



ADAPTATION FUND

AFB/PPRC.30/42
4 October 2022

Project and Programme Review Committee
Thirtieth Meeting
Bonn, Germany, 11-12 April 2022

Agenda item 8

**REPORT OF THE SECRETARIAT ON INITIAL
SCREENING/TECHNICAL REVIEW
OF LARGE INNOVATION 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 large innovation project proposals submitted by Multilateral Implementing Entities (MIE) and National Implementing Entities (NIE) 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.

3. At its thirtieth meeting, having considered document AFB/B.30/5/Rev.1, the Adaptation Fund Board decided:

(a) *To adopt the medium-term strategy as amended by the Board, as contained in the Annex 1 of the document AFB/B.30/5/Rev.1 (the MTS); and*

(b) *To request the secretariat:*

(i) *To broadly disseminate the MTS and work with key stakeholders to build understanding and support;*

(ii) *To prepare, under the supervision of the MTS task force, a draft implementation plan for operationalizing the MTS, containing a draft budget and addressing key assumptions and risks, including but not limited to funding and political risks, for consideration by the Board at its thirty-first meeting; and*

(iii) *To draft, as part of the implementation plan, the updates/modifications to the operational policies and guidelines of the Adaptation Fund needed to facilitate implementation of the MTS, for consideration by the Board at its thirty-first meeting.*

(Decision B.30/42)

4. Pursuant to decision B.30/42, subparagraph (b)(ii), the secretariat prepared a draft implementation plan for the MTS, including an assessment of assumptions and risks. The secretariat shared a version of the draft with the MTS task force for comments.

5. The draft implementation plan also contains suggestions for specific funding windows that might be opened under the MTS in complement of the Fund's existing funding windows for single-country and regional adaptation projects and readiness support projects. Following the approval of the implementation plan, the secretariat would present specific proposed details for each new funding window at subsequent meetings of the Board for its consideration, in accordance with the timeline contained in the implementation plan.

6. At its thirty-first meeting, the Adaptation Fund Board discussed the draft implementation plan for the MTS, and members of the Board proposed amendments to the document. The secretariat then presented a revised draft, in document AFB/B.31/5/Rev.1. Having considered that document, the Board decided:

(a) *To approve the implementation plan for the medium-term strategy for the Fund for 2018–2022 contained in the Annex I to document AFB/B.31/5/Rev.1 (the plan);*

(b) *To request the secretariat:*

[...]

(iii) To prepare, for each proposed new type of grant and funding window, a specific document containing objectives, review criteria, expected grant sizes, implementation modalities, review process and other relevant features and submit it to the Board for its consideration in accordance with the tentative timeline contained in Annex I to document AFB/B.31/5/Rev.1, with input from the Board's committees;

(iv) Following consideration of the new types of support mentioned in subparagraph (b)(iii), to propose, as necessary, amendments to the Fund's operational policies and guidelines Fund to better facilitate the implementation of such new types of support; and

[...]

(Decision B.31/32)

7. At the second session of its thirty-fifth meeting, the Board considered document AFB/PPRC.26.b/16, Program on Innovation: Large Grants for Innovation, and the Board decided:

(a) To approve the process for providing funding for innovation through large grants to Implementing Entities (IEs) as described in document AFB/PPRC.26.b/16; including the proposed objectives, review criteria, expected grant sizes, implementation modalities, review process and other relevant features as described in the document;

(b) That the large grants for innovation would fall outside the country cap approved by the Board in decision B.13/23 or, in the case of regional or multi-regional proposals, the regional provision, whereas they would count against the Multilateral Implementing Entity cap as per decision B.12/9;

(c) To request the secretariat to prepare the first Request for Proposals to IEs for a total amount of US \$30 million to be launched by the first quarter of calendar year of 2021; and

(d) To request the secretariat to consider the need to develop specific objectives and indicators for the innovation aspects of the projects, beyond what is included in the regular project performance reporting process and make relevant recommendations to the Board at its thirty-seventh meeting.

(Decision B.35.b/8)

8. At its thirty-sixth meeting, the Board considered the document AFB/PPRC.27/28, Programme on Innovation: Operationalization of Large Grants for Innovation, and the Board decided:

(a) To approve the Innovation Large Grant Project Proposal template, the Review Criteria template and the Instructions for Preparing a Proposal for Innovation Large Grants, as described in annexes II, III and IV to document AFB/PPRC.27/28;

(b) To launch the request for proposals so that submissions of Innovation Large Grants proposals are invited to be considered as early as the thirty-seventh meeting of the Board.

