



ADAPTATION FUND

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Agenda item 5

ANALYSIS OF THE REASONS FOR DELAYS IN PROJECT INCEPTION

Background

1. The Adaptation Fund Board (the Board) approved a Policy for Project/Programme Delays in its twenty-first meeting (Decision B.21/16), which was amended in October 2017 (decision 29-30/15). In that policy, the board has set a target of six months from the first cash transfer to project/programme start. Each implementing entity has its own internal project cycle with different definitions for various milestones, including project start dates. For concrete adaptation projects/programmes the Board decided to consider the start date the first day of the project/programme's inception workshop (Decision B.18/29). The Implementing Entity must therefore submit both the date of the inception workshop and the entity's inception report to the Fund secretariat no later than one month after the workshop has taken place.

2. At its thirty-second meeting in October 2018, the Board, after having reviewed and approved the Adaptation Fund's (the Fund) Annual Performance Report (APR) for fiscal year 2018 (FY18) (AFB/EFC,10/4), requested the secretariat to provide:

[...]

(ii) A report with an analysis of the reasons for delays in project inception, based on information received from the implementing entities, related to the cases listed in document AFB/EFC.23/3, Table 5; and

(iii) An overview of practices followed by other climate funds on how to address project delays.

(Decision B.32/35)

3. The discussion at the twenty-third EFC meeting centered on delays to project start. The Adaptation Fund Board Secretariat (the secretariat) therefore prepared the following document to analyze in greater detail the reasons for which projects/programmes have taken more time from the first transfer of funds to project start.

4. Since 2010 through FY18, the average elapsed time from first cash transfer to project start is 8.5 months, as indicated in the Annual Performance Report (APR) for FY18. This falls beyond the six months target the Board set for the Fund but at the same time is an indication that the majority of the Fund's projects have not faced very long delays in commencing execution.

5. The current document describes common reasons for delays to project start, provides additional information on specific delays as sent to the secretariat from implementing entities, and details the practices of other climate funds with respect to the delays in project's inception.

Reasons for Delays in Project Inception

6. The following table included in the APR for FY18 (document AFB/EFC.23/3), presents a list of projects/programmes approved and not started as of 30 June 2018. Since the reason of the present analysis was based on the cases listed in the table, the original list is reported. Nevertheless, the secretariat included newly available information about the inception's dates for some of the listed projects.

TABLE 1: PROJECTS APPROVED NOT STARTED AS OF JUNE 30, 2018 (FROM APR FY 18)

Country	Sector	Implementing Entity	Project Approval (Date)	First cash transfer (date)	Elapsed Time*
Nepal	Food Security	WFP	01/04/2015	07/12/2016	23
Niger	Food Security	BOAD	07/05/2016	02/27/2017	16
Honduras (2)	Multisector Projects	UNDP	03/17/2017	06/19/2017	12
Paraguay	Food Security	UNEP	03/17/2017	07/24/2017	11
Peru	Rural Development	CAF	03/17/2017	07/31/2017	11
Ethiopia/Kenya/Uganda	Food Security	WMO	03/17/2017	07/28/2017	11 ¹
Burundi/Kenya/Rwanda/ United Republic of Tanzania/ Uganda	Water Management	UNEP	07/05/2017	11/28/2017	7
Senegal (2)	Coastal Management	CSE	10/13/2017	11/20/2017	7 ²
Solomon Islands (2)	Urban development	UN-Habitat	10/13/2017	01/24/2018	5 ³
Fiji	Urban development	UN-Habitat	10/13/2017	01/24/2018	5 ⁴
Guinea Bissau	Agriculture	BOAD	10/13/2017	01/29/2018	5
Namibia	Water Management	DRFN	10/13/2017	01/22/2018	5 ⁵
Cook Islands (2)	Multi-sector Projects	MFEM	03/23/2018	05/29/2018	1 ⁶
Iraq	Agriculture	IFAD	03/23/2018	05/17/2018	1
Micronesia, Federated States of (2)	Multi-sector Projects	MCT	03/23/2018	05/16/2018	1 ⁷

* Month is the time unit used for the elapsed time calculations are made as of June 30, 2018

Analysis of reasons for project inception delays

7. To analyze the key reasons for project inception delays, the secretariat developed and sent out a survey (attached in Annex 1) to implementing entities (IE) listed in table 1 to enquire about the challenges faced by IEs that are preventing the timely commencement of implementation.

8. The section below presents the reasons for inception delays based on the survey responses received by the secretariat. It should be noted that this is not an exhaustive list as the context and experiences differ from one country to another. Furthermore, the reasons for inception delays listed below are not in any order of significance.

1 Project started on 28 August 2018

2 Project started on 23 October 2018

3 Project started on 28 July 2018

4 Project started on 11 August 2018

5 Project started on 16 July 2018

6 Project started on 6 December 2018

7 Project started on 3 July 2018

Unforeseen changes in essential personnel

9. The appointment of a new Designated Authority (DA) for a country involves process of familiarization with administrative processes, procedures and responsibilities that may impact the timeliness of actions required to begin implementation. For instance, it may slow down administration processes or delay the setting up of a steering committee for the project.

