision B.13/23. At the request of the Board, the secretariat had prepared, for the thirty-second meeting of the Board, document AFB/PPRC.23/3 which reported on the progress and experiences of the pilot programme for regional projects and programmes. The document analyzed that the funding window for regional projects and programmes had been established outside of the country cap and outside of the consideration of the 50 per cent cap on MIEs. As the pipeline was increasing, the document noted that there might be competing priorities in the allocation of funding between the windows for single-country and regional projects and programmes, hence the need for an eventual adjustment by the Board. It was also noted that, as part of the implementation plan of the medium-term strategy (MTS) of the Fund, additional funding windows on enhanced direct access, innovation, learning and readiness grants additional to the existing ones were planned to be created, which

might further increase the need for adjustment of allocation by the Board. Following the discussion, the Board *decided to request the secretariat to prepare, for consideration at the thirty-third meeting of the Board, a document presenting options for criteria for the provision of financial resources between single-country and regional concrete adaptation projects and programmes, including options to establish a country cap on regional projects and programmes and review the country cap on single-country projects and programmes. (Decision B.32/3)*

17. Accordingly, the secretariat had prepared, for consideration by the Board at its thirty-third meeting, document AFB/B.33/8 that discussed options for reviewing the country cap and how regional projects and programmes could be addressed in that context. Owing to a lack of time, the Board did not take up the item at its thirty-third meeting. The Board took it up at its thirty-fourth meeting, considering document AFB/B.34/7, and had a discussion on the agenda item. However, there was no consensus on the matter, and the Board agreed to defer its consideration of the matter to the thirty-fifth meeting.

18. In March 2020, due to the developments related to the global pandemic of COVID-19, the thirty-fifth meeting of the Board, where normally the next provision for regional programming would be decided upon, could not take place in a regular manner. Instead, a procedural meeting took place, which did not include the Board making a decision on the provision for regional programming. Therefore, the Board could not discuss the topics related to country cap and regional allocation referenced above. At the same time, the project and programme review process continued as enabled by the pre-established normal intersessional process and the *Ad Interim* process specifically approved by the Board through decision B.35.a-35.b/39.

19. It is worth noting that the funding decisions made by the Board in fiscal year 2020 have significantly exceeded the resources received by the Fund during the year. As recorded by the Trustee in its Supplemental Report, annexed to the Report by the Board to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) and to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), the amount of funds available to support Board funding decisions as at 30 June 2020, amounted to US\$ 167.2 million, which was 36.9 per cent (US\$ 97.9 million) less than it had been on 30 June 2019.

20. With a view to the pending discussion by the Board on allocation of resources for single-country and regional projects and programmes, the recent trend in the availability of funds to support new funding decisions, and other near-term uncertainties related to the current circumstances of early FY2021, while it is already clear that some funding would be required for the regional projects, it is not clear what the optimal size of provision of funding would be for this fiscal year. Therefore, approving an amount on an interim basis, and revisiting the question of whether further funding may need to be approved at a later point in the year would allow for the processing of the currently-waitlisted project and, potentially in the near future, approved project or projects without the risk of overcommitting regional provisional funding upfront.

RECOMMENDATION

21. The PPRC may consider and recommend to the Board to decide to:

- a) Include in its work plan for fiscal year 2021 the provision for an amount of US\$ 30 million to be provisionally set aside for the funding of regional project and programme proposals, including project formulation grant requests for preparing regional project and programme concept or fully-developed project documents;

- b) Consider the need for additional funding for regional project and programme proposals in the second half of fiscal year 2021.