



ADAPTATION FUND

AFB/PPRC.31/67
16 March 2023

Adaptation Fund Board
Project and Programme Review Committee
Thirty-first Meeting
Bonn, Germany, 21-22 March 2023

Agenda item 24

ANNUALLY DETERMINED FUNDING PROVISIONS FOR FISCAL YEAR 2024

Background

1. This document presents to the Project and Programme Review Committee (PPRC) of the Adaptation Fund Board (the Board) a proposal for funding provisions for the Fiscal Year 2024, developed in parallel with the Implementation Plan for the second Medium-term Strategy of the Fund (2023-2027).

Funding Window: Regional Projects and Programmes

2. 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; 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)

3. In accordance with 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 (DAs) of the Adaptation Fund, and to Multilateral Implementing Entities (MIEs) and Regional Implementing Entities (RIEs) accredited by the Board.

4. 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)

5. The Board considered, 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)

6. 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:*
 - a. 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;*
 - b. 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)

7. At the twenty-ninth meeting, having considered the comments and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board (the Board) decided:

- (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)

8. 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)

9. For the fiscal year 2020, the decision was taken by the Board to approve the same amounts as for the year 2019 (decision B.33/12).

10. Subsequently, for the fiscal year 2021, given the extraordinary set of circumstances brought on by the pandemic, having considered the proposal by the secretariat as contained in document AFB/PPRC.26.a-26.b/22, and the recommendation by the Project and Programme Review Committee, the Adaptation Fund Board decided 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.*

(Decision B.35.a-35.b/75)

11. At its thirty-sixth meeting, the Adaptation Fund Board decided to include in its work programme for fiscal year 2022 a 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;*
- (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.36/1)

12. In addition, at its thirty-sixth meeting, the Adaptation Fund Board decided to revise the country cap and maintain the processes for allocation of funding for regional projects, as follows:

- (a) To revise the cap per country established by decision B.13/23 from US\$ 10 million to US\$ 20 million for all eligible developing country Parties, so that any Party could access a total of up to US\$ 20 million from the Adaptation Fund once it had accessed funding amounting to at least US\$ 8 million for concrete single-country adaptation projects or programmes or once four years had passed since approval of the first concrete single- country adaptation project(s)/(programme(s) by the Board, whichever occurred earlier;*
- (b) To set a maximum level of US\$ 10 million for an individual funding request for single country concrete adaptation projects, provided that lower maximum levels could be set by the Board in specific circumstances, such as in the case of national implementing entities accredited through the streamlined process;*
- (c) To maintain the processes already put in place for the allocation of funding for regional projects and programmes, i.e., the provision on an annual basis (fiscal year) of a specific amount for the funding of regional project and programme proposals and the pipeline established through decision B.31/3;*

- (d) *To assess implications of decision B.36/41 three years after the thirty-sixth meeting of the Board, taking into consideration resource availability, equitable access to funds, accreditation progress and programmatic development of the Fund;*
- (e) *To inform the designated authorities and accredited implementing entities of this decision.*

(Decision B.36/41)

13. Most recently, at its thirty-eighth meeting, the Board again decided to include in its work programme for the fiscal year 2023 a provision for the amount of US\$ 60 million, as per Decision B.38/5.

Funding window: Enhanced Direct Access

14. At the second session of its thirty-fifth meeting, the Board considered the document AFB/PPRC.26.b/18, *Window for Enhanced Direct Access under the MTS*, and the Board decided:

- (a) *To approve the pilot for projects submitted through the window for enhanced direct access (EDA) to promote EDA and further promote locally led adaptation under the Fund;*
- (b) *That the pilot window to promote EDA projects/programmes shall be available to national implementing entities (NIEs) only, in the form of a grant up to a maximum of US\$5 million per country;*
- (c) *That the window for EDA will not count against what the country could access under the country cap established by the Board for regular concrete projects/programmes;*
- (d) *That the execution costs for proposals submitted under the EDA window should be up to a maximum of 12 per cent of the total project/programme budget requested before the implementing entity fees, and should not exceed 1.5 per cent in cases where the Implementing Entity has also taken on the role of Execution Entity for the proposed project/programme activities, and that the implementing entity fee should be up to a maximum of 10 per cent of the total project costs;*
- (e) *That NIEs submitting proposals through the EDA window should do so using the existing approved proposal template and guideline materials for regular concrete projects/programmes nonetheless taking note of the project fees in subparagraph (d) and that EDA proposals submitted through the two-step project approval process are eligible for the project formulation grant and project formulation assistance grant as per the approved criteria by the Board for those grants;*
- (f) *That the review cycle and approval of projects/programmes submitted through the EDA window shall follow the review and approval process as well as reporting requirements for regular projects/programmes under the Fund notwithstanding*

adherence to subparagraph where it concerns the review and approval of project fees; and

- (g) To request the secretariat to present to the PPRC at its twenty-eighth meeting, an analysis of the project review cycle for EDA projects including an update on the implementation status of the EDA window.*

(Decision B.35.b/10)

15. At its thirty-sixth meeting, the Board decided to include in its work programme for fiscal year 2022 a provision for an amount of US\$ 20.2 million, to be provisionally set aside as follows:

- (a) Up to US\$ 20 million for the funding of Enhanced Direct Access projects;*
- (b) Up to US\$ 200,000 for the funding of project formulation and project formulation assistance grant requests for preparing Enhanced Direct Access fully developed project documents.*

(Decision B.36/2)

16. Subsequently the first call for project and programme proposals under the indicative set amount of US\$ 20 million was issued to eligible Parties to submit Enhanced Direct Access project and programme proposals to the Fund through accredited NIEs.

17. Most recently, at its thirty-eighth meeting, the Board again decided to include in its work programme for fiscal year 2023 a provision for an amount of US\$ 20.2 million, as per Decision B.38/39.

Funding window: Innovation Large Projects and Programmes

18. 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)

19. At its thirty-first meeting, the Adaptation Fund Board having considered document AFB/B.31/5/Rev.1 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)

20. 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)

21. The Operationalization of Large Grants for Innovation was effective based on decision B.36/24. 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).

22. However, no annual funding provision has been set in the past.

Funding window: Innovation Small Grants

23. Following the adoption of the Decision B.30/42 and Decision B.31/32 at the thirtieth and thirty-first meeting, respectively,

at its thirty-second meeting, the Board considered document AFB/PPRC.23/4/Rev.2, Program on Innovation: Small Grants Projects through Direct Access Modality, and the Board decided:

- (a) To approve the process for providing funding for innovation through small grants to National Implementing Entities (NIEs), as described in document AFB/PPRC.23/4/Rev.2, including the proposed objectives, review criteria, expected grant sizes, implementation modalities, review process and other relevant features as described in the document; and
- (b) To request the secretariat to prepare the first request for proposals to NIEs for US\$ 2 million, to be launched at the twenty-fourth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change in December 2018.

(Decision B.32/4)

24. Subsequently, the first request for proposals (RFP) to NIEs for US\$ 2 million was launched at the UNFCCC Conference of the Parties in December 2018. However, no annual funding provision has been set to-date.

25. **Funding window: Learning Grants** Following the adoption of Decision B.31/32 cited above, at the thirtieth-second meeting of the Adaptation Fund Board, based on its consideration of AFB/B.32/9 on proposed approach, application process, review criteria and features of the learning grants, the Board decided:

- (a) *To make learning grants available for national implementing entities between financial year 2019 and financial year 2023 up to a maximum of US\$ 400,000 per year as direct transfers from the resources of the Adaptation Fund Trust Fund;*
- (b) *That the learning grants would not count against the country cap approved by the Board in decision B.13/23;*
- (c) *To approve:*
 - (i) *The features and implementation arrangements of the learning grants as set out in document AFB/B.32/9; and*
 - (ii) *The application form, review criteria and review template for the learning grants as set out in annexes II, III and IV of document AFB/B.32/9;*

(d) To request the secretariat to issue a call for proposals for learning grants in accordance with the tentative timeline set out in the annex to document AFB/B.31/5/Rev.1 and the budget pursuant to (a) above;