(Decision B.36/24)

9. Subsequently, the first call for project and programme proposals under the indicative set-aside amount of US\$ 30 million was issued to eligible Parties to submit innovation large grant project and programme proposals to the Fund through accredited NIEs, MIEs, and Regional Implementing Entities (RIEs).

Programming To-date

10. At the second session of the thirty-fifth meeting of the Board, the Board issued the first call for project and programme proposals for the amount of \$30 million. The proposals received since the inception of the large innovation project/programme funding window are summarized in Table 1.

Table1: Active pipeline projects under the large innovation project/programme funding window

Project Name	Country /Countries	Implementing Entity	Requested Financing (USD million)	Funding Decision
Access to safe drinking water for the climate vulnerable people in coastal areas of Bangladesh	Bangladesh	PKSF	5,000,000	Full Proposal Not Approved
Securing Water Resources through Solar Energy and Innovative Adaptive Management (SEAM)	Belize	PACT	4,970,000	Concept Not Endorsed
Enhancing Adaptation and Resilience through Nature Based Solutions	Somalia	UNEP	5,000,000	Concept Not Endorsed
Promoting Financial Incentive Mechanisms for Community-Based Sustainable Coastal Wetland Management in Vietnam (CM-FIM)	Viet Nam	IFAD	5,000,000	Concept Not Endorsed
Building Resilience in the Old Lands by Combining Innovations in Irrigation, Agriculture, and Livelihood Activities	Egypt	FAO	4,873,400	Concept Endorsed
Enhancing Hydro met Services through Regional Monitoring Innovation	Regional (Gambia, United Republic of Tanzania)	WMO	5,000,000	Pre-Concept Endorsed
Total			29,843,400	

Large Innovation Project Proposals Submitted by Multilateral and National Implementing Entities for Consideration at the Thirty-ninth Meeting of the Board

11. Accredited multilateral and national implementing entities submitted four large innovation project proposals to the secretariat, with the total requested funding amounting to US\$19,978,034. All four submissions met the requirements for undergoing a complete technical review. These proposals included US\$ 1,423,394 (average of 7.69%) in Implementing Entities management fees and US\$ 1,523,133 or an average of 8.23% in execution costs.

12. The projects were submitted for Chile by the National Implementing Entity (NIE) for Chile, and three projects, including one regional project were submitted by Multilateral Implementing Entities (MIEs). Details of the proposals are contained in the separate PPRC working documents, as follows:

- (a) Viet Nam: AFB/PPRC.30/43
- (b) Chile: AFB/PPRC.30/44
- (c) Bhutan: AFB/PPRC.30/45
- (d) Kenya, Uganda: AFB/PPRC.30/46

Review Process

13. The secretariat subsequently reviewed the supplementary information provided by the IEs and compiled a recommendation that is presented in the addendum to this document (AFB/PPRC.30/42/Add.1).

14. The eligible submissions were posted online for public review and the Adaptation Fund's CSO network as well as members of the Board were notified and invited to provide comments within a specified time period. One civil society organization provided general comments related to the innovation grants for Chile, including the Large Innovation Project. These relate to the recommendations that consultations should be conducted in the local language of the country where the projects will be implemented, to simplify technical language for CSO and community groups, as well as the need to provide sufficient duration for CSO groups to review the documentation to be evaluated in between the start and end date of consultations. These comments were reflected in the technical review. Another issue was raised concerning the lack of communication on the deadline for commenting on the proposals, which the secretariat is planning to discuss with the AF CSO in order to identify if and where communication of key information, such as deadlines, needs to be further strengthened.

15. No comments were received by the Secretariat from the members of the Board.

Issues Identified

Available funding

16. Funding requests to date under the first request for proposals (RFP) under a set-aside of US\$ 30 million launched in 2021 have reached US\$ 49,901,434, which is in excess of the set aside

funding under the first RFP. To recall, as per the MTS Implementation Plan (document AFB/B.31/5/Rev.1), a second request for proposals under the set-aside of US\$ 60 million was provisionally slated to be launched in 2022.

Quality at entry

17. The review process continues to identify issues relating the quality at entry of funding proposals, especially from national implementing entities such as (i) the need for entities to utilize the correct proposal templates at the various stage for innovation large grants, (ii) the need for implementing entities to familiarize themselves with available guidance on the innovation microsite for developing funding proposals, to avoid redundancy and/ or repetition in the information provided, and (iii) the need for proposals to more clearly define and/ or describe the project's innovation rationale. The secretariat aims to continue its efforts at capacity building under the Readiness programme.