10. Changes in the project management team may lead to a loss in project knowledge and processes. The loss of experienced personnel due to employment attrition (retirement and resignation) or health reasons may leave gaps in knowledge. Recruitment processes may take longer than usual if a suitable candidate is not found. This may also be due to the poor availability of qualified candidates in countries. Additionally, coordination efforts may also be delayed as key stakeholders may not yet completely understand their roles in the project.

Cumbersome procurement and recruitment processes

11. Delays in execution of activities may be impacted by cumbersome government procurement processes that may be time consuming, but which the executing entity may be required to apply. Project inception would therefore be postponed until a compilation of request for proposal (RFP), tender advertisement, tender evaluation and award has been completed.

12. Inception workshops may be delayed as there may be a requirement to hire key technical consultants who would be prominent members in the project team. The project start date may be delayed due to the requirement for key technical consultants to attend the workshop.

13. Delays in inception may also be due to the unique government recruitment processes. In the case of new positions within the government agency structure, there is a process for formalization of change in the organizational structure for each agency involved prior to commencement of the recruitment process. The process of preparation of job descriptions and/or terms of reference for all new positions prior to advertising, in compliance with government procedures, may require additional time. For regional projects/programmes the recruitment process may take a longer time as approvals are required from all participating country agencies.

Unrealistic scheduling of project milestones in the project proposal

14. Unrealistic scheduling of project/programme activities to be carried out in the first project year may impact not only the inception date, but also extend the completion date of the project /programme. This may be ascribed to the lack of or poor consultation by the project compilers with the technical units of the executing entity (EE) that would be responsible for project execution.

Ad hoc execution arrangement

15. Ad hoc execution arrangement may be necessitated by new political priorities. Based on new political priorities, an EE may not be in the position to receive the project funds, as may be originally stipulated in the agreement. In such a case the EE may request the IE for administrative support for the execution of the project. Coming up a joint solution that respects the IE's internal procedures and maintain the EE's appropriation may take additional time. Additionally, the IE has to also demonstrate compliance with the Fund's cap (1.5%) on direct project services.⁸

⁸ As per OPG Annex 7: Project/Programme Implementation, "In the exceptional case when implementing entities are requested by governments to provide all or part of the execution services related to the project they seek to

Unstable political climate and natural disasters

16. Constitutional restructuring and protracted political instability that involves frequent transfer of government officials (civil servants) in ministries, creating a leadership vacuum and lack of institutional memory may adversely affect project inception. Political crisis during and after general elections, protests in regards the results of the elections, episodes of civil unrest, as well as accusations of fraud and corruption may significantly impact governance, decision-making and absorption capacity of government and public institutions, adversely affecting project inception.

17. Devasting natural disasters may lead to significant delays in project inception as all stakeholders (including executing entities) may be fully involved in and focusing on emergency responses and relief activities.

Coordination challenges faced by regional projects

18. Projects are country driven involving consultation, engagement and agreement with various national and sub-national stakeholders. In this respect, especially in the case of regional projects, engagement efforts among countries and various stakeholders may take longer than usual to ensure ownership, sustainability and the ultimate success of the project. Regular dialogues among project partners and government departments as well as finding a suitable platform for project inception for regional projects have unique challenges that may require additional time.

Setting up of fund management structures and accountability mechanisms for transboundary projects

19. For regional projects/programmes there may be a requirement to develop and sign a Memorandum of Understanding (MoU) between the transboundary commission (if any) and the project countries before sending funds. This may be important to ensure government ownership and sustainability of the project after AF support comes to an end and to enhance accountability issues in the event the project funds are used to support activities other than its intended purpose.

Practices Followed by Other Climate Funds

The Global Environmental Facility

20. In the Global Environmental Facility (GEF) the project cycle starts with the Project Identification Form (PIF) submission by a proponent. The actual approval of a project/program takes place in the form of the CEO endorsement. Once the project has been endorsed by the CEO, the Agency obtains approval from its governing body following its internal rules and procedures. Project preparation ends when the project becomes effective, and begins implementation, marked by the first disbursement.

21. As indicated in the document “GEF/C.50/Inf.05”, the main reasons identified for delays in disbursement of more than 1 year after CEO Endorsement/Approval are related to: lengthy

implement, the Adaptation Fund Board (the Board) had decided (decision B.17/17.f) to cap execution costs for projects/programmes implemented and executed by the same entity at 1.5% of the project/programme cost”.
<https://www.adaptation-fund.org/document/opg-annex-7-projectprogramme-implementation/>

government approval process, prolonged recruitment process, change in government, political or social turmoil or natural disasters in the country, Executing Agency issues⁹. Beyond CEO endorsement, in general it takes a long time for projects to begin implementation on the ground.