(e) To request the secretariat to develop and present to the Board at its thirty-third meeting:

(i) A standard legal agreement for learning grants;

(ii) Notification templates for project start and project completion for learning grants;

(iii) Monitoring and evaluation templates for learning grants; and

(iv) A results framework for learning grants;

(f) To request the Project and Programme Review Committee (PPRC) of the Board to review learning grant proposals and make recommendations to the Board in line with other grant approval procedures approved by the Board; and

(g) To request the secretariat to report to the Board annually on the implementation progress for learning grants through the annual performance report; and

(h) To request the secretariat to present to the PPRC at its twenty-fifth meeting an analysis of the project review cycle for learning grants, with potential options, for its consideration.

(Decision B.32/38)

26. Subsequently, the first call for learning grant proposals under the indicative set aside amount of US\$ 400,000 was issued to National Implementing Entities (NIEs), based on decision B.32/39, subparagraph (e).

27. **Funding window: Project Scale-up Grants** Following the adoption of Decision B.31/32 cited above, at the thirtieth-second meeting of the Adaptation Fund Board, based on its consideration of AFB/B.32/9 on proposed approach, application process, review criteria and features of the learning grants, the Board decided:

(a) To make project scale-up grants available for national implementing entities between financial year 2019 and financial year 2023 up to a maximum of US\$ 200,000 per year as direct transfers from the resources of the Adaptation Fund Trust Fund;

(b) That the project scale-up grants would not count against the country cap approved by the Board in decision B.13/23;

(c) To approve:

(i) The features and implementation arrangements of the learning grants as set out in document AFB/B.32/10; and

(ii) The application form, review criteria and review template for the scale-up grants as set out in annexes I, II and III of document AFB/B.32/10;

(d) To request the secretariat to issue a call for proposals for project scale-up grants in accordance with the tentative timeline set out in the annex to document AFB/B.31/5/Rev.1 and the budget pursuant to (a) above;

(e) To request the secretariat to develop and present to the Board at its thirty-third meeting:

(i) A standard legal agreement for learning grants;

(ii) Notification templates for project start and project completion for project scale-up grants;

(iii) Monitoring and evaluation templates for project scale-up grants; and

(iv) A results framework for project scale-up grants;

(f) To request the Project and Programme Review Committee (PPRC) of the Board to review project scale-up grant proposals and make recommendations to the Board in line with other grant approval procedures approved by the Board; and

(g) To request the secretariat to report to the Board annually on the implementation progress for project scale-up grants through the annual performance report; and

(h) To request the secretariat to present to the PPRC at its twenty-fifth meeting an analysis of the project review cycle for scale-up grants, with potential options, for its consideration.

(Decision B.32/39)

28. Subsequently, the first call for learning grant proposals under the indicative set aside amount of US\$ 200,000 was issued to National Implementing Entities (NIEs), based on decision B.32/39, subparagraph (e).

Proposed Recommendation

29. Currently, funding provisions are set annually for some windows only, while other funding provisions are set for the MTS period or not at all. The secretariat proposes that funding provisions be set annually for all funding windows, except for the regular single-country projects. This is with the aim of enabling better tracking and management of the funding allocations in response to both demand and availability of funds. It is advised that all funding provisions for the various windows be considered in the same decision to enhance clarity and transparency.

30. The PPRC may want to consider and recommend to the Board:

(a) To request the secretariat to include in its work programme for fiscal year 2024 a provision for an amount of:

(i) US\$ 100 million for funding regional project and programme proposals, including the funding of project formulation grant requests for preparing regional project and programme concept or fully-developed project documents;

- (ii) US\$ 30.3 million for funding EDA projects and programmes, including the funding of project formulation and project formulation grant requests for preparing enhanced direct access fully-developed project documents;
- (iii) US\$ 30.3 million for funding large innovation projects and programmes, including the funding of project formulation and project formulation grant requests for preparing large innovation fully-developed project documents;
- (iv) US\$ 1.5 million for funding small innovation grants;
- (v) US\$ 1 million for funding learning grants;
- (vi) US\$ 1 million for funding project scale-up grants.