Issues identified with the letters of endorsement

18. The secretariat initially received three additional submissions that were deemed ineligible by the secretariat and could not be presented for consideration at the upcoming board meeting as the letters of endorsement were not valid. These included 2 fully-developed single proposals and 1 regional concept note. One innovation large grant fully-developed proposal was submitted by a NIE for a requested amount of US\$ 5,000,000 and a second fully-developed proposal was submitted by a MIE also for US\$ 5,000,000. The regional concept note was also submitted by a MIE for US\$ 5,000,000.

Issues related to innovative adaptation financing

19. Innovative financing being one of the thematic areas under the Large Innovation Project funding window, three out of the four proposals submitted for consideration at the thirty-ninth meeting fall under the innovative adaptation financing thematic area. Two proposals include elements related to blended finance options such as utilizing the AF grant funding to leverage private capital, or co-financing from SMEs and research institutions (in cash and in kind) a small percentage of the of the total budget for innovative micro grants.

20. Related to co-financing, document "Full Cost of Adaptation Reasoning and Co-financing" (AFB/PPRC.29/41) considered at the twenty-ninth meeting of the PPRC outlines the issues related to acceptability of co-financing, namely how currently the Operational Policies and Guidelines of the Fund (OPG) does not provide specific guidance on how to manage potential risks of the activities not being delivered in cases where the co-financing would not materialize. In addition, the OPG does not explicitly consider the potential stronger commitments towards outputs delivery from co-financiers and thus the potentially increased effectiveness of adaptation interventions that co-financing could add.

21. Having considered document AFB/PPRC.29/41, the Board requested, by Decision B.38/40, the secretariat to develop, through a consultative process, guidance on optional co-financing based on the current interpretation of the full cost of adaptation, which, inter alia: (i) Defines the scope and parameters for Adaptation Fund co-financing; (ii) Identifies the suite of financial instruments that can be utilized; (iii) Outlines pathways to address potential risks, and to present the draft guidance to the PPRC at its thirty-first meeting.

22. While innovative projects such as those mentioned above have the potential to play an important role in creating a blueprint for scaling up local solutions with private sector finance, accelerating private capital for small enterprises or creating an evidence base of learning from what models of innovation adaptation finance work, the absence of a policy and guidelines that would facilitate co-financing schemes that may put the project at risk of achieving its outcomes if co-financing would not materialize, is one challenge in considering such projects. The Board may want to consider this matter and the possibility of allowing for a more generous risk appetite¹ for innovation projects/programmes specifically, compared to that for other portfolios of the Fund.

¹ The Board at its thirty-fifth meeting defined Risk Appetite as the amount of risk an organization is willing to accept in pursuit of its strategic objectives.

Table 2: Large innovation project proposals submitted to the thirty-ninth Board meeting

11. Full Proposals Single Country: Large Innovation Projects	Region/Countries	IE	PPRC Document number	Grant Size, USD	IE Fee, USD	IE Fee %	Execution Cost, USD	EC %
MIE								
	Viet Nam	IFAD	AFB/PPRC.30/43	5,000,000	391,705	8.50%	437,788	9.50%
Sub-total, USD				5,000,000	391,705		437,788	
12. Concepts Single Country: Large Innovation Projects	Region/Countries	IE	PPRC Document number	Grant Size, USD	IE Fee, USD	IE Fee %	Execution Cost, USD	EC %
NIE								
	Chile	AGCID	AFB/PPRC.30/44	5,000,000	250,000	5.26%	250,000	5.26%
MIE								
	Bhutan	WFP	AFB/PPRC.30/45	4,978,034	389,984	8.50%	398,050	8.68%
Sub-total, USD				9,978,034	639,984		648,050	
14. Concepts Regional: Large Innovation Projects	Region/Countries	IE	PPRC Document number	Grant Size, USD	IE Fee, USD	IE Fee %	Execution Cost, USD	EC %
MIE								
	Kenya, Uganda	UNIDO	AFB/PPRC.30/46	5,000,000	391,705	8.50%	437,295	9.49%
Sub-total, USD				5,000,000	391,705		437,295	
Total				19,978,034	1,423,394	7.69%	1,523,133	8.23%

13. Project Formulation Grants (PFG) Single Concept: Large Innovation Projects	Region/Countries	IE	PPRC Document number	Grant Size, USD
NIE				
	Chile	AGCID	AFB/PPRC.30/44/Add.1	50,000
Sub-total, USD				50,000
15. Project Formulation Grants (PGF) Regional Concepts: Large Innovation Projects	Region/Countries	IE	PPRC Document number	Grant Size, USD
MIE				
	Kenya, Uganda	UNIDO	AFB/PPRC.30/46/Add.1	30,000
Sub-total, USD				30,000