22. As a result of a policy approved by the GEF Council in December 2018 (decision on agenda item 04), projects sent from 1 March 2019 will be cancelled if they have not been submitted for CEO endorsement within 12 months of Council approval, and if they are not endorsed by the CEO in 18 months after the approval by Council (this applies to full-sized projects whose total amount is 2 million and up), for the small projects the deadline is 12 months.

23. In order to counterbalance a project's inception delay, the GEF, through a recently approved Council document¹⁰ (55th GEF Council), is introducing new incentive measures, as a revised agency fee schedule (effective from March 1st, 2019), which will incentivize Executing Agencies to start the projects sooner. Before the introduction of this adjustment, for full-sized as well as medium-sized projects, the full fee was committed before implementation start. Now the Agency fee for full-sized project is committed in three tranches: at Council Approval (20%), first disbursement (50%), and mid-term review submission (30%). For medium-sized projects, the full fee is committed at first disbursement.¹¹

The Green Climate Fund

24. The Green Climate Fund (GCF) annual portfolio performance report for FY17 (the annual reporting period ends on 31 December 2017) indicates that all reported funded activities under implementation described some challenges related to project implementation in the annual performance reports (APRs). Among the reporting projects, one project was presenting high impact challenges, including project commencement activities and delays in local staff recruitment.

25. In the Funded Activity Agreement (FAA), there is a termination clause which stipulates that the agreement will terminate if it has not entered into effect by the date which falls a given number of calendar days – normally 90 days – after the date of execution of the agreement. The agreement shall be deemed effective once the GCF dispatches to the Accredited Entity a notice of its acceptance of the evidence specified in the agreement, e.g. legal opinion/certificate issued by legal counsel etc¹².

The Climate Investment Funds

26. Finally, the corrective measure at the Climate Investment Funds (CIF) is to flag the delayed projects during the Trust Fund Committees (TFC) meetings and have the Multilateral Development Banks (MDB) explain directly to the TFC members why it is delayed and what measures that have been put in place to address the issues. This is then followed up on in the next meeting (6 months later). Once projects are severely delayed, the MDBs own procedures for cancellations also kick in¹³.

9 Analysis of First Disbursement, GEF/C.50/Inf.05

10 Policy Measures to Enhance Operational Efficiency, Accountability and Transparency, GEF/C.55/04/Rev.01

11 Ibid.

12 From email correspondence with the GCF secretariat.

13 From email correspondence with CIF representative.

Conclusion

27. Overall, the Fund has not experienced many extensive delays to project start. Based on the answers from the IEs in most of the cases project/programme delay in inception has been attributed to exogenous factors (i.e. unforeseen changes in project personnel, government changes, unstable political conditions or natural disaster), whereas in some cases the reasons can be foreseen (i.e. multi-stakeholder coordination in regional activities, cumbersome procurement and recruiting processes), and the IEs mitigation plans should be more efficient. In many cases these issues been resolved, and these projects are now fully under implementation.

28. Additionally, compared with the practices followed by other climate funds it seems that the Adaptation Fund measures in place are balanced. While the GEF attributes a higher weight in the delay for projects/programmes in the pipeline (between council approval and CEO endorsement), the CIF request an explanatory note from the MDB. The GCF, instead puts in place cancellation measures, for which the FFA will terminate if it has not entered into effect by 90 days after the date of execution of the agreement. The Adaptation Fund performance-based disbursement of funds (after the clearance of the annual performance reports), can be considered an adequate approach to incentivize IEs during the project implementation, and in a lesser degree for the inception phase.

29. The secretariat will continue to monitor and report on elapsed time, not only for project start but also project implementation and closure. This analysis will continue to be provided in detail through the Fund's APR. The secretariat will also continue reminding all IEs of due diligence on the Project Delay Policy. In addition, the secretariat will continue to send reminders (2 months before project expected start date) to relevant IEs with the request to send explanatory letters, signed by the IE and the Designated Authority, if the projects/programs are expected to start with delay.

Annex 1

Adaptation Fund questionnaire on project inception delays

During the thirty-second Adaptation Fund Board meeting, following the presentation of the Adaptation Fund Annual Performance Report (APR) FY 18, the Adaptation Fund Board Secretariat received a request from the Adaptation Fund Board (the Board) through Decision AFB. 32/35 to present an analysis on the chief reasons for project/programme inception delays at the thirty-third Board meeting. In this respect, you are requested to kindly fill out the below survey questions.

- 1) Name of project

- 2) Implementing entity name

- 3) Executing entity/ entities' name

- 4) Kindly describe briefly the key reasons for delay in project's/programme' s inception and the number of months of delay from the project approval date.

- 5) In the face of challenges affecting the project's/programme's inception, what were the approaches/ mitigation measures used to ensure the start of implementation?

- 6) Kindly describe, if any, challenges (in addition to those mentioned in question 4), that may extend the project/programme completion date.

- 7) In hindsight, would there have been anything the Adaptation Fund could have done, in addition to what it did, to help minimize the delays (while respecting the country-driven nature of the process)